

KUCHAI DEVELOPMENT BERHAD (7573-V)
(Incorporated in Malaysia)

Condensed Income Statements
For the Nine-Month Period Ended 30 September 2006

	Note	Individual Quarter 3 months ended		Year-To-Date 9 months ended	
		30.9.2006 RM'000	30.9.2005 RM'000 (restated)	30.9.2006 RM'000	30.9.2005 RM'000 (restated)
Revenue	5	1,096	1,022	4,189	3,091
Direct costs		(19)	(20)	(57)	(71)
Gross profit		1,077	1,002	4,132	3,020
Other income		4,820	-	12,802	-
Administrative expenses		(164)	(141)	(544)	(448)
Other expenses		(5)	(29)	(123)	(904)
Profit from operations	5	5,728	832	16,267	1,668
Share of profit/(loss) of associates		2,954	191	7,790	(867)
Profit before tax		8,682	1,023	24,057	801
Income tax expense	20	(228)	(199)	(818)	(541)
Profit for the period		8,454	824	23,239	260
Earnings per share attributable to equity holders:					
Basic (Sen)	28	322.2	31.4	885.6	9.9

The condensed income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

KUCHAI DEVELOPMENT BERHAD (7573-V)
(Incorporated in Malaysia)

Condensed Balance Sheet
As at 30 September 2006

	Note	As at 30.9.2006 RM'000	As at 31.12.2005 RM'000 (restated)
ASSETS			
Non-current assets			
Investment properties		9,035	1,477
Investment in associate		103,103	71,752
Other investments	22	-	5,922
Investments at fair value through profit or loss	22	128,285	-
		<u>240,423</u>	<u>79,151</u>
Current assets			
Other receivables		136	389
Current tax recoverable		454	449
Cash and bank balances		14,594	11,627
		<u>15,184</u>	<u>12,465</u>
TOTAL ASSETS		<u>255,607</u>	<u>91,616</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Share capital		1,312	1,312
Reserves		253,029	89,226
		<u>254,341</u>	<u>90,538</u>
Current liabilities			
Sundry payables		1,266	1,078
		<u>1,266</u>	<u>1,078</u>
Total liabilities		<u>1,266</u>	<u>1,078</u>
TOTAL EQUITY AND LIABILITIES		<u>255,607</u>	<u>91,616</u>

The condensed balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

KUCHAI DEVELOPMENT BERHAD (7573-V)
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Condensed Statement of Changes in Equity
For the Nine-Month Period Ended 30 September 2006

Note	Share Capital RM'000	Share of		Property and		Retained Earnings RM'000	Total Equity RM'000
		Associated Company Reserves RM'000	Foreign Exchange Reserves RM'000	Investment Reserves RM'000	General Reserve RM'000		
At 1 January 2006	1,312	-	-	12,611	6,000	7,388	27,311
As previously stated	-	-	-	-	-	-	-
Prior year adjustments:							
- effects of adopting FRS 121	-	-	7,654	-	-	375	8,029
- effects of adopting FRS 128	-	34,502	-	-	-	20,696	55,198
At 1 January 2006 (restated)	1,312	34,502	7,654	12,611	6,000	28,459	90,538
Effects of adopting FRS 128	-	-	-	-	-	22,212	22,212
Effects of adopting FRS 139	-	-	-	-	-	106,985	106,985
Effects of adopting FRS 140	-	-	-	-	-	7,364	7,364
	1,312	34,502	7,654	12,611	6,000	165,020	227,099
Foreign currency translation reserve	-	-	5,113	-	-	-	5,113
Dividends	-	(732)	-	-	-	-	(732)
Profit for the period	-	-	-	-	-	(378)	(378)
Total recognised income and expense for the period	-	(732)	5,113	-	-	22,861	27,242
At 30 September 2006	1,312	33,770	12,767	12,611	6,000	187,881	254,341

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Condensed Statement of Changes in Equity (Cont'd)
For the Nine-Month Period Ended 30 September 2006

	Note	Share of		Property		Retained	Total
		Share	Share of	Investment	General		
Capital		Company	Foreign	and	Reserve	RM'000	RM'000
RM'000		Reserves	Exchange	Investment	RM'000	RM'000	RM'000
		RM'000	Reserves	Reserves	RM'000	RM'000	RM'000
At 1 January 2005		1,312	-	13,901	6,000	5,083	26,296
As previously stated							
Prior year adjustments:							
- effects of adopting FRS 121	2(b)	-	9,973	-	-	-	9,973
- effects of adopting FRS 128	2(c)	-	34,654	-	-	21,909	56,563
At 1 January 2005 (restated)		1,312	34,654	13,901	6,000	26,992	92,832
Foreign currency translation		-	(3,773)	-	-	-	(3,773)
Transfer to/(from) reserves		-	-	(1,160)	-	1,160	-
Dividends		-	-	-	-	(520)	(520)
Profit for the period		-	-	-	-	260	260
Total recognised income and expense for the period		-	(3,773)	(1,160)	-	900	(4,033)
At 30 September 2005		1,312	34,654	12,741	6,000	27,892	88,799

The condensed statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

KUCHAI DEVELOPMENT BERHAD (7573-V)
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Condensed Cash Flow Statement
For the Nine-Month Period Ended 30 September 2006

	9 months ended	
	30.9.2006	30.9.2005
	RM'000	RM'000 (restated)
Net cash used in operating activities	(761)	(943)
Net cash generated from investing activities	3,856	2,967
Net cash used in from financing activities	<u>(378)</u>	<u>(519)</u>
Net increase in cash and cash equivalents	2,717	1,505
Effects of exchange rate changes	250	(419)
Cash and cash equivalents at beginning of financial period	<u>11,627</u>	<u>10,305</u>
Cash and cash equivalents at end of financial period	<u>14,594</u>	<u>11,391</u>

Cash and cash equivalents at the end of the financial period comprise the following :

	As at	As at
	30.9.2006	30.9.2005
	RM'000	RM'000
Cash and bank balances	<u>14,594</u>	<u>11,391</u>

The condensed cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

KUCHAI DEVELOPMENT BERHAD (7573-V)
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Part A - Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The interim financial statements have been prepared under the historical cost convention.

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 2005. 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 Company since the year ended 31 December 2005.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

and early adoption of FRS 139 Financial Instruments: Recognition and Measurement.

KUCHAI DEVELOPMENT BERHAD (7573-V)
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Part A - Explanatory Notes Pursuant to FRS 134

2. Changes in Accounting Policies (Cont'd)

The adoption of the above-mentioned FRS does not have any significant financial impact on the Company except for the following:

(a) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of share of net after-tax results of associate and other disclosures.

The current period's presentation of the Company's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

(b) FRS 121: The Effects of Changes in Foreign Exchange Rates

Items included in the financial statements of the Company's are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The functional currency of the Company is Singapore Dollar. The financial statements are presented in Ringgit Malaysia, which is the Company's presentation currency.

This change in accounting policy has been accounted for retrospectively and has resulted in the following:

	As at	As at
	1.1.2006	1.1.2005
	RM'000	RM'000
Increase in foreign exchange reserve	7,654	9,973
Increase in retained earnings	375	-

As disclosed in Note 3, certain comparatives have been restated due to this change in accounting policy.

KUCHAI DEVELOPMENT BERHAD (7573-V)
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Part A - Explanatory Notes Pursuant to FRS 134

2. Changes in Accounting Policies (Cont'd)

(c) FRS 128: Investment in Associated Companies

The adoption of this new FRS has resulted in a change in accounting policy for investment in associated companies. The associated companies results are now included in the financial statements of the Company using equity accounting method based on financial statements using MASB standards. This change in accounting policy has been accounted for retrospectively and has resulted in the following:

	As at 1.1.2006 RM'000	As at 1.1.2005 RM'000
Increase in retained earnings	20,696	21,909
Increase in share of associated company reserve	<u>34,502</u>	<u>34,654</u>

	Individual Quarter 3 months ended		Year-To-Date 9 months ended	
	30.9.06 RM'000	30.9.05 RM'000	30.9.06 RM'000	30.9.05 RM'000
Increase/(Decrease) in profit for the period	<u>2,954</u>	<u>191</u>	<u>7,790</u>	<u>(867)</u>

As disclosed in Note 3, certain comparatives have been restated due to this change in accounting policy.

(d) FRS 139: Financial Instruments: Recognition and Measurement

This FRS sets out the new requirements for the recognition, derecognition and measurement of the Company's financial instruments and hedge accounting. All financial assets are required to be classified into appropriate categories at initial recognition and the categorisations are re-evaluated at every reporting date. The categories are:

(i) Financial assets at fair value through profit or loss

The Company's investments are classified in this category as designated by management. They are initially recognised at fair value and subsequently re-measured to fair value at the balance sheet date with all gains and losses recognised in profit or loss in the period in which the change in fair value arises. Transaction costs are recognised in profit or loss. Prior to 1 January 2006, such investments were classified as long term investments and were stated at cost less provision for diminution in value, with changes in carrying value recognised in profit or loss.

KUCHAI DEVELOPMENT BERHAD (7573-V)
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Part A - Explanatory Notes Pursuant to FRS 134

2. Changes in Accounting Policies (Cont'd)

(d) FRS 139: Financial Instruments: Recognition and Measurement (Cont'd)

In accordance with the transitional provisions of FRS 139, the above change is applied prospectively and the comparatives as at 31 December 2005 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 January 2006:

	As at 1.1.2006 RM'000
Increase in investments at fair value through profit or loss	<u>106,985</u>

In addition, this change in accounting policy has the effect of increasing profit by RM4.820 million for the current quarter and RM12.802 million for the 9 months ended 30 September 2006.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value including transaction costs and subsequently accounted for at amortised cost less impairment. Prior to 1 January 2006, loans and receivables were stated at the gross proceeds receivable less provision for doubtful debts.

(e) FRS 140: Investment Property

The adoption of this new FRS has resulted in a retrospective reclassification of the investment properties from property, plant and equipment. Investment properties are now stated at fair value, representing open-market value determined by external valuers. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the period in which they arise. Prior to 1 January 2006, investment properties were stated at cost less accumulated depreciation. In accordance with the transitional provisions of FRS 140, this change in accounting policy is applied prospectively and the comparatives as at 31 December 2005 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 January 2006:

	As at 1.1.2006 RM'000
Increase in retained earnings	<u>7,364</u>

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Part A - Explanatory Notes Pursuant to FRS 134

3. Comparatives

The following comparative amounts have been restated due to the adoption of new and revised FRSs:

	Previously stated RM'000	← Adjustment →		Restated RM'000
		FRS 121 (Note 2(b)) RM'000	FRS 128 (Note 2(c)) RM'000	
At 31 December 2005				
ASSETS				
Investment in associate	11,947	4,607	55,198	71,752
Other investments	3,329	2,593	-	5,922
Current tax recoverable	461	(12)	-	449
EQUITY AND LIABILITIES				
Sundry payables	1,217	(139)	-	1,078
Exchange fluctuation reserves	-	7,654	-	7,654
Share of associated company reserve	-	-	34,502	34,502
Retained earnings	7,388	375	20,696	28,459

	Previously stated RM'000	← Adjustment →		Restated RM'000
		FRS 121 (Note 2(b)) RM'000	FRS 128 (Note 2(c)) RM'000	
9 months ended 30 September 2005				
Revenue	3,653	9	(571)	3,091
Cost of sales	(63)	(8)	-	(71)
Administrative expenses	(458)	10	-	(448)
Other expenses	(1,399)	495	-	(904)
Share of profit/(loss) of associates	-	-	(867)	(867)
Profit before tax	1,733	506	(1,438)	801
Taxation	(701)	160	-	(541)
Profit for the period	1,032	666	(1,438)	260

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Part A - Explanatory Notes Pursuant to FRS 134

3. Comparatives (Cont'd)

The following amounts as at 31 December 2005 have been reclassified due to the adoption of FRS 140 (Note 2(e)) and FRS 121 (Note2(b)):

	Previously stated RM'000	Re- classification FRS 140 RM'000	Adjustment FRS 121 RM'000	Restated RM'000
Property, plant and equipment	776	(776)		-
Investment properties	-	776	701	1,477
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2005 was not qualified.

5. Segmental Information

	9 months ended	
	30.9.2006	30.9.2005
	RM'000	RM'000
Segment Revenue		
Investment	3,533	2,479
Interest income	118	79
Rental income	538	533
Total	<u>4,189</u>	<u>3,091</u>
Segment results		
Investment	16,334	1,314
Interest income	118	79
Rental income	491	461
	<u>16,943</u>	<u>1,854</u>
Unallocated corporate expenses	(676)	(186)
Profit from operations	<u>16,267</u>	<u>1,668</u>

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Part A - Explanatory Notes Pursuant to FRS 134

6. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the 9 months ended 30 September 2006 except as disclosed in Note 2.

7. Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter results.

8. Comments about Seasonal or Cyclical Factors

The principal business operations of the Company are not affected by seasonal or cyclical factors.

9. Dividends Paid

The amount of dividends paid during the 9 months ended 30 September 2006 were as follows:

	<u>Amount</u> RM	<u>Net dividend</u> <u>per share</u> Sen
In respect of year ended 31 December 2005:		
First and final dividend of 10% less 28% taxation	95	3.6
Bonus dividend of 30% less 28% taxation	283	10.8
	<u>378</u>	<u>14.4</u>

10. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2005 other than the adjustment for fair value in respect of investment properties.

11. Debt and Equity Securities

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares in the current quarter.

KUCHAI DEVELOPMENT BERHAD (7573-V)
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Part A - Explanatory Notes Pursuant to FRS 134

12. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter.

13. Capital Commitments

There are no commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 September 2006.

14. Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 30 September 2006.

15. Subsequent Events

During the Extraordinary General Meeting held on 27 November 2007, the shareholders have approved the following:

- (i) The proposed bonus issue of 118,079,505 Bonus Shares of RM0.50 each to be credited as fully paid-up to the shareholders of the Company on the basis of forty five (45) Bonus Shares for each existing share held.
- (ii) The proposed increase in authorised share capital from RM1,350,000 comprising 2,700,000 shares to RM100,000,000 comprising 200,000,000 shares.
- (iii) The proposed amendments to the Memorandum and Articles of Association in respect of the increase in authorised share capital.

KUCHAI DEVELOPMENT BERHAD (7573-V)
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**Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of
Bursa Malaysia Securities Berhad**

16. Performance Review

The Company's revenue of RM4.189 million for the 9 months ended 30 September 2006 was significantly higher than the RM3.091 million achieved during the 9 months ended 30 September 2005 mainly due to higher dividend income. The after-tax profit was RM23.239 million as compared to the corresponding 9 months' profit of RM260,000. This was mainly due to the early adoption of FRS 139 Financial Instruments: Recognition and Measurement as the Company revalued its long-term investment in securities, resulting in a fair value gain of RM12.802 million. Share of associate's profit was RM7.790 million as compared to the corresponding 9 months' loss of RM867,000.

17. Comment on Material Change in Profit Before Taxation

The Company achieved a lower pre-tax profit of RM8.682 million for the current quarter ended 30 September 2006 as compared to the preceding quarter's profit of RM16.103 million. This was mainly due to lower dividend income, fair value gain and share of associate's profit.

18. Commentary on Prospects

The Company's results for the rest of the financial year will be dependent on dividend income receivable from investments, the effect of exchange rate fluctuations and the market valuation of its investments. The results of the associated company may be further affected by the plantation contribution, which is not expected to improve due to lower production expected from older palms and replanting, and the market valuation of its investments.

19. Profit Forecast or Profit Guarantee

There is no profit forecast and profit guarantee.

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**Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of
 Bursa Malaysia Securities Berhad**

20. Income Tax Expense

	Individual Quarter 3 months ended		Year-To-Date 9 months ended	
	30.9.2006 RM'000	30.9.2005 RM'000 (restated)	30.9.2006 RM'000	30.9.2005 RM'000 (restated)
Current tax:				
Malaysian income tax	9	-	14	(33)
Foreign tax	219	199	804	574
Total income tax expense	<u>228</u>	<u>199</u>	<u>818</u>	<u>541</u>

The effective tax rate for the 9 months ended 30 September 2006 was lower than the statutory tax rate principally due to certain income exempted for tax purposes while the effective tax rate for the 9 months ended 30 September 2005 was higher as certain expenses were not deductible for tax purposes.

21. Sale of Unquoted Investments and Properties

There were no sales of unquoted investments and properties.

22. Quoted Securities

There was no purchase or disposal of quoted securities for the current quarter and year to-date.

Details of investments in quoted securities classified as financial assets at fair value through profit or loss:

	As at 30.9.2006 RM'000
At cost	5,922
At carrying value / market value	<u>128,285</u>

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**Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of
Bursa Malaysia Securities Berhad**

23. Corporate Proposals

Status of Corporate Proposals

On 6 November 2006, the Company announced that Bursa Malaysia Securities Berhad has vide its letter dated 3 November 2006 approved in-principle the listing of and quotation for 118,079,505 Bonus Shares to be issued pursuant to the Proposed Bonus Issue.

On the same day, the Company announced that The Board of Directors has approved the change of financial year end of the Company from 31 December 2006 to 30 June 2007 and thus the financial period would run from 1 January 2006 to 30 June 2007, covering a period of 18 months, and thereafter, the financial year shall be 30 June of each subsequent year.

The change is in line with the Financial Reporting Standard ("FRS") 128 - Investments in Associates paragraph 25, to be co-terminous with Kluang Rubber Company (Malaya) Berhad's financial year end, 30 June.

24. Borrowings

There were no borrowings and debt securities as at 30 September 2006.

25. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at 27 November 2006.

26. Changes in Material Litigation

There was no pending material litigation as at the date of the issue of this quarterly report.

27. Dividend Payable

No interim ordinary dividend has been declared for the financial period ended 30 September 2006 (30 September 2005: Nil).

KUCHAI DEVELOPMENT BERHAD (7573-V)
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**Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of
Bursa Malaysia Securities Berhad**

28. Earnings Per Share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the period.

	Individual Quarter		Year-To-Date	
	3 months ended	3 months ended	9 months ended	9 months ended
	30.9.2006	30.9.2005	30.9.2006	30.9.2005
Profit attributable to ordinary equity holders (RM'000)	<u>8,454</u>	<u>824</u>	<u>23,239</u>	<u>260</u>
Weighted average number of ordinary shares in issue	<u>2,624</u>	<u>2,624</u>	<u>2,624</u>	<u>2,624</u>
Basic earnings per share (Sen)	<u>322.2</u>	<u>31.4</u>	<u>885.6</u>	<u>9.9</u>

(b) Diluted

Diluted earnings per share are not presented as there is no dilutive potential ordinary shares outstanding as at 30 September 2006.

29. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 November 2006.