

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

Condensed Income Statements
For the Twelve-Month Period Ended 31 December 2006

	Note	Individual Quarter 3 months ended		Year-To-Date 12 months ended	
		31.12.2006 RM'000	31.12.2005 RM'000 (restated)	31.12.2006 RM'000	31.12.2005 RM'000 (restated - refer Note 3)
Revenue	5	351	572	4,540	3,663
Direct costs		(20)	(77)	(77)	(148)
Gross profit		331	495	4,463	3,515
Other income		3,483	-	16,285	-
Administrative expenses		(180)	(111)	(724)	(559)
Other expenses		36	(142)	(87)	(1,046)
Profit from operations	5	3,670	242	19,937	1,910
Share of profit/(loss) of associates		2,965	294	10,755	(573)
Profit before tax		6,635	536	30,692	1,337
Income tax expense	20	(64)	(99)	(882)	(640)
Profit for the period		6,571	437	29,810	697
Earnings per share attributable to equity holders:					
Basic (Sen)	28	5.4	0.4	24.7	0.6

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 31 December 2006

	Note	As at 31.12.2006 RM'000	As at 31.12.2005 RM'000 (restated - refer Note 3)
ASSETS			
Non-current assets			
Investment properties		8,962	1,477
Investment in associate		97,447	67,021
Other investments	22	-	5,922
Investments at fair value through profit or loss	22	130,672	-
		<u>237,081</u>	<u>74,420</u>
Current assets			
Other receivables		322	389
Current tax recoverable		406	449
Cash and bank balances		14,355	11,627
		<u>15,083</u>	<u>12,465</u>
TOTAL ASSETS		<u>252,164</u>	<u>86,885</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Share capital		60,352	1,312
Reserves		190,597	84,495
		<u>250,949</u>	<u>85,807</u>
Current liabilities			
Sundry payables		1,215	1,078
		<u>1,215</u>	<u>1,078</u>
Total liabilities		<u>1,215</u>	<u>1,078</u>
TOTAL EQUITY AND LIABILITIES		<u>252,164</u>	<u>86,885</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)
(Incorporated in Malaysia)

Condensed Statement of Changes in Equity
For the Twelve-Month Period Ended 31 December 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	-	-	3,047	-	-	375	3,422
- effects of adopting FRS 128	-	34,378	-	-	-	20,696	55,074
At 1 January 2006 (restated)	1,312	34,378	3,047	12,611	6,000	28,459	85,807
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	34,378	3,047	12,611	6,000	165,020	222,368
Bonus issue	59,040	-	-	-	-	(59,040)	-
Bonus issue expenses	-	-	-	-	-	(279)	(279)
Foreign currency translation	-	-	1,743	-	-	-	1,743
Share of Associated companies reserve	-	(2,315)	-	-	-	-	(2,315)
Dividends	-	-	-	-	-	(378)	(378)
Profit for the period	-	-	-	-	-	29,810	29,810
Total recognised income and expense for the period	59,040	(2,315)	1,743	-	-	(29,887)	28,581
At 31 December 2006	60,352	32,063	4,790	12,611	6,000	135,133	250,949

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

Condensed Statement of Changes in Equity (Cont'd)
For the Twelve-Month Period Ended 31 December 2006

Note	Share Capital RM'000	Share of		Property and		General Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
		Associated Company Reserves RM'000	Foreign Exchange Reserves RM'000	Investment Reserves RM'000	Distributable			
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	9,973	13,901	6,000	26,992	92,832	
Foreign currency translation	-	-	(6,926)	-	-	-	(6,926)	
Share of Associated companies reserve	-	(276)	-	-	-	-	(276)	
Transfer to/(from) reserves	-	-	-	(1,290)	-	1,290	-	
Dividends	-	-	-	-	-	(520)	(520)	
Profit for the period	-	-	-	-	-	697	697	
Total recognised income and expense for the period	-	(276)	(6,926)	(1,290)	-	1,467	(7,025)	
At 31 December 2005	1,312	34,378	3,047	12,611	6,000	28,459	85,807	

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)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2006

(The figures have not been audited)

	12 months ended	
	31 Dec 2006 RM'000	31 Dec 2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	30,692	1,337
Adjustments for:		
Dividend income	(3,641)	(2,849)
Unrealised foreign exchange loss/(gain)	(1)	(1)
Provision for retirement benefit	100	
Interest income	(180)	(107)
Share of results of associated company	(10,755)	573
Fair Value (Surplus) / Impairment	(16,285)	-
Provision for diminution in value in investment	-	1,290
Operating (loss) / profit before working capital changes	(70)	243
Receivables	85	(35)
Payables	23	(254)
Cash generated from /(used in) operations	38	(46)
Taxes paid	(840)	(679)
Retirement benefit paid	-	(537)
Net cash used in operating activities	(802)	(1,262)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	3,914	3,255
Interest received	120	105
Net cash from investing activities	4,034	3,360
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(378)	(519)
Bonus issue expenses	(279)	-
Net cash used in financing activities	(657)	(519)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,575	1,579
EFFECTS OF EXCHANGE RATE CHANGES	153	(257)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,627	10,305
CASH AND CASH EQUIVALENTS AT END OF YEAR	14,355	11,627

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2005)

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)
(Incorporated in Malaysia)

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	3,047	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)
(Incorporated in Malaysia)

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>34,378</u>	<u>34,654</u>

	Individual Quarter 3 months ended		Year-To-Date 12 months ended	
	31.12.06 RM'000	3.12.05 RM'000	31.12.06 RM'000	3.12.05 RM'000
Increase/(Decrease) in profit for the period	<u>2,965</u>	<u>294</u>	<u>10,755</u>	<u>(573)</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)
(Incorporated in Malaysia)

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 RM3.483 million for the current quarter and RM16.285 million for the 12 months ended 31 December 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>

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

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	-	55,074	67,021
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	-	3,047	-	3,047
Share of associated company reserve	-	-	34,378	34,378
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	
12 months ended 31 December 2005				
Revenue	4,549	2	(888)	3,663
Cost of sales	(149)	1	-	(148)
Administrative expenses	(562)	3	-	(559)
Other expenses	(1,413)	367	-	(1,046)
Share of profit/(loss) of associates	-	-	(573)	(573)
Profit before tax	2,425	373	(1,461)	1,337
Taxation	(890)	2	248	(640)
Profit for the period	1,535	375	(1,213)	697

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

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

	12 months ended	
	31.12.2006 RM'000	31.12.2005 RM'000
Segment Revenue		
Investment	3,641	2,849
Interest income	179	107
Rental income	720	707
Total	<u>4,540</u>	<u>3,663</u>
Segment results		
Investment	19,925	1,553
Interest income	179	107
Rental income	643	554
	<u>20,747</u>	<u>2,214</u>
Unallocated corporate expenses	<u>(810)</u>	<u>(304)</u>
Profit from operations	<u>19,937</u>	<u>1,910</u>

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

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 12 months ended 31 December 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

No dividend was paid during the current quarter.

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

On 19 Dec 2006, the Company issued bonus issue of 118,079,505 new ordinary shares of RM0.50 each on the basis of 45 new ordinary shares for every one existing ordinary share by way of capitalising from the retained earnings of the Company.

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

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 31 December 2006.

14. Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 31 December 2006.

15. Subsequent Events

There were no material events subsequent to the end of the current quarter.

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

**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 RM351,000 for the current quarter ended 31 December 2006 was lower than the corresponding quarter ended 31 December 2005, mainly due to lower dividend income partially offset by higher interest income. However, the year-to-date revenue of RM4.54 million was significantly higher than the RM3.663 million achieved during the corresponding year-to-date ended 31 December 2005, mainly due to higher dividend and interest income.

The after-tax profits for the current quarter of RM6.571 million and RM29.810 million for the current 12 months were significantly higher as compared to the corresponding quarter and 12 months ended 31 December 2005. These were 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 fair value gains of RM3.483 million and RM16.285 million for the current quarter and 12 months respectively. Share of associate's profit was RM2.965 million for the current quarter and RM10.755 million for the current financial period as compared to the profit of RM294,000 achieved during the corresponding quarter and the loss of RM573,000 suffered during the corresponding 12 months.

17. Comment on Material Change in Profit Before Taxation

The Company achieved a lower pre-tax profit of RM6.635 million for the current quarter ended 31 December 2006 as compared to the preceding quarter's profit of RM8.682 million mainly due to lower dividend income and fair value gain.

18. Commentary on Prospects

The Company's results for the rest of the financial year ending 30 June 2007 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, replanting and recent floods which have affected the harvesting/evacuation of oil palm FFB works and the market valuation of its investments.

19. Profit Forecast or Profit Guarantee

There is no profit forecast and profit guarantee.

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

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

20. Income Tax Expense

	Individual Quarter		Year-To-Date	
	3 months ended		12 months ended	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
		(restated)		(restated)
Current tax:				
Malaysian income tax	8	2	22	(31)
Foreign tax	56	97	860	671
Total income tax expense	<u>64</u>	<u>99</u>	<u>882</u>	<u>640</u>

The effective tax rate for the 12 months ended 31 December 2006 was lower than the statutory tax rate principally due to certain income exempted for tax purposes while the effective tax rate for the 12 months ended 31 December 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
	31.12.2006
	RM'000
At cost	5,922
At carrying value / market value	<u>130,672</u>

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

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

23. Corporate Proposals

Status of Corporate Proposals

There was no corporate proposal announced by the Company as at the date of the issue of this quarterly report.

24. Borrowings

There were no borrowings and debt securities as at 31 December 2006.

25. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at 22 February 2007.

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 31 December 2006 (31 December 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		12 months ended	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Profit attributable to ordinary equity holders (RM'000)	<u>6,571</u>	<u>437</u>	<u>29,810</u>	<u>697</u>
Weighted average number of ordinary shares in issue	<u>120,703</u>	<u>120,703</u>	<u>120,703</u>	<u>120,703</u>
Basic earnings per share (Sen)	<u>5.4</u>	<u>0.4</u>	<u>24.7</u>	<u>0.6</u>

The comparative basic earnings per share has been restated to take into account the effect of the bonus issue.

(b) Diluted

Diluted earnings per share are not presented as there is no dilutive potential ordinary shares outstanding as at 31 December 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 22 February 2007.