



**Eastern Pacific Industrial Corporation Berhad**

**Company no: 66667-K**

(Incorporated in Malaysia)

Interim Financial Statements

30 September 2010



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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
	RM'000	RM'000	RM'000	RM'000
Revenue	<b>72,846</b>	43,751	<b>181,828</b>	133,921
Operating expenses	<b>(57,169)</b>	(31,781)	<b>(130,991)</b>	(96,275)
Other income	<b>5,167</b>	2,389	<b>6,434</b>	4,542
Profit before tax	<b>20,844</b>	14,359	<b>57,271</b>	42,188
Taxation	<b>(6,839)</b>	(1,880)	<b>(16,911)</b>	(4,894)
Profit for the period	<b>14,005</b>	12,479	<b>40,360</b>	37,294
Profit attributable to:				
Equity holders of the Company	<b>13,428</b>	10,804	<b>37,971</b>	32,584
Non-controlling interest	<b>577</b>	1,675	<b>2,389</b>	4,710
	<b>14,005</b>	12,479	<b>40,360</b>	37,294

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

Basic	<b>7.92</b>	6.38	<b>22.76</b>	19.24
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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 September 2010**

	<b>Unaudited</b> <b>30.09.2010</b> <b>RM'000</b>	Audited 31.12.2009 RM'000 Restated
<b>ASSETS</b>		
<b>Non Current Assets</b>		
Property, plant and equipment	<b>265,563</b>	262,576
Investment properties	<b>4,144</b>	4,283
Intangible assets	<b>4,943</b>	9,767
Deferred tax asset	<b>8,053</b>	9,604
	<b>282,703</b>	286,230
<b>Current Assets</b>		
Inventories	<b>7,034</b>	5,417
Trade receivables	<b>64,874</b>	37,781
Other receivables	<b>9,677</b>	8,785
Financial assets designated at fair value	<b>2,555</b>	3,159
Tax recoverable	<b>3,177</b>	8,239
Cash and cash equivalents	<b>97,275</b>	83,388
	<b>184,592</b>	146,769
<b>TOTAL ASSETS</b>	<b>467,295</b>	<b>432,999</b>



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

	<b>Unaudited</b> <b>30.09.2010</b> <b>RM'000</b>	Audited 31.12.2009 RM'000
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	<b>169,503</b>	169,503
Share premium	<b>82,414</b>	82,414
Treasury shares	<b>(4,385)</b>	(125)
Other reserves	<b>188</b>	188
Retained earnings	<b>103,138</b>	68,334
	<b>350,858</b>	320,314
Non-controlling interest	<b>19,907</b>	17,827
<b>Total Equity</b>	<b>370,765</b>	338,141
<b>Non Current Liabilities</b>		
Deferred tax liabilities	<b>23,320</b>	22,910
Borrowing	<b>18,429</b>	22,707
Retirement benefit obligations	<b>7,220</b>	5,834
	<b>48,969</b>	51,451
<b>Current Liabilities</b>		
Retirement benefit obligations	<b>361</b>	1,389
Borrowings	<b>5,000</b>	5,000
Trade payables	<b>19,513</b>	11,710
Other payables	<b>21,761</b>	25,174
Current tax liabilities	<b>926</b>	134
	<b>47,561</b>	43,407
<b>Total Liabilities</b>	<b>96,530</b>	94,858
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>467,295</b>	<b>432,999</b>
<b>Net assets per share (RM)</b>	<b>2.12</b>	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 September 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
<b>1 January 2010</b>	<b>169,503</b>	<b>82,414</b>	<b>(125)</b>	<b>188</b>	<b>68,334</b>	<b>320,314</b>	<b>17,827</b>	<b>338,141</b>
Share Buy Back	-	-	(4,260)	-	-	(4,260)	-	(4,260)
Profit for the period	-	-	-	-	37,971	37,971	2,389	40,360
Dividend	-	-	-	-	(3,167)	(3,167)	(309)	(3,476)
<b>30 September 2010</b>	<b>169,503</b>	<b>82,414</b>	<b>(4,385)</b>	<b>188</b>	<b>103,138</b>	<b>350,858</b>	<b>19,907</b>	<b>370,765</b>



**Condensed Consolidated Statements of Changes in Equity**  
**For the Period Ended 30 September 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
<b>1 January 2009</b>	<b>169,173</b>	<b>82,319</b>	<b>(125)</b>	<b>2,188</b>	<b>37,428</b>	<b>290,983</b>	<b>13,476</b>	<b>304,459</b>
Net changes in the interest from minority shareholders	-	-	-	-	327	327	(1,725)	(1,398)
Issuance of shares-ESOS	330	92	-	-	-	422	-	422
Share-based payment under ESOS	-	3	-	(3)	-	-	-	-
Profit for the period	-	-	-	-	32,584	32,584	4,710	37,294
Dividend	-	-	-	-	(8,455)	(8,455)	(435)	(8,890)
<b>30 September 2009</b>	<b>169,503</b>	<b>82,414</b>	<b>(125)</b>	<b>2,185</b>	<b>61,884</b>	<b>315,861</b>	<b>16,026</b>	<b>331,887</b>

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 September 2010**

	CUMULATIVE QUARTER	
	30.09.2010	30.09.2009
	RM'000	RM'000
<b>Cash flow from operating activities</b>		
Profit before tax	57,271	42,188
Adjustment for non cash and non operating item	19,480	11,387
<b>Operating profit before working capital changes</b>	<b>76,751</b>	<b>53,575</b>
Net change in current assets	(33,809)	4,552
Net change in current liabilities	4,382	(9,804)
Cash from operations	47,324	48,323
Tax paid	(10,681)	(13,618)
Tax refund	1,588	312
Retirement benefits paid	(614)	(961)
<b>Net cash flow from operating activities</b>	<b>37,617</b>	<b>34,056</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(12,010)	(10,345)
Additional investment in subsidiaries	-	(1,050)
Proceeds from disposal of property, plant and equipment	294	293
<b>Net cash flow used in investing activities</b>	<b>(11,716)</b>	<b>(11,102)</b>
<b>Cash flow from financing activities</b>		
Repayment of borrowings	(4,278)	(1,151)
Issuance of shares - ESOS	-	422
Purchase of treasury shares	(4,260)	-
Dividends paid to shareholders	(3,167)	(8,455)
Dividends paid to non-controlling shareholders	(309)	(435)
<b>Net cash flow used in financing activities</b>	<b>(12,014)</b>	<b>(9,619)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>13,887</b>	<b>13,335</b>
At start of the year	83,388	64,868
<b>At end of the period</b>	<b>97,275</b>	<b>78,203</b>

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 Main Market 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 Main Market 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:

<b>FRSs/Interpretations/Amendments to FRSs</b>	<b>Effective date</b>
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	1 January 2010
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	1 January 2010
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:

	<b>Previously stated RM'000</b>	<b>Adjustment RM'000</b>	<b>Restated RM'000</b>
<b>Non-current assets</b>			
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:

<b>Pre-FRS 139</b>	<b>Post-FRS 139</b>
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 September 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 September 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 less 25% taxation 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
<b>30 September 2010</b>							
External revenue	338	88,350	59,404	27,332	6,404	-	181,828
Inter-segment revenue	49,516	2,010	-	-	-	(51,526)	-
Total revenue	49,854	90,360	59,404	27,332	6,404	(51,526)	181,828
<b>RESULTS</b>							
Segment results	(12,724)	48,124	9,200	8,351	(50)	-	52,901
Unallocated income							4,370
Profit before tax							57,271
<b>30 September 2009</b>							
External revenue	159	78,433	25,479	21,047	8,803	-	133,921
Inter-segment revenue	37,475	1,664	-	-	3,861	(43,000)	-
Total revenue	37,634	80,097	25,479	21,047	12,664	(43,000)	133,921
<b>RESULTS</b>							
Segment results	(7,437)	40,271	8,141	5,392	(2,163)	171	44,375
Unallocated cost							(2,187)
Profit before tax							42,188
<b>Segment assets</b>							
30 September 2010	39,549	275,759	54,319	76,831	15,894	4,943	467,295
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**

On 8 September 2010, the Group disposed its 100% equity interest in its subsidiary, Natuream Enviro-Services Sdn Bhd (NES) for a total consideration of RM2.20 million. The disposal of NES will not have any material effect on the earnings per share, net assets per share, gearing and share capital of EPIC for the year ending 31 December 2010.

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 RM72.85 million in the third quarter under review, an increase of RM29.10 million or 67% compared to RM43.75 million reported in the same quarter in the preceding year. The Group recorded profit before tax of RM20.84 million, an increase of 45% compared to RM14.36 million achieved in the same quarter in the preceding year.

For the nine months ended 30 September 2010, the Group generated revenue of RM181.83 million, an increase of RM47.91 million or 36% compared to RM133.92 million achieved in the same period in the preceding year. The Group recorded profit before tax of RM57.27 million, increase by 36% compared to RM42.19 million achieved in the same period 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 RM20.84 million, a decrease of 3% as compared to RM21.49 million reported in the preceding quarter due to provisions made during the quarter.



## 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 9 months ended	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
Malaysian tax: - current year	6,337	3,671	14,949	10,581
Deferred tax	502	(1,791)	1,962	(5,687)
	<u>6,839</u>	<u>1,880</u>	<u>16,911</u>	<u>4,894</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) Purchase of quoted securities for the current quarter and financial year to date are as follows:

	<b>Current quarter RM'000</b>	<b>Year to date RM'000</b>
<b>Bursa Malaysia</b>		
Purchases	-	383
Sales	-	1,053
Profit on disposal	-	(68)
		<hr/>

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

	<b>RM'000</b>
i) At cost	1,000
ii) At carrying value/market value	1,024
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The quoted securities are managed by external asset management company.

## 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:

	<b>As at 30.09.2010 RM'000</b>	<b>As at 30.09.2009 RM'000</b>
Secured borrowings denominated in Ringgit Malaysia		
- Short term	5,000	3,849
- Long term	18,429	25,000
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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 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 amount of dividend is RM4.17 million which has been paid on 18 October 2010.

## 24 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended 30.09.2010	30.09.2009	9 months ended 30.09.2010	30.09.2009
<b>Basic earnings per share</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to the equity holder of the Company	13,428	10,804	37,971	32,584
<i>Weighted average number of ordinary shares ('000)</i>				
Issued at the beginning of the period	169,503	169,173	169,503	169,173
Effects of share options	-	170	-	158
Shares repurchased	-	-	(2,656)	-
Weighted average number of shares	169,503	169,343	166,847	169,331
Basic earnings per share (sen)	7.92	6.38	22.76	19.24