



Eastern Pacific Industrial Corporation Berhad

Company no: 66667-K

(Incorporated in Malaysia)

Interim Financial Statements

30 June 2010



Condensed Consolidated Statements of Comprehensive Income
For the Period Ended 30 June 2010

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	RM'000	RM'000	RM'000	RM'000
Revenue	61,623	47,936	108,979	90,169
Operating expenses	(40,880)	(33,026)	(73,819)	(64,493)
Other income	749	1,143	1,271	2,153
Profit before tax	21,492	16,053	36,431	27,829
Taxation	(5,690)	675	(10,073)	(3,014)
Profit for the period	15,802	16,728	26,358	24,815
Profit attributable to:				
Equity holders of the Company	14,774	13,873	24,546	21,780
Non-controlling interest	1,028	2,855	1,812	3,035
	15,802	16,728	26,358	24,815

Earnings per share attributable to equity holders of the Company (Sen)

Basic	8.82	8.20	14.71	12.87
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The unaudited condensed consolidated statements of comprehensive income presented above have been reviewed and approved by the Board of Directors.

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009 and the accompanying explanatory notes on pages 7 to 14 of the interim financial statements.



Condensed Consolidated Statements of Financial Position
As at 30 June 2010

	Unaudited 30.6.2010 RM'000	Audited 31.12.2009 RM'000 Restated
ASSETS		
Non Current Assets		
Property, plant and equipment	261,546	262,576
Investment properties	4,172	4,283
Intangible assets	9,767	9,767
Deferred tax asset	8,363	9,604
Financial assets designated at fair value	84	84
	<u>283,932</u>	<u>286,314</u>
Current Assets		
Inventories	6,868	5,417
Trade receivables	51,128	37,781
Other receivables	9,468	8,701
Financial assets designated at fair value	3,174	3,159
Tax recoverable	5,299	8,239
Cash and cash equivalents	91,563	83,388
	<u>167,500</u>	<u>146,685</u>
TOTAL ASSETS	<u><u>451,432</u></u>	<u><u>432,999</u></u>



Condensed Consolidated Statements of Financial Position
As at 30 June 2010 (continued)

	Unaudited 30.6.2010 RM'000	Audited 31.12.2009 RM'000
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	169,503	169,503
Share premium	82,414	82,414
Treasury shares	(4,385)	(125)
Other reserves	188	188
Retained earnings	89,713	68,334
	337,433	320,314
Non-controlling interest	19,444	17,827
Total Equity	356,877	338,141
Non Current Liabilities		
Deferred tax liabilities	23,128	22,910
Borrowing	19,731	22,707
Retirement benefit obligations	6,456	5,834
	49,315	51,451
Current Liabilities		
Retirement benefit obligations	774	1,389
Borrowings	6,044	5,000
Trade payables	14,763	11,710
Other payables	22,101	25,174
Current tax liabilities	1,558	134
	45,240	43,407
Total Liabilities	94,555	94,858
TOTAL EQUITY AND LIABILITIES	451,432	432,999
Net assets per share (RM)	2.04	1.89

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

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009 and the accompanying explanatory notes on pages 7 to 14 of the interim financial statements.



Eastern Pacific Industrial Corporation Berhad

Company No: 66667-K

(Incorporated in Malaysia)

**Condensed Consolidated Statements of Changes in Equity
For the Period Ended 30 June 2010**

	----- Attributable to equity holders of the Company -----					Sub Total	Non-controlling interest	Total equity
	----- Non distributable equity -----		Distributable					
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1 January 2010	169,503	82,414	(125)	188	68,334	320,314	17,827	338,141
Share Buy Back	-	-	(4,260)	-	-	(4,260)	-	(4,260)
Profit for the period	-	-	-	-	24,546	24,546	1,812	26,358
Dividend	-	-	-	-	(3,167)	(3,167)	(195)	(3,362)
30 June 2010	169,503	82,414	(4,385)	188	89,713	337,433	19,444	356,877



Condensed Consolidated Statements of Changes in Equity
For the Period Ended 30 June 2010 (continued)

	----- Attributable to equity holders of the Company -----							
	----- Non distributable equity -----				Distributable			
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Sub Total	Non-controlling interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1 January 2009	169,173	82,319	(125)	2,188	37,428	290,983	13,476	304,459
Net changes in the interest from minority shareholders	-	-	-	-	329	329	(1,725)	(1,396)
Issuance of shares-ESOS	86	23	-	-	-	109	-	109
Share-based payment under ESOS	-	3	-	(3)	-	-	-	-
Profit for the period	-	-	-	-	21,780	21,780	3,035	24,815
Dividend	-	-	-	-	(8,455)	(8,455)	(323)	(8,778)
30 June 2009	169,259	82,345	(125)	2,185	51,082	304,746	14,463	319,209

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 2009 and the accompanying explanatory notes on pages 7 to 14 of the interim financial statements.



**Condensed Consolidated Cash Flow Statements
For the Period Ended 30 June 2010**

	CUMULATIVE QUARTER	
	30.06.2010	30.06.2009
	RM'000	RM'000
Cash flow from operating activities		
Profit before tax	36,431	27,829
Adjustment for non cash and non operating item	6,253	6,351
Operating profit before working capital changes	42,684	34,180
Net change in current assets	(15,567)	3,124
Net change in current liabilities	(22)	(7,072)
Cash from operations	27,095	30,232
Tax paid	(5,834)	(9,016)
Tax refund	1,588	140
Retirement benefits paid	(399)	(462)
Net cash flow from operating activities	22,450	20,894
Cash flow from investing activities		
Purchase of property, plant and equipment	(4,795)	(8,414)
Additional investment in subsidiaries	-	(1,050)
Proceeds from disposal of property, plant and equipment	73	245
Net cash flow used in investing activities	(4,722)	(9,219)
Cash flow from financing activities		
Repayment of borrowings	(2,976)	(320)
Issuance of shares - ESOS	-	109
Purchase of treasury shares	(4,260)	-
Dividends paid to shareholders	(3,165)	(8,455)
Dividends paid to non-controlling shareholders	(196)	(323)
Net cash flow used in financing activities	(10,597)	(8,989)
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,131	2,686
At start of the year	83,388	64,868
At end of the period	90,519	67,554
Represented by:		
Deposit, cash and bank balances	91,563	68,898
Bank overdraft	(1,044)	(1,344)
	90,519	67,554

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 2009 and the accompanying explanatory notes on pages 7 to 14 of the interim financial statements.



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 financial year ended 31 December 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 December 2009.

2 Changes in Accounting Policies

The accounting policies and presentation adopted by the Group for the interim financial statements are consistent with those adopted for the Group's consolidated audited financial statements for the year ended 31 December 2009, except for the following:

FRSs/Interpretations/Amendments to FRSs	Effective date
FRS 7: Financial Instruments - Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 101 (revised): Presentation of Financial Statements	1 January 2010
FRS 123 (revised): Borrowing Costs	1 January 2010
FRS 132 (revised): Financial Instruments: Presentation	1 January 2010
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
Amendment to FRS 3: Business Combination	1 January 2010
Amendment to FRS 7: Financial Instruments - Disclosures	1 January 2010
Amendment to FRS 8: Operating Segments	1 January 2010
Amendment to FRS 101: Presentation of Financial Statement	1 January 2010
Amendment to FRS 102: Inventories	1 January 2010
Amendment to FRS 107: Statement of Cash Flows	1 January 2010
Amendment to FRS 108: Accounting Policies, Changes in Estimates and Errors	1 January 2010
Amendment to FRS 116: Property, Plant and Equipment	1 January 2010
Amendment to FRS 117: Leases	
Amendment to FRS 127: Consolidated and Separate Financial Statement	1 January 2010
Amendment to FRS 132: Financial Instruments : Disclosure and Presentation	1 January 2010
Amendment to FRS 133: Earning Per Share	1 January 2010
Amendment to FRS 134: Interim Financial Reporting	
Amendment to FRS 140: Investment Property	1 January 2010
IC Interpretation 10: Impairment and Interim Financial Reporting	1 January 2010



2 Changes in Accounting Policies (continued)

Other than the implications as discussed below, the adoption of the above standards, amendments and interpretations do not have any material impact on the financial statements of the Group:

a) FRS 8: Operating Segments

FRS 8 requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group presents its segment information based on its business segments, which is also the basis of presenting its monthly internal management reports. The basis of measurement of segment results, segment assets and segment liabilities are same as the basis of measurement for external reporting.

b) Amendment to FRS 117: Leases

The amendment clarifies the classification of lease of land and requires entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of this amendment will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions. The reclassification of leasehold land from prepaid land lease payments to property, plant and equipment has been accounted for retrospectively and certain comparatives as at 31 December 2009 have been restated as follows:

	Previously stated RM'000	Adjustment RM'000	Restated RM'000
Non-current assets			
Property, plant and equipment	227,552	35,024	262,576
Prepaid land lease payments	35,024	(35,024)	-

c) FRS 139, Financial Instruments: Recognition and Measurement

With the adoption of FRS 139, financial assets recognised in the prior financial year are classed into the following categories:

Pre-FRS 139	Post-FRS 139
Other investment	Financial assets at fair value through profit or loss
Short term investments	Financial assets at fair value through profit or loss

The measurement bases applied to the financial assets in the prior financial year remain at fair value through profit or loss.



3 Disclosure of the qualification on the preceding annual financial statements

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

4 Seasonal or cyclical factors

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

5 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.

6 Changes in estimates

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

7 Issuances, repurchases or repayments of debt and equity securities

There were no issuances, repurchases and repayment of debt and equity securities in the current financial year except for the purchase of treasury shares as follows:

	Number of treasury shares '000	Total consideration RM'000
At 1 January 2010	100	125
Repurchased during the year	2,656	4,260
At 30 June 2010	<u>2,756</u>	<u>4,385</u>

The repurchase transactions were financed by internally generated funds.

8 Dividend paid

Dividend paid during the period ended 30 June 2010 was as follows:

	Cumulative Quarter Gross dividend per share Sen	Amount of dividend net of tax, RM '000
Second interim dividend of 2.5 sen per share tax exempt in respect of the financial year ended 31 December 2009 declared on 22 February 2010, paid on 18 May 2010	<u>2.5</u>	<u>3,167</u>



9 Segment Reporting

	Investment holding	Oil and gas operation		Port management	Others	Adjustment	Group
		Supply base	Fabrication				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2010							
External revenue	266	56,226	29,336	19,008	4,143		108,979
Inter-segment revenue	31,903	1,242	-	-	-	(33,145)	-
Total revenue	32,169	57,468	29,336	19,008	4,143	(33,145)	108,979
RESULTS							
Segment results	(4,570)	30,164	4,895	6,391	(449)	-	36,431
Unallocated cost							-
Profit before tax							36,431
30 June 2009							
External revenue	126	52,220	19,287	12,568	5,968	-	90,169
Inter-segment revenue	19,634	1,044	-	-	2,578	(23,256)	-
Total revenue	19,760	53,264	19,287	12,568	8,546	(23,256)	90,169
RESULTS							
Segment results	(4,487)	26,263	4,087	3,267	(1,514)	-	27,616
Unallocated income							213
Profit before tax							27,829
Segment assets							
30 June 2010	32,347	272,475	42,987	76,596	17,260	9,767	451,432
31 December 2009	35,863	258,352	35,167	75,885	17,965	9,767	432,999

The "Others" segment mainly comprise the provision of threading tubulars, environmental management and information communication technology.



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

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 RM61.62 million in the second quarter under review, an increase of RM13.69 million or 29% compared to RM47.94 million reported in the same quarter in the preceding year. The Group recorded profit before tax of RM21.49 million, increase by 34% compared to RM16.05 million achieved in the same quarter in the preceding year.

For the six months ended 30 June 2010, the Group generated revenue of RM108.98 million, an increase of RM18.81 million or 21% compared to RM90.17 million achieved in the same period in the preceding year. The Group recorded profit before tax of RM36.43 million, increase by 31% compared to RM27.83 million achieved in the same quarter in the preceding year.

The increase in revenue and profit before tax was mainly due to increase in port operations and oil and gas activities.

14 Review of current quarter profitability against preceding quarter

During the current quarter under review, the Group recorded profit before tax of RM21.49 million, an increase of 44% as compared to RM14.94 million of profit before tax reported in the preceding quarter due to increase in port operations and oil and gas activities.

15 Prospects for the current financial year

Barring any unforeseen circumstances, the Directors are confident that the Group will be able to achieve satisfactory results for the financial year ending 31 December 2010 compared to the year 2009.



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	
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
Malaysian tax:				
- current year	4,824	3,860	8,613	6,910
Deferred tax	866	(4,535)	1,460	(3,896)
	<u>5,690</u>	<u>(675)</u>	<u>10,073</u>	<u>3,014</u>

The effective tax rate was higher than the statutory tax rate due to reversal of deferred tax assets arising from unused tax credit.

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.

19 Investment in quoted securities

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

	Current quarter RM'000	Year to date RM'000
Bursa Malaysia		
Purchases	82	383
Sales	950	1,053
Profit on disposal	<u>(57)</u>	<u>(68)</u>

(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/market value		<u>1,017</u>



20 Corporate proposals

There were no corporate proposals for the period under review.

21 Group borrowings and debt securities

The Group exposure in borrowings is as follows:

	As at 30.06.2010 RM'000	As at 30.06.2009 RM'000
Secured borrowings denominated in Ringgit Malaysia		
- Short term	6,044	6,023
- Long term	19,731	25,000

The quoted securities are managed by external asset management company.

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 interim financial report ended 31 December 2009.

24 Dividend proposed

On 4 August 2010, the Board of Directors approved and declared the payment of a first interim dividend of 2.5 sen per share tax exempt in respect of the financial year ending 31 December 2010. The date of entitlement and payment will be determined later.



24 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended 30.06.2010	30.06.2009	6 months ended 30.06.2010	30.06.2009
Basic earnings per share	RM'000	RM'000	RM'000	RM'000
Profit attributable to the equity holder of the Company	14,774	13,873	24,546	21,780
<i>Weighted average number of ordinary shares ('000)</i>				
Issued at the beginning of the period	169,503	-	169,503	-
Shares repurchased	(2,071)	-	(2,656)	-
Weighted average number of shares	167,432	169,259	166,847	169,223
Basic earnings per share (sen)	8.82	8.20	14.71	12.87