

**KKB ENGINEERING BERHAD**

(Company No : 26495 - D)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011****Condensed Consolidated Statement of Comprehensive Income**

	3 MONTHS ENDED		CUMULATIVE 6 MONTHS ENDED	
	CURRENT QUARTER ENDED 30/06/2011 RM	COMPARATIVE QUARTER ENDED 30/06/2010 RM	CURRENT PERIOD ENDED 30/06/2011 RM	COMPARATIVE PERIOD ENDED 30/06/2010 RM
Revenue	45,383,690	62,893,401	104,896,380	130,443,913
Cost of sales	<u>(27,682,219)</u>	<u>(41,730,179)</u>	<u>(58,983,458)</u>	<u>(79,845,566)</u>
<b>Gross profit</b>	<b>17,701,471</b>	<b>21,163,222</b>	<b>45,912,922</b>	<b>50,598,347</b>
Other income	1,417,586	617,509	3,093,023	1,555,201
Distribution costs	(419,848)	(572,453)	(754,983)	(885,820)
Administrative expenses	(3,069,298)	(2,442,131)	(6,094,343)	(4,816,899)
Other expenses	(403,399)	(488,138)	(799,065)	(1,189,485)
Finance costs	(52,055)	(183,914)	(124,819)	(329,785)
Share of results of associates	92,691	9,116	176,260	(3,061)
<b>Profit before tax</b>	<b>15,267,148</b>	<b>18,103,211</b>	<b>41,408,995</b>	<b>44,928,498</b>
Income tax expense	<u>(3,543,407)</u>	<u>(4,565,311)</u>	<u>(10,002,315)</u>	<u>(11,434,806)</u>
<b>Profit for the period</b>	<b>11,723,741</b>	<b>13,537,900</b>	<b>31,406,680</b>	<b>33,493,692</b>
<b>Other Comprehensive Income</b>				
Foreign currency translation	<u>237</u>	<u>(32)</u>	<u>222</u>	<u>(32)</u>
<b>Total Comprehensive Income for the period</b>	<b>11,723,978</b>	<b>13,537,868</b>	<b>31,406,902</b>	<b>33,493,660</b>
Profit for the period attributable to:				
Owners of the parent	11,712,326	13,462,277	31,390,215	32,506,985
Non-controlling interest	<u>11,415</u>	<u>75,623</u>	<u>16,465</u>	<u>986,707</u>
	<u>11,723,741</u>	<u>13,537,900</u>	<u>31,406,680</u>	<u>33,493,692</u>
Total Comprehensive Income for the period attributable to:				
Owners of the parent	11,712,563	13,462,245	31,390,437	32,506,953
Non-controlling interest	<u>11,415</u>	<u>75,623</u>	<u>16,465</u>	<u>986,707</u>
	<u>11,723,978</u>	<u>13,537,868</u>	<u>31,406,902</u>	<u>33,493,660</u>
<b>Earnings per share attributable to ordinary equity holders of the parent:</b>				
Basic, for profit for the period (sen)	<u>4.54</u>	<u>5.22</u>	<u>12.18</u>	<u>12.61</u>
Diluted, for profit for the period (sen) - Not Applicable				

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.)

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**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011****Condensed Consolidated Statement of Financial Position**

	UNAUDITED AS AT 30/06/2011 RM	AUDITED AS AT 31/12/2010 RM
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	96,271,998	94,895,160
Investment in associates	1,255,404	1,139,144
	<u>97,527,402</u>	<u>96,034,304</u>
<b>Current assets</b>		
Inventories	42,393,340	38,674,288
Trade and other receivables	44,560,821	44,971,301
Other current assets	1,333,782	27,880
Cash and bank balances	90,749,471	103,508,813
	<u>179,037,414</u>	<u>187,182,282</u>
<b>TOTAL ASSETS</b>	<b><u>276,564,816</u></b>	<b><u>283,216,586</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	128,896,000	128,896,000
Other reserves	6,986,054	6,985,832
Retained earnings	106,661,844	99,439,628
	<u>242,543,898</u>	<u>235,321,460</u>
<b>Non-controlling interest</b>	<u>4,265,702</u>	<u>4,649,237</u>
<b>Total equity</b>	<b><u>246,809,600</u></b>	<b><u>239,970,697</u></b>
<b>Non-current liabilities</b>		
Loans and borrowings	2,182,855	2,868,064
Deferred tax liabilities	2,263,783	2,648,628
	<u>4,446,638</u>	<u>5,516,692</u>
<b>Current liabilities</b>		
Loans and borrowings	1,405,299	1,480,144
Trade and other payables	20,583,683	27,058,836
Amount due to customers for contract work	696,055	4,273,555
Current tax payable	2,623,541	4,916,662
	<u>25,308,578</u>	<u>37,729,197</u>
<b>Total liabilities</b>	<b><u>29,755,216</u></b>	<b><u>43,245,889</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>276,564,816</u></b>	<b><u>283,216,586</u></b>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.)

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**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011****Condensed Consolidated Statement of Changes in Equity**

	<----- Attributable to owners of the parent ----->					Non-controlling Interest	Total Equity
	Share Capital	<-----Non-Distributable----->		Distributable	Total		
	RM	Share Premium	Other Reserves	Retained Earnings	RM	RM	RM
<b>At 1 January 2010</b>	80,560,000	17,245,723	6,985,109	73,370,542	178,161,374	4,137,400	182,298,774
Profit for the period	-	-	-	32,506,985	32,506,985	986,707	33,493,692
Other comprehensive income for the period	-	-	(32)	-	(32)	-	(32)
Total comprehensive income for the period	-	-	(32)	32,506,985	32,506,953	986,707	33,493,660
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	(400,000)	(400,000)
First and Final dividend for FYE 31 December 2009	-	-	-	(10,069,998)	(10,069,998)	-	(10,069,998)
Bonus issue	48,336,000	(17,245,723)	-	(31,090,277)	-	-	-
<b>At 30 June 2010</b>	<u>128,896,000</u>	<u>-</u>	<u>6,985,077</u>	<u>64,717,252</u>	<u>200,598,329</u>	<u>4,724,107</u>	<u>205,322,436</u>
<b>At 1 January 2011</b>	128,896,000	-	6,985,832	99,439,628	235,321,460	4,649,237	239,970,697
Profit for the period	-	-	-	31,390,215	31,390,215	16,465	31,406,680
Other comprehensive income for the period	-	-	222	-	222	-	222
Total comprehensive income for the period	-	-	222	31,390,215	31,390,437	16,465	31,406,902
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	(400,000)	(400,000)
Final dividend for FYE 31 December 2010	-	-	-	(24,167,999)	(24,167,999)	-	(24,167,999)
<b>At 30 June 2011</b>	<u>128,896,000</u>	<u>-</u>	<u>6,986,054</u>	<u>106,661,844</u>	<u>242,543,898</u>	<u>4,265,702</u>	<u>246,809,600</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.)

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**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011****Condensed Consolidated Statement of Cash Flows**

	CUMULATIVE 6 MONTHS ENDED 30/06/2011 RM	CUMULATIVE 6 MONTHS ENDED 30/06/2010 RM
Profit before taxation	41,408,995	44,928,498
Adjustments for:		
Depreciation of property, plant & equipment	2,469,545	2,500,670
Interest expense	124,819	329,785
Property, plant & equipment written off	-	2,490
Gain on disposal of property, plant & equipment	-	(189,997)
Impairment of goodwill	-	8,364
Unrealised loss on foreign exchange	-	58,500
Interest income	(1,730,839)	(680,794)
Share of results of associates	(176,260)	3,061
Total adjustments	<u>687,265</u>	<u>2,032,079</u>
Operating cash flows before changes in working capital	42,096,260	46,960,577
Changes in working capital		
Net increase in current assets	(3,029,157)	(8,241,518)
Net (decrease)/increase in current liabilities	<u>(10,052,653)</u>	<u>9,222,893</u>
Cash flows from operations	29,014,450	47,941,952
Interest paid	(124,819)	(329,785)
Taxation paid, net of refund (if any)	<u>(13,977,169)</u>	<u>(6,048,746)</u>
Net cash flows from operating activities	<u>14,912,462</u>	<u>41,563,421</u>
Investing activities		
Proceeds from disposal of property, plant & equipment	-	190,000
Purchase of property, plant & equipment	(3,846,384)	(4,254,719)
Net cash inflow from acquisition of a subsidiary	-	26,072
Interest received	1,442,408	680,794
Dividend received	60,000	-
Net cash flows used in investing activities	<u>(2,343,976)</u>	<u>(3,357,853)</u>
Financing activities		
Dividend paid to shareholders of the Company	(24,167,999)	(10,069,998)
Dividend paid to non-controlling shareholder of a subsidiary	(400,000)	(400,000)
Net proceeds from short-term borrowings	-	8,711,000
Repayment of lease financing	(760,054)	(569,376)
Net repayment of term loan	-	(6,780,000)
Net cash flows used in financing activities	<u>(25,328,053)</u>	<u>(9,108,374)</u>
Net (decrease)/increase in cash and cash equivalents	(12,759,567)	29,097,194
Effect of exchange rate changes on cash and cash equivalents	225	(32)
Cash and cash equivalents at the beginning of the period	103,508,813	42,305,975
Cash and cash equivalents at the end of the period	<u>90,749,471</u>	<u>71,403,137</u>

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