

HPI RESOURCES BERHAD

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

Interim Financial Report

4th Quarter Ended

31 May 2010

HPI RESOURCES BERHAD

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

Condensed Consolidated Income Statements

For the year ended 31 May 2010

	Note	CURRENT QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 12 MONTHS ENDED	
		31.05.10 RM'000	Restated As at 31.05.09 RM'000	31.05.10 RM'000	Restated As at 31.05.09 RM'000
Continuing Operations					
Revenue	4	101,642	77,331	372,551	345,393
Cost of sales		(83,541)	(61,094)	(308,965)	(291,204)
Gross Profit		18,101	16,237	63,586	54,189
Other Income		566	46	1,869	7,518
		18,667	16,283	65,455	61,707
Administrative expenses		(6,180)	(5,550)	(25,316)	(23,704)
Selling and marketing expenses		(2,678)	(2,094)	(8,613)	(9,116)
Finance costs		(971)	(960)	(4,669)	(6,633)
Interest income		28	87	77	75
Share of profit of associates		53	439	53	439
Profit before tax		8,919	8,205	26,987	22,768
Income tax expenses		(1,622)	(161)	(3,912)	(3,703)
Profit for the period		7,297	8,044	23,075	19,065
Attributable to:					
Equity holders of the parent		7,244	7,977	22,842	18,974
Minority interest		53	67	233	91
		7,297	8,044	23,075	19,065
Earnings per share attributable					
to equity holders of the parent:					
Basic, for profit for the period	27	13.61	14.99	42.91	35.65
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 31 May 2010

	Note	As At 31.05.2010 RM'000	(Restated) As At 31.5.2009 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		123,979	122,409
Investment properties		875	882
Prepaid lease payments		8,192	8,531
Intangible assets		2,280	2,280
Investments in associates		148	95
Other investment		161	155
Deferred tax benefit		374	780
		<u>136,009</u>	<u>135,132</u>
Current assets			
Inventories		49,473	38,299
Trade receivables		87,976	67,820
Other receivables		8,455	4,204
Tax recoverable		1,109	741
Fixed deposit		141	1,347
Cash and bank balances		30,941	13,901
		<u>178,095</u>	<u>126,312</u>
TOTAL ASSETS		<u>314,104</u>	<u>261,444</u>
EQUITY AND LIABILITIES			
Equity attributable			
Share capital		53,229	42,583
Share premium		-	6,881
Other reserves		(3,860)	(1,928)
Retained earnings		94,343	76,331
Equity attributable to equity holders of the parent		<u>143,712</u>	<u>123,867</u>
Minority Interest		773	540
Total equity		<u>144,485</u>	<u>124,407</u>
Non-current liabilities			
Borrowings	23	24,118	23,360
Deferred tax liabilities		4,650	4,233
		<u>28,768</u>	<u>27,593</u>
Current liabilities			
Borrowings	23	102,425	73,952
Trade payables		30,273	21,003
Other payables		7,130	14,391
Current tax payable		1,023	98
		<u>140,851</u>	<u>109,444</u>
Total liabilities		<u>169,619</u>	<u>137,037</u>
TOTAL EQUITY AND LIABILITIES		<u>314,104</u>	<u>261,444</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)			
		2.6999	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 year ended 31 May 2010

	<----- Attributable to Equity Holders of the parent----->				Minority Interest	Total Equity	
	<--- Non-distributable --->		Distributable				
	Share Capital RM1000	Share premium RM1000	Reserves - RM1000	Retained Earnings RM1000	Total RM1000	RM1000	RM1000
At 1 June 2008							
As previously stated	42,583	6,881	(4,566)	53,752	98,650	-	98,650
Effects of FRS 112	-	-	-	3,903	3,903	-	3,903
	42,583	6,881	(4,566)	57,655	102,553	-	102,553
Foreign currency translation	-	-	2,340	-	2,340	-	2,340
Profit for the year	-	-	-	18,974	18,974	91	19,065
Total recognised income and expenses for the year	-	-	2,340	18,974	21,314	91	21,405
Acquisition of subsidiary	-	-	-	-	-	449	449
Transfer to legal reserve fund	-	-	298	(298)	-	-	-
At 31 May 2009	42,583	6,881	(1,928)	76,331	123,867	540	124,407
At 1 June 2009							
As previously stated	42,583	6,881	(1,928)	76,331	123,867	540	124,407
Foreign currency translation	-	-	(1,932)	-	(1,932)	-	(1,932)
Profit for the period	-	-	-	22,842	22,842	233	23,075
Total recognised income and expense for the period	-	-	(1,932)	22,842	20,910	233	21,143
Dividend paid	-	-	-	(1,065)	(1,065)	-	(1,065)
Bonus Issue	10,646	(6,881)	-	(3,765)	-	-	-
At 31 May 2010	53,229	-	(3,860)	94,343	143,712	773	144,485

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 year ended 31 May 2010

	12 months ended	
	31.05.2010	31.05.2009
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	26,987	22,768
Adjustment for:		
Depreciation and amortisation	11,658	9,718
Gain on disposal of fixed assets	(225)	(151)
Loss on disposal of associate	-	1,357
Interest expenses	5,185	6,558
Interest income	(77)	(75)
Fixed assets written off & impairment loss	493	173
Goodwill written off	-	397
Doubtful debts & written off	86	822
Waive of bank borrowings	-	(552)
Share of profit associated	(53)	(439)
Operating profit before changes in working capital	44,054	40,576
Inventories	(11,173)	14,176
Trade and other receivables	(22,128)	25,981
Trade and other payables	1,594	438
Cash generated from operations	12,347	81,171
Interest paid	(5,185)	(6,558)
Tax paid	(2,694)	(2,005)
Net cash generated from operating activities	4,468	72,608
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash required	(3,264)	(9,313)
Purchase of property, plant and equipment	(13,368)	(31,288)
Proceeds from disposal of property, plant and equipment	303	1,176
Proceeds from disposal of associate	-	1,117
Interest received	77	75
Net cash used in investing activities	(16,252)	(38,233)

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Condensed Consolidated Cash Flow Statement (Cont'd) For the year ended 31 May 2010

	12 months ended	
	31.05.2010	31.05.2009
	RM'000	RM'000
Cash flows from financing activities		
Decrease in pledged deposit with licensed banks	8	28
Proceeds from hire purchase liabilities	4,297	(767)
Proceeds from (Repayment to) bank borrowings	24,845	(38,761)
Dividends paid	(1,065)	-
Net cash generated from (used in) financing activities	<u>28,085</u>	<u>(39,500)</u>
Effects of foreign exchange rate changes	<u>(459)</u>	<u>37</u>
Net increase(decrease) in cash and cash equivalents	16,301	(5,125)
Cash and cash equivalents at beginning of year	<u>15,099</u>	<u>15,854</u>
Cash and cash equivalents at end of year	<u><u>30,941</u></u>	<u><u>10,766</u></u>

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

	As at	As at
	31.05.2010	31.05.2009
	RM'000	RM'000
Cash and bank balances	30,941	13,901
Fixed Deposit	141	1,347
Less: Deposits pledged to banks	<u>(141)</u>	<u>(149)</u>
	30,941	15,099
Bank overdrafts	<u>-</u>	<u>(4,333)</u>
	<u><u>30,941</u></u>	<u><u>10,766</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

	Current quarter		Cumulative quarter	
	3 months ended		12 months ended	
	31.05.2010	31.05.2009	31.05.2010	31.05.2009
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Revenue from continuing operations:				
Paper Milling	17,905	10,567	65,042	39,198
Packaging	93,444	69,404	327,672	318,500
Transportation	3,198	1,530	8,254	6,453
Total revenue including inter-segment sales	114,547	81,501	400,968	364,151
Elimination of inter-segment sales	(12,905)	(4,170)	(28,417)	(18,758)
Total	101,642	77,331	372,551	345,393

Segment Result

Results from continuing operations:				
Paper Milling	4,689	1,097	9,262	2,414
Packaging	5,866	7,255	20,385	20,968
Transportation	311	130	788	802
	10,866	8,482	30,435	24,184
Eliminations	(1,947)	(277)	(3,448)	(1,416)
Total	8,919	8,205	26,987	22,768

By Geographical Location:-

- Revenue

Malaysia	85,718	63,554	316,271	284,933
Cambodia	15,924	13,777	56,280	60,460
Total	101,642	77,331	372,551	345,393

- Result

Malaysia	7,951	6,841	22,991	18,696
Cambodia	968	1,364	3,996	4,072
Total	8,919	8,205	26,987	22,768

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 year ended 31 May, 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.

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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

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

On 11th May, 2010, the Company had enter into three separate share acquisition agreements to acquire "Sierra Selection Sdn Bhd", "Kempas Teknik Sdn Bhd" and "Parit Raja United Transport Sdn Bhd". The acquisitions are completed on 27th May, 2010 and the three companies become wholly-owned subsidiaries of the Company.

12. CAPITAL COMMITMENTS

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

12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 31 May, 2010, the Company had given corporate guarantees to financial institutions and suppliers, for financial and credit facilities granted and supply of goods and services to subsidiaries as follow:-

	Total Amount Guaranteed	Amount Utilised
	RM'000	RM'000
Letter of credit/trust receipts/bankers acceptances/banker guarantees/overdrafts/term loan/credit terms by suppliers	<u>226,000</u>	<u>140,000</u>

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

14. SUBSEQUENT EVENTS

On 10th June, 2010, the wholly-owned subsidiary company, Harta Packaging Industries (Perak) Sdn Bhd had acquired a piece of industrial leasehold land together with a single storey industrial buildings erected thereon, held at Parit Buntar , Perak by auction at Ipoh High Court with the tender price (purchase consideration) of RM5,160,000.00.

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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 RM101.64 million which is approximately 31% higher than RM77.33 million of the preceding year corresponding period. The higher turnover is due to the increases of selling prices resulted by the higher raw material cost. The performance of the Group has slightly increased from profit before taxation of RM8.21 million in the preceding year corresponding period to profit before taxation of RM8.92 million in the fourth quarter ended 31 May, 2010

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

For the current quarter under review, the Group recorded a profit before taxation of RM8.92 million and turnover of RM101.64 million as compared to a profit before taxation of RM3.55 million and the turnover of RM 94.46 million in the immediate preceding quarter. The better performance is due to increases of selling prices to offset the higher raw material cost.

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 2011.

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 12 months ended	
	31.05.2010	31.05.2009	31.05.2010	31.05.2009
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Taxation				
- Malaysian	498	318	2,932	1,463
- Cambodia	565		565	-
	1,063	318	3,497	1,463
Deferred tax	559	(157)	415	2,240
Total income tax expense	1,622	161	3,912	3,703

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 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 31 May 10 RM'000	As at 31 May 09 RM'000
Short term borrowings		
Secured		
- Overdraft	-	4,333
- Bankers' acceptance	18,709	6,787
- Hire purchase creditors	1,276	542
- Term loan	8,614	7,837
Unsecured		
- Bankers' acceptance	69,815	50,442
- Term loan	4,011	4,011
	<u>102,425</u>	<u>73,952</u>
Long term borrowings		
Secured		
- Hire purchase creditors	4,468	817
- Term loans	12,885	11,687
Unsecured		
- Term loans	6,765	10,856
Total	<u>24,118</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

Subject to shareholders' approval at the forthcoming Annual General Meeting, the Directors have recommend a first and final dividend of 5.0 sen tax exempt for the financial year ended 31 May, 2010, amounting to a dividend payable of approximately RM2,661,445.50 (31 May, 2010: 2.5 sen tax exempt).

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 27 July, 2010.

By Order of the Board

CHAN CHOR NGIAK
MANAGING DIRECTOR

27 July, 2010