

Eastern Pacific Industrial Corporation Berhad
Company no: 66667-K
(Incorporated in Malaysia)

Interim Financial Statements
30 June 2008

Eastern Pacific Industrial Corporation Berhad

Company no: 66667-K

(Incorporated in Malaysia)

Condensed Consolidated Income Statements For the Period Ended 30 June 2008

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
	30.06.2008 RM'000	30.06.2007 RM'000	30.06.2008 RM'000	30.06.2007 RM'000
Revenue	61,664	33,859	119,108	66,951
Operating expenses	(48,554)	(22,073)	(93,966)	(44,034)
Other income	777	607	1,862	1,278
Profit before tax	13,887	12,393	27,004	24,195
Taxation	(4,543)	(3,675)	(9,112)	(7,347)
Profit for the period	9,344	8,718	17,892	16,848
Attributable to:				
Equity holders of the company	8,158	8,077	15,210	15,534
Minority interest	1,186	641	2,682	1,314
	9,344	8,718	17,892	16,848
Earnings per share attributable to equity holders of the parent (Sen)				
Basic	4.82	4.83	8.99	9.30
Diluted	4.80	4.80	8.93	9.26
Dividend per share (Sen)	-	-	3.5	3.5

The unaudited condensed consolidated income statements presented above have been reviewed and approved by the Board of Directors.

The condensed consolidated income statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007 and the accompanying explanatory notes on pages 6 to 13 of the interim financial statements.

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Condensed Consolidated Balance Sheet As at 30 June 2008

	Unaudited 30.06.2008 RM'000	Audited 31.12.2007 RM'000
ASSETS		
Non Current Assets		
Property, plant and equipment	212,697	181,841
Prepaid lease payment	19,318	19,524
Investment property	4,447	4,503
Intangible assets	14,400	14,400
Other investments	125	68
	250,987	220,336
Current Assets		
Inventories	6,824	11,221
Trade receivables	46,773	41,623
Other receivables	16,766	9,417
Short term investment	3,457	3,722
Tax recoverable	2,522	2,476
Deposit, cash and bank balances	61,959	76,840
	138,301	145,299
TOTAL ASSETS	389,288	365,635

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Condensed Consolidated Balance Sheet (continued) As at 30 June 2008

	Unaudited 30.06.2008 RM'000	Audited 31.12.2007 RM'000
EQUITY AND LIABILITIES		
Equity attributable to equity holder of the Company		
Share capital	169,157	168,945
Share premium	82,304	82,152
Other reserves	2,192	857
Retained earnings	37,563	26,733
	291,216	278,687
Minority interest	18,023	15,326
Total Equity	309,239	294,013
Non Current Liabilities		
Deferred tax liabilities	20,824	20,586
Borrowings	20,550	598
Retirement benefit obligations	5,773	5,894
	47,147	27,078
Current Liabilities		
Retirement benefit obligations	775	226
Borrowings	2,323	2,233
Trade payables	10,291	15,566
Other payables	16,094	23,025
Current tax liabilities	3,419	3,494
	32,902	44,544
Total Liabilities	80,049	71,622
TOTAL EQUITY AND LIABILITIES	389,288	365,635
Net assets per share (RM)	1.83	1.74

The unaudited condensed consolidated balance sheets presented above have been reviewed and approved by the Board of Directors.

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes on pages 6 to 13 of the interim financial statements.

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Condensed Consolidated Statements of Changes in Equity For the Period Ended 30 June 2008

	----Attributable to the holders of the Company----					Minority interest	Total
	-----Non distributable-----			Distributable			
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	Sub Total RM'000		
1 January 2008	168,945	82,152	857	26,733	278,687	15,326	294,013
Issuance of shares– ESOS	212	67	-	-	279	-	279
Share-based payment under ESOS	-	85	1,335	-	1,420	-	1,420
Investment in subsidiary	-	-	-	-	-	400	400
Profit for the period	-	-	-	15,210	15,210	2,682	17,892
Dividend	-	-	-	(4,380)	(4,380)	(385)	(4,765)
30 June 2008	169,157	82,304	2,192	37,563	291,216	18,023	309,239

	----Attributable to the holders of the Company----					Minority interest	Total
	-----Non distributable-----			Distributable			
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	Sub Total RM'000		
1 January 2007	165,030	79,672	693	4,616	250,011	4,849	254,860
Issuance of shares– ESOS	2,729	954	-	-	3,683	-	3,683
Share-based payment under ESOS	-	250	26	-	276	-	276
Acquisition of share in existing subsidiary	-	-	-	-	-	(426)	(426)
Profit for the period	-	-	-	15,534	15,534	1,314	16,848
Dividend	-	-	-	(4,250)	(4,250)	-	(4,250)
30 June 2007	167,759	80,876	719	15,900	265,254	5,737	270,991

The unaudited condensed consolidated statements of changes in equity presented above have been reviewed and approved by the Board of Directors.

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes on pages 6 to 13 of the interim financial statements.

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Condensed Consolidated Cash Flow Statements For the Period Ended 30 June 2008

	CUMULATIVE QUARTER	
	30.06.2008	30.06.2007
	RM'000	RM'000
Cash flow from operating activities		
Profit before tax	27,004	24,195
Adjustment for non cash and non operating item	6,600	3,011
Operating profit before working capital changes	33,604	27,206
Net change in current assets	(8,372)	(1,127)
Net change in current liabilities	(10,951)	476
Cash from operating activities	14,281	26,555
Tax paid	(9,038)	(6,589)
Tax refund	35	339
Retirement benefits paid	(257)	(20)
Net cash flow from operating activities	5,021	20,285
Cash flow from investing activities		
Purchase of property, plant and equipment	(35,833)	(5,240)
Purchase of short term investment	-	(1,011)
Proceeds from disposal of short term investment	-	1,651
Proceeds from disposal of property, plant and equipment	100	128
Net cash flow used in investing activities	(35,733)	(4,472)
Cash flow from financing activities		
Drawdown of borrowings	20,047	-
Repayment of borrowings	(145)	-
Issuance of share – ESOS	279	3,683
Dividends paid to shareholders	(4,380)	(7,640)
Dividends paid to minority shareholders	(111)	(108)
Net cash flow used in financing activities	15,690	(4,065)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(15,022)	11,748
At start of the year	74,847	63,776
At end of the period	59,825	75,524
Represented by:		
Deposit, cash and bank balances	61,959	75,844
Bank overdraft	(2,134)	(320)
	59,825	75,524

The unaudited condensed consolidated cash flow statements presented above have been reviewed and approved by the Board of Directors.

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes on pages 6 to 13 of the interim financial statements.

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Explanatory Notes Pursuant to FRS 134: Interim Financial Reporting and Listing Requirements of Bursa Malaysia Securities Berhad

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 December 2007. 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 December 2007.

2 Disclosure of the qualification on the preceding annual financial statements

There was no qualification on the Group's preceding annual financial statements.

3 Seasonal or cyclical factors

The Group's operation was not materially affected by seasonal or cyclical factors.

4 Unusual item affecting assets, liabilities, equity, net income or cash flows

Other than those disclosed in the financial statements, there were no unusual items that affect assets, liabilities, equity, net income or cash flows of the Group for the current quarter under review.

5 Changes in estimates

There were no material changes in the estimates used for the preparation of the interim financial report.

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6 Issuance or repayment of debt, equity securities and shares

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities in the current financial year except for the issuance of the following new ordinary shares of RM1.00 each pursuant to the Employees' Share Option Scheme ("ESOS") of the Company:

Option price per share RM	No. of shares issued '000	Cash proceeds RM'000
1.14 – 1.50	176	214
1.51 – 2.00	18	28
2.01 – 2.26	18	37
Total	212	279

7 Dividend paid

Dividend paid during the period ended 30 June 2008 was as follows:

Cumulative Quarter Gross dividend per share Sen	Amount of dividend, net of tax RM '000
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Second interim dividend of 3.5 sen per share less 26% income tax in respect of the financial year ended 31 December 2007 declared on 19 February 2008, paid on 5 May 2008.

3.5	4,380
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8 Segmental analysis

The segment information by activities for the Company and its subsidiaries for the current financial year to date is as follows:

Division	INDIVIDUAL QUARTER 3 months ended 30.06.2008		CUMULATIVE QUARTER 6 months ended 30.06.2008	
	Revenue RM'000	Profit/(loss) before tax RM'000	Revenue RM'000	Profit/(loss) before tax RM'000
Oil and gas	58,918	12,793	108,859	26,073
Port services	8,480	2,080	16,500	4,355
Investment holdings	2,682	(342)	20,149	12,871
Others	1,331	235	2,653	638
	71,411	14,766	148,161	43,937
Elimination	(9,747)	(879)	(29,053)	(16,933)
Consolidated	61,664	13,887	119,108	27,004

Division	INDIVIDUAL QUARTER 3 months ended 30.06.2007		CUMULATIVE QUARTER 6 months ended 30.06.2007	
	Revenue RM'000	Profit/(loss) before tax RM'000	Revenue RM'000	Profit/(loss) before tax RM'000
Oil and gas	27,649	10,274	54,559	20,706
Port services	6,332	2,076	12,778	4,251
Investment holdings	17,804	16,147	19,406	14,512
Others	1,349	282	2,867	1,067
	53,133	28,779	89,610	40,536
Elimination	(19,274)	(16,386)	(22,659)	(16,342)
Consolidated	33,859	12,393	66,951	24,194

The Group operates mainly in Malaysia and accordingly no information on the Group's operations by geographical segment has been provided.

9 Carrying amount of revalued property, plant and equipment

There has been no changes on revalued property, plant and equipment since the financial statements for the year ended 31 December 2007.

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10 Material events subsequent to the end of the period

There was no item, transaction or event of a material and unusual nature which has arisen during the period from the end of the financial quarter to the date of this announcement that would affect substantially the results of the operations of the Group.

11 Changes in the composition of the Group

On 22 January 2008, Eastern Pacific Offshore Fabrication Sdn Bhd (formerly known as Elite Award Sdn Bhd) ('EPOF'), a wholly owned subsidiary of the Company had acquired two (2) ordinary shares of RM1.00 each fully paid, representing the entire issued and paid-up capital of Terengganu Fabricators Sdn Bhd (T-Fab) for a cash consideration of RM2.00 and thereafter subscribed to 599,998 ordinary shares fully paid, representing 60% of increased paid up capital of T-Fab.

Except for the above, there were no changes in the composition of the Group for the financial period under review.

12 Contingent liabilities

There were no other changes in contingent liabilities since the last annual balance sheet date to the date of this quarterly report.

13 Review of performance

The Group achieved revenue of RM61.7 million in the second quarter under review, an increase of RM27.8 million or 82% compared to RM33.9 million reported in the same quarter in the preceding year.

The Group recorded profit before tax of RM13.9 million, an increase of 12% compared to RM12.4 million achieved in the same quarter in the preceding year.

For the six months ended 30 June 2008, the Group recorded revenue of RM119.1 million, an increase of 78% or RM52.2 million compared to RM66.9 million achieved in the same period in the preceding year. The Group recorded profit before tax of RM27.0 million, an increase of RM2.8 million or 12% compared to RM24.2 million achieved in the same period in the preceding year.

The increase in revenue and profit before tax are mainly due to higher oil and gas activities, contribution from port operation and contribution from newly acquired subsidiary i.e Mushtari Engineering & Trading Sdn Bhd.

The oil and gas operation remains as the main contributor to the Group performance.

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14 Review of current quarter profitability against preceding quarter

During the current quarter under review, the Group recorded profit before tax of RM13.9 million, an increase of 6% as compared to RM13.1 million profit before tax reported in the preceding quarter.

15 Prospects for the current financial year

Barring any unforeseen circumstances, the Directors are confident that the Group will be able to achieve better results for the financial year ending 31 December 2008 compared to the year 2007.

16 Profit forecast and profit guarantee

The Group has not provided any profit forecast or profit guarantee in a public document.

17 Taxation

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
	30.06.2008 RM'000	30.06.2007 RM'000	30.06.2008 RM'000	30.06.2007 RM'000
Malaysian tax: - current year	4,314	3,743	8,874	7,482
Deferred tax liabilities - origination / (reversal)	229	(68)	237	(135)
	4,543	3,675	9,112	7,347

The effective tax rate for the current quarter is higher than the statutory tax rate due to certain expenses which were not deductible for tax purpose. Increase in tax expense was contributed by the newly acquired subsidiary, Mushtari Engineering & Trading Sdn. Bhd.

18 Profit on sale of unquoted investments and/or properties

There was no disposal of unquoted investments or properties held as fixed assets for the financial period to date.

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19 Purchase/Disposal of quoted securities

(a) Purchases and sales of quoted securities for the current quarter and financial year to date and the profit arising there from are as follows:

	Current quarter RM'000	Year to date RM'000
Bursa Malaysia		
Purchases	10	152
Sales	35	178
Profit on disposal of quoted shares	(2)	20

(b) Investments in quoted shares as at end of the current financial year to date are as follows:

	RM'000
i) At cost	1,000
ii) At carrying value	898
iii) At market value	898

The quoted securities are managed by external asset management company.

20 Corporate proposals

There were no corporate proposals as at the current financial year to date.

21 Group borrowings and debt securities

The Group exposure in borrowings is as follows:

	As at 30.06.2008 RM'000	As at 30.06.2007 RM'000
Secured borrowings denominated in Ringgit Malaysia		
- Short term	1,453	-
- Long term	19,940	-
Unsecured borrowings denominated in Ringgit Malaysia		
- Short term	870	320
- Long term	610	-

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22 Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk as at the latest practicable date, which is not earlier than 7 days from date of issue of this quarterly report.

23 Changes in material litigation

There are no changes in material litigation since the date of the last audited financial report ended 31 December 2007.

24 Dividends proposed

On 24 July 2008, the Board of Directors approved and declared a first interim dividend of 4.0 sen per share comprising of 2.0 sen per share tax exempt and 2.0 sen per share less 26% income tax in respect of the financial year ending 31 December 2008 (2007: 3.5 sen). The date of payment will be determined later.

25 Earnings per share

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
a) Basic earnings per share				
	RM'000	RM'000	RM'000	RM'000
Profit attributable to the equity holder of the company	8,158	8,077	15,210	15,534
	Unit '000	Unit '000	Unit '000	Unit '000
Number of shares at the beginning of the period	168,945	165,030	168,945	165,030
Effects of share options	468	2,185	177	1,960
Weighted average number of shares	169,413	167,215	169,122	166,990
Basic earnings per share (Sen)	4.82	4.83	8.99	9.30

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25 Earnings per share (continued)

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
b) Diluted earnings per share				
	RM'000	RM'000	RM'000	RM'000
Profit attributable to the equity holder of the company	8,158	8,077	15,210	15,534
	Unit '000	Unit '000	Unit '000	Unit '000
Weighted average number of shares as per above	169,122	167,215	169,122	166,990
Adjustment for share options	965	1,124	1,110	840
Weighted average number of shares - diluted	170,087	168,339	170,233	167,830
Diluted earnings per share (Sen)	4.80	4.80	8.93	9.26