

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008**Condensed Consolidated Income Statement**

		3 MONTHS ENDED		CUMULATIVE 9 MONTHS ENDED	
		CURRENT QUARTER ENDED 30/09/2008 RM	COMPARATIVE QUARTER ENDED 30/09/2007 RM	CURRENT PERIOD ENDED 30/09/2008 RM	COMPARATIVE PERIOD ENDED 30/09/2007 RM
Continuing Operations					
Revenue	Note 1	35,696,727	31,731,684	90,694,811	108,556,580
Cost of sales		<u>(28,710,943)</u>	<u>(22,188,951)</u>	<u>(70,015,257)</u>	<u>(83,860,692)</u>
Gross profit		6,985,784	9,542,733	20,679,554	24,695,888
Other income		599,951	568,307	1,614,184	1,770,255
Distribution costs		(558,043)	(972,848)	(1,332,642)	(2,759,801)
Administrative expenses		(2,161,801)	(1,774,262)	(7,490,147)	(6,529,802)
Other expenses		(382,281)	(718,239)	(1,435,066)	(1,954,189)
Finance costs		(161,483)	(177,634)	(640,471)	(720,099)
Share of results of associates		50,713	86,314	165,413	143,029
Profit before tax	Note 2	4,372,840	6,554,371	11,560,825	14,645,281
Income tax expense	Note 3	<u>(871,747)</u>	<u>(1,931,578)</u>	<u>(3,316,105)</u>	<u>(4,338,130)</u>
Profit for the period from continuing operations		3,501,093	4,622,793	8,244,720	10,307,151
Discontinued Operation					
Profit for the period from a discontinued operation		-	8,596	-	305,509
Profit for the period		<u>3,501,093</u>	<u>4,631,389</u>	<u>8,244,720</u>	<u>10,612,660</u>
Attributable to:					
Equity holders of the parent		3,403,491	4,666,678	8,092,973	10,609,502
Minority interests		<u>97,602</u>	<u>(35,289)</u>	<u>151,747</u>	<u>3,158</u>
		<u>3,501,093</u>	<u>4,631,389</u>	<u>8,244,720</u>	<u>10,612,660</u>
Earnings per share attributable to equity holders of the parent:					
Basic, for profit from continuing operations (sen)		4.24	7.50	11.14	16.83
Basic, for profit from a discontinued operation (sen)		-	0.01	-	0.50
Basic, for profit for the period (sen)		<u>4.24</u>	<u>7.51</u>	<u>11.14</u>	<u>17.33</u>
Diluted, for profit from continuing operations (sen)		-	7.42	-	16.67
Diluted, for profit from a discontinued operation (sen)		-	0.01	-	0.49
Diluted, for profit for the period (sen)		<u>-</u>	<u>7.43</u>	<u>-</u>	<u>17.16</u>
There is no diluted earnings per share for current quarter and period ended 30 September 2008 due to the expiration of Employees' Share Option Scheme on 13 October 2008.					
Note 1					
Total revenue from continuing operations		35,696,727	31,731,684	90,694,811	108,556,580
Revenue from a discontinued operation		-	32,740	-	57,491
Total revenue		<u>35,696,727</u>	<u>31,764,424</u>	<u>90,694,811</u>	<u>108,614,071</u>
Note 2					
Total profit before tax from continuing operations		4,372,840	6,554,371	11,560,825	14,645,281
Profit before tax from a discontinued operation		-	13,107	-	310,194
Total profit before tax		<u>4,372,840</u>	<u>6,567,478</u>	<u>11,560,825</u>	<u>14,955,475</u>
Note 3					
Income tax expense from continuing operations		871,747	1,931,578	3,316,105	4,338,130
Income tax expense from a discontinued operation		-	4,511	-	4,685
Total income tax expense		<u>871,747</u>	<u>1,936,089</u>	<u>3,316,105</u>	<u>4,342,815</u>

(The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.)

KKB ENGINEERING BERHAD

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INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008**Condensed Consolidated Balance Sheet**

	UNAUDITED AS AT 30/09/2008 RM	AUDITED AS AT 31/12/2007 RM
ASSETS		
Non-current assets		
Property, plant & equipment	42,912,951	34,753,885
Prepaid land lease payments	44,337,375	18,303,031
Investment in associates	1,033,094	949,082
	<u>88,283,420</u>	<u>54,005,998</u>
Current assets		
Inventories	30,665,109	20,387,756
Trade receivables	47,159,500	41,310,533
Other receivables	984,892	485,970
Amount due from related companies	4,915	19,812
Short-term deposits	13,858,901	22,644,337
Cash and bank balances	1,074,049	1,934,199
	<u>93,747,366</u>	<u>86,782,607</u>
TOTAL ASSETS	<u>182,030,786</u>	<u>140,788,605</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	80,560,000	63,152,750
Share premium	17,245,772	865,239
Other reserves	6,985,109	7,065,242
Retained earnings	37,524,706	33,789,596
	<u>142,315,587</u>	<u>104,872,827</u>
Minority interests	<u>2,303,755</u>	<u>3,292,312</u>
Total equity	<u>144,619,342</u>	<u>108,165,139</u>
Non-current liabilities		
Borrowings	3,527,178	3,846,508
Deferred tax liabilities	1,501,131	1,370,660
	<u>5,028,309</u>	<u>5,217,168</u>
Current liabilities		
Borrowings	12,724,501	14,363,973
Trade payables	13,841,245	6,313,560
Amount due to customers for contract work	4,167,286	2,102,027
Other payables	523,404	1,996,680
Current tax payable	1,126,699	2,630,058
	<u>32,383,135</u>	<u>27,406,298</u>
Total liabilities	<u>37,411,444</u>	<u>32,623,466</u>
TOTAL EQUITY AND LIABILITIES	<u>182,030,786</u>	<u>140,788,605</u>

(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 attached to the interim financial statements).

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INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008**Condensed Consolidated Statement of Changes in Equity**

	<-----Attributable to equity holders of the parent ----->				Total RM	Minority Interests RM	Total Equity RM
	Share Capital RM	<-----Non-Distributable-----> Share Premium RM	Other Reserves RM	Distributable Retained Earnings RM			
At 1 January 2007	48,280,000	164,583	6,435,000	33,896,301	88,775,884	3,352,522	92,128,406
Profit for the period	-	-	-	10,609,502	10,609,502	3,158	10,612,660
Total recognised income and expense for the period	-	-	-	10,609,502	10,609,502	3,158	10,612,660
Tax exempt dividend for FYE 31 December 2006	-	-	-	(2,452,200)	(2,452,200)	-	(2,452,200)
Share options granted under ESOS	-	-	31,053	-	31,053	-	31,053
Issue of ordinary shares pursuant to ESOS	2,355,250	681,768	-	-	3,037,018	-	3,037,018
Bonus issue of shares	12,261,000	-	-	(12,261,000)	-	-	-
Share issue expenses written off	-	(629)	-	-	(629)	-	(629)
At 30 September 2007	<u>62,896,250</u>	<u>845,722</u>	<u>6,466,053</u>	<u>29,792,603</u>	<u>100,000,628</u>	<u>3,355,680</u>	<u>103,356,308</u>
At 1 January 2008	63,152,750	865,239	7,065,242	33,789,596	104,872,827	3,292,312	108,165,139
Profit for the period	-	-	-	8,092,973	8,092,973	151,747	8,244,720
Total recognised income and expense for the period	-	-	-	8,092,973	8,092,973	151,747	8,244,720
First and Final dividend for FYE 31 December 2007	-	-	-	(4,425,436)	(4,425,436)	-	(4,425,436)
Acquisition of remaining equity interest in an existing subsidiary	-	-	-	-	-	(1,140,304)	(1,140,304)
Issue of ordinary shares pursuant to acquisition of land & buildings	16,000,000	16,000,000	-	-	32,000,000	-	32,000,000
Share options granted under ESOS	-	-	34,660	-	34,660	-	34,660
ESOS's share options lapsed	-	-	(67,573)	67,573	-	-	-
Share options exercised under ESOS	-	47,220	(47,220)	-	-	-	-
Issue of ordinary shares pursuant to ESOS	1,407,250	335,328	-	-	1,742,578	-	1,742,578
Share issue expenses written off	-	(2,015)	-	-	(2,015)	-	(2,015)
At 30 September 2008	<u>80,560,000</u>	<u>17,245,772</u>	<u>6,985,109</u>	<u>37,524,706</u>	<u>142,315,587</u>	<u>2,303,755</u>	<u>144,619,342</u>

(The Condensed Consolidated Statement 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 attached to the interim financial statements).

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INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008**Condensed Consolidated Cash Flow Statement**

	CUMULATIVE 9 MONTHS ENDED 30/09/2008 RM	CUMULATIVE 9 MONTHS ENDED 30/09/2007 RM
Profit before taxation	11,560,825	14,955,475
Adjustment for non-cash flow items:		
Depreciation of property, plant & equipment	2,837,143	2,808,417
Amortisation of prepaid land lease payments	571,246	309,559
Interest expense	640,471	720,118
Property, plant & equipment written off	10,989	344,967
Gain on disposal of property, plant & equipment	(66,763)	(368,371)
Interest income	(413,633)	(271,510)
Share options granted under ESOS	34,660	31,053
Share of results of associates	(165,413)	(143,029)
Operating profit before changes in working capital	15,009,525	18,386,679
Changes in working capital		
Net increase in current assets	(16,662,584)	(3,382,779)
Net increase/(decrease) in current liabilities	8,119,669	(175,854)
Cash generated from operations	6,466,610	14,828,046
Interest paid	(640,471)	(720,118)
Taxation paid, net of refund (if any)	(4,636,753)	(3,661,817)
Net cash generated from operating activities	1,189,386	10,446,111
Investing activities		
Proceeds from disposal of property, plant & equipment	67,100	1,410,984
Purchase of property, plant & equipment	(5,613,126)	(3,003,607)
Acquisition of additional shares in subsidiary company	(1,140,304)	-
Interest received	413,633	271,510
Dividend received	81,400	36,500
Net cash used in investing activities	(6,191,297)	(1,284,613)
Financing activities		
Proceeds from issue of shares	1,742,578	3,037,018
Share issue expenses	(2,015)	(629)
Dividend paid to shareholders of the company	(4,425,436)	(2,452,200)
Net repayment of short-term borrowings	(1,864,000)	(6,411,000)
Net proceeds from lease financing	1,075,198	361,892
Repayment of term loan	(1,170,000)	(1,002,870)
Net cash used in financing activities	(4,643,675)	(6,467,789)
Net change in cash and cash equivalents	(9,645,586)	2,693,709
Cash and cash equivalents at the beginning of the period	24,578,536	16,761,442
Cash and cash equivalents at the end of the period	14,932,950	19,455,151

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