

KUCHAI DEVELOPMENT BERHAD (7573-V)

(Incorporated in Malaysia)

Statement Of Comprehensive Income**For the Financial Period Ended 31 December 2016****(The figures have not been audited)**

	Note	Individual Quarter 3 months ended		Period-To-Date 6 months ended	
		31.12.16 RM'000	31.12.15 RM'000	31.12.16 RM'000	31.12.15 RM'000
Revenue	4	328	1,049	1,533	2,225
Direct costs		(31)	(30)	(68)	(60)
Gross profit		297	1,019	1,465	2,165
Depreciation		(1)	(2)	(1)	(3)
Administrative expenses		(329)	(238)	(629)	(445)
Loss on disposal of investment		(10,178)	-	(10,178)	-
Other expenses					
- Foreign exchange (loss)/gain		(93)	160	(194)	(485)
- Fair value loss		(1,466)	(2,952)	(2,567)	(31,796)
Loss from operations	4	(11,770)	(2,013)	(12,104)	(30,564)
Share of loss of associate		(2,980)	(246)	(865)	(7,814)
Loss before tax	20	(14,750)	(2,259)	(12,969)	(38,378)
Income tax (expense)/credit	21	(12)	(23)	7	(57)
Loss after tax		(14,762)	(2,282)	(12,962)	(38,435)
<u>Other comprehensive income/(loss)</u>					
Foreign currency translation		9,864	(10,580)	17,605	36,246
Share of other comprehensive income/(loss) of associate		5,547	(2,537)	7,596	8,624
Other comprehensive income/(loss) for the period, net of tax		15,411	(13,117)	25,201	44,870
Total comprehensive income/(loss) for the period		649	(15,399)	12,239	6,435
Loss per share attributable to equity holders of the Company:					
Basic (Sen)	26(a)	(11.93)	(1.84)	(10.47)	(31.06)
Diluted (Sen)	26(b)	(11.93)	(1.84)	(10.47)	(31.06)

The statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to the financial statements.

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

Statement of Financial Position
As at 31 December 2016

	(Unaudited)	(Audited)
	As at	As at
	31.12.16	30.06.16
	RM'000	RM'000
ASSETS		
Non-current assets		
Plant and equipment	11	11
Investment properties	27,980	26,903
Investment in associate	181,440	168,914
Investments at fair value through profit or loss	200,199	210,998
	<u>409,630</u>	<u>406,826</u>
Current assets		
Sundry receivables	104	204
Prepayments	100	57
Cash and bank balances	61,577	53,105
	<u>61,781</u>	<u>53,366</u>
TOTAL ASSETS	<u>471,411</u>	<u>460,192</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
of the Company		
Share capital	61,874	61,874
Reserves	408,334	397,147
	<u>470,208</u>	<u>459,021</u>
Non-current liabilities		
Deferred tax liability	263	253
	<u>263</u>	<u>253</u>
Current liabilities		
Sundry payables	929	809
Tax Payable	11	109
	<u>940</u>	<u>918</u>
Total liabilities	<u>1,203</u>	<u>1,171</u>
TOTAL EQUITY AND LIABILITIES	<u>471,411</u>	<u>460,192</u>

The statement of financial position should be read in conjunction with the accompanying explanatory notes attached to the financial statements.

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

Statement of Changes in Equity
For the Financial Period Ended 31 December 2016
(The figures have not been audited)

	← Non-Distributable →				← Distributable →			Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Share of Associated Company Reserves RM'000	Foreign Exchange Reserve RM'000	Property and Investment Reserves RM'000	General Reserve RM'000	Retained Earnings RM'000	
Opening balance at 1 July 2016	61,874	1,796	67,290	91,676	12,611	6,000	217,774	459,021
Total comprehensive income/(loss) for the period	-	-	7,596	17,605	-	-	(12,962)	12,239
Dividends	-	-	-	-	-	-	(1,052)	(1,052)
Closing balance at 31 December 2016	<u>61,874</u>	<u>1,796</u>	<u>74,886</u>	<u>109,281</u>	<u>12,611</u>	<u>6,000</u>	<u>203,760</u>	<u>470,208</u>
Opening balance at 1 July 2015	61,874	1,796	64,395	65,814	12,611	6,000	263,806	476,296
Total comprehensive income/(loss) for the period	-	-	8,624	36,246	-	-	(38,435)	6,435
Dividends	-	-	-	-	-	-	(1,052)	(1,052)
Closing balance at 31 December 2015	<u>61,874</u>	<u>1,796</u>	<u>73,019</u>	<u>102,060</u>	<u>12,611</u>	<u>6,000</u>	<u>224,319</u>	<u>481,679</u>

The statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to the financial statements.

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

Statement of Cash Flows
For the Financial Period Ended 31 December 2016

(The figures have not been audited)

	6 months ended	
	31.12.16	31.12.15
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before taxation	(12,969)	(38,378)
Adjustments for:		
Depreciation	1	3
Dividend income	(947)	(1,635)
Unrealised foreign exchange loss	194	485
Interest income	(113)	(128)
Share of loss of associated company	865	7,814
Loss on disposal of investment	10,178	-
Fair value loss of fair value through profit or loss investments	2,567	31,796
	<hr/>	<hr/>
Operating cash flows before working capital changes	(224)	(43)
Receivables	17	(1,089)
Prepayments	(43)	(41)
Payables	88	(27)
	<hr/>	<hr/>
Cash flows used in operations	(162)	(1,200)
Taxes paid	(91)	(13)
Taxes refunded	-	63
	<hr/>	<hr/>
Net cash flows used in operating activities	<u>(253)</u>	<u>(1,150)</u>
INVESTING ACTIVITIES		
Interest received	209	199
Dividends received	1,289	1,605
Proceeds from disposal of investment	6,256	-
Withdrawal of/(Addition to) fixed deposits	1,109	(145)
	<hr/>	<hr/>
Net cash flows from investing activities	<u>8,863</u>	<u>1,659</u>
FINANCING ACTIVITIES		
Dividends paid	(1,052)	-
	<hr/>	<hr/>
Net cash flow used in financing activities	<u>(1,052)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,558	509
EFFECTS OF EXCHANGE RATE CHANGES	2,023	3,236
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<hr/>	<hr/>
	48,190	40,941
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD (Note 27)	<u><u>57,771</u></u>	<u><u>44,686</u></u>

The statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to the financial statements.

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

Part A - Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The interim financial statements have been prepared on a historical cost basis, except for investment properties and investments at fair value through profit or loss that have been measured at their fair values.

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 of the Economic Entity for the year ended 30 June 2016. 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 Economic Entity since the year ended 30 June 2016.

2. Significant accounting policies

The significant accounting policies adopted in the unaudited interim financial statements are consistent with those adopted in the Economic Entity's audited financial statements for the financial year ended 30 June 2016.

Revised FRSs issued and not yet effective

The Economic Entity has not early adopted the following revised FRSs which have been issued as at the date of authorisation of these financial statements and will be effective for the financial periods as stated below:

Description	Effective date for financial periods beginning on or after
Amendments to FRS 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 12 (Annual Improvements to FRS Standards 2014-2016 Cycle)	1 January 2017
FRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

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

Part A - Explanatory Notes Pursuant to FRS 134

2. Significant Accounting Policies (cont'd)

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework and may in the alternative, apply Financial Reporting Standards ("FRS") as its financial reporting framework until the MFRS is mandatory for annual periods beginning on or after 1 January

The Economic Entity falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 June 2019. In presenting its first MFRS financial statements, the Economic Entity will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively against opening retained earnings.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 30 June 2016 was not qualified.

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

Part A - Explanatory Notes Pursuant to FRS 134

4. Segmental Information

	6 months ended	
	31.12.16	31.12.15
	RM'000	RM'000
Segment Revenue		
Investment	947	1,635
Interest income	113	128
Rental income	473	462
Total	<u>1,533</u>	<u>2,225</u>
Segment results		
Investment	(11,801)	(30,163)
Interest income	113	128
Rental income	405	401
	<u>(11,283)</u>	<u>(29,634)</u>
Unallocated corporate expenses	(821)	(930)
Loss from operations	<u>(12,104)</u>	<u>(30,564)</u>
Segment assets		
Investment	402,995	414,795
Interest income	45,008	45,175
Rental income	23,374	22,880
	<u>471,377</u>	<u>482,850</u>
Unallocated corporate asset	34	55
Total assets	<u>471,411</u>	<u>482,905</u>

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

During the current quarter, the investment in British and Malayan Trustees Limited were disposed with a proceed of RM6.26 million. This resulted in a loss of RM10.18 million. Other than the significant fair value loss of RM2.57 million resulting from the revaluation of the market value of the Company's long-term investment in securities, share of other comprehensive income of associate by RM7.60 million and exchange fluctuation reserve of RM17.61 million, there were no other unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 31 December 2016.

6. Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter and year-to-date results.

7. Comments about Seasonal or Cyclical Factors

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

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

Part A - Explanatory Notes Pursuant to FRS 134

8. Dividends Paid

In respect of the financial year ended 30 June 2016, as reported in the directors' report of that year, the following dividends were paid during the current year:

	Amount	Net dividend
	RM	per share
		Sen
First and final tax exempt (single tier) dividend of 0.1%	123,750	0.10
Tax exempt (single tier) bonus dividend of 0.75%	928,105	0.75
	<u>1,051,855</u>	<u>0.85</u>

9. Debt and Equity Securities

There were no issuance, repurchase and repayment of debts and equity securities in the current quarter and year-to-date.

10. Changes in Composition of the Company

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

11. 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 2016.

12. Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 31 December 2016.

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

Part A - Explanatory Notes Pursuant to FRS 134

13. Related Party Transactions

Transactions with related parties are as follows:

	Individual Quarter		Year-To-Date	
	31.12.16	31.12.15	31.12.16	31.12.15
	RM'000	RM'000	RM'000	RM'000
Rental income from Ice Cold Beer Pte. Ltd., a company in which a director, Lee Chung-Shih, has an interest (recurrent)	239	234	473	462
Administration and accounting support services payable to The Nyalas Rubber Estates Limited, a company in which a director, Lee Chung-Shih has an interest (recurrent)	69	93	153	152
Administration and support services and property management payable to Estate & Trust Agencies (1927) Limited, a company in which a director, Lee Chung-Shih has an interest (recurrent)	<u>4</u>	<u>4</u>	<u>8</u>	<u>8</u>

14. Subsequent Events

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

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

Part A - Explanatory Notes Pursuant to FRS 134

15. Fair Value Hierarchy

The Company uses the following hierarchy for determining the fair value of all assets and liabilities carried at fair value:

- Level 1: Quoted prices (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31.12.16				
Fair value through profit or loss financial assets	197,260	2,939	-	200,199
Investment properties	-	-	27,980	27,980
	<u>197,260</u>	<u>2,939</u>	<u>27,980</u>	<u>228,179</u>
30.06.16				
Fair value through profit or loss financial assets	207,944	3,054	-	210,998
Investment properties	-	-	26,903	26,903
	<u>207,944</u>	<u>3,054</u>	<u>26,903</u>	<u>237,901</u>

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the current financial year and the comparative year. There were no change in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

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 Economic Entity's revenue of RM328,000 for the current quarter and RM1.53 million for the current 6 months period-to-date were lower than last year's corresponding quarter's RM1.05 million and period-to-date's RM2.23 million. These were mainly due to lower dividend and interest income. Dividend income of RM708,000 from investment in British and Malayan Trustees Limited ("BMT") was received during last year's corresponding quarter and period-to-date but there was none for the current quarter and period-to-date. Rental income remained the same in SGD functional currency.

The Economic Entity suffered an after-tax loss of RM14.76 million for the current quarter which was significantly higher than last year's corresponding quarter's loss of RM2.23 million. This was despite the fair value loss of RM1.47 million arising from the revaluation of its long-term investment in securities for the current quarter was lower than the loss of RM2.95 million reported during the corresponding quarter of last year. These were mainly due to:-

- 1) Lower revenue achieved.
- 2) Sales of the Company's long-term investment in BMT resulted in a loss of RM10.18 million while there was none in last year's corresponding quarter.
- 3) Share of financial loss of the associate amounting RM2.98 million for the current quarter was higher than the loss of RM246,000 reported in a year ago.

The Economic Entity posted an after-tax loss of RM12.97 million for the current fiscal 1st half year which was significantly lower than last year's corresponding period's loss of RM38.44 million. This was despite the Economic Entity has suffered a loss of RM10.18 million arising from disposal of the Company's long-term investment in the current period-to-date. This was mainly due to:-

- 1) The fair value loss of RM2.57 million arising from the revaluation of its long-term investment in securities for the current period-to-date was significantly lower than the loss of RM31.80 million reported a year ago.
- 2) The unrealised foreign exchange loss of RM194,000 for the current period-to-date was lower than the loss of RM485,000 reported during the period ended 31 December 2015.
- 3) Share of the financial loss of the associate of RM865,000 for the current period-to-date was lower than the loss of RM7.81 million reported a year ago.

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**

**17. Comment on Material Change in Profit Before Taxation for the Current Quarter as
Compared with the Immediate Preceding Quarter**

The Economic Entity posted a pre-tax loss of RM14.75 million for the current quarter compared to the pre-tax profit of RM1.78 million reported during the immediate preceding quarter. This was mainly due to:

- 1) Revenue of RM328,000 was achieved during the current quarter. This was lower than the immediate preceding quarter's revenue of RM1.21 million on account of lower dividend income.
- 2) The fair value loss of RM1.47 million arising from the revaluation of its long-term investment in securities for the current quarter was higher than the loss of RM1.10 million suffered during the immediate preceding quarter.
- 3) The share of financial results of the associate for the current quarter was a loss of RM2.98 million while it was a profit of RM2.12 million during the immediate preceding quarter.
- 4) Loss of RM10.18 million arising from disposal of the Company's long-term investment in securities was reported for current quarter while there was none during the immediate preceding quarter.

18. Commentary on Prospects

The Economic Entity's results for the rest of the financial year ending 30 June 2017 will be dependent on dividend income receivable from investments, the effect of exchange rate fluctuations and market valuation of its investments.

The results of the associated company may be affected by the plantation contribution and market valuation of its investments. The plantation is expected to achieve satisfactory levels of productivity.

19. Profit Forecast or Profit Guarantee

There is no profit forecast or 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. Loss before tax

Loss for the period is arrived after charging/(crediting):

	Individual Quarter		Year-To-Date	
	31.12.16 RM'000	31.12.15 RM'000	31.12.16 RM'000	31.12.15 RM'000
Interest income	(51)	(64)	(113)	(128)
Other income including investment income	(38)	(751)	(947)	(1,635)
Fair value loss	1,466	2,952	2,567	31,796
Interest expense	n/a	n/a	n/a	n/a
Depreciation and amortisation	1	2	1	3
Provision for and write off of receivables	n/a	n/a	n/a	n/a
Provision for and write off of inventories	n/a	n/a	n/a	n/a
Loss on disposal of quoted or unquoted investments or properties	10,178	n/a	10,178	n/a
Impairment of assets	n/a	n/a	n/a	n/a
Foreign exchange loss/(gain)	93	(160)	194	485
(Gain)/Loss on derivatives	n/a	n/a	n/a	n/a
Exceptional items	n/a	n/a	n/a	n/a

n/a : Not applicable

21. Income Tax expense/(credit)

	Individual Quarter		Period-To-Date	
	3 months ended		6 months ended	
	31.12.16 RM'000	31.12.15 RM'000	31.12.16 RM'000	31.12.15 RM'000
Current tax:				
Malaysian income tax	3	9	12	21
Foreign tax	10	14	19	36
	<u>13</u>	<u>23</u>	<u>31</u>	<u>57</u>
Overprovision in prior years:				
Foreign tax	(1)	-	(38)	-
Total income tax expense/(credit)	<u>12</u>	<u>23</u>	<u>(7)</u>	<u>57</u>

The effective tax rates for the current quarter, current period-to-date, last year's corresponding quarter and period-to-date were higher than the statutory tax rate applicable in Malaysia as certain expenses were not deductible for tax purposes.

For the current period-to-date, the over provision of income tax for prior years was adjusted, thus resulting in an income tax credit of RM7,000.

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**

22. Corporate Proposals

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

23. Borrowings

There were no borrowings and debt securities as at 31 December 2016.

24. Changes in Material Litigation

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

25. Dividend Payable

The directors do not recommend any dividend for the current quarter under review.

26. Loss Per Share

(a) Basic

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

	Individual Quarter		Period-To-Date	
	3 months ended		6 months ended	
	31.12.16	31.12.15	31.12.16	31.12.15
Loss attributable to ordinary equity holders (RM'000)	<u>(14,762)</u>	<u>(2,282)</u>	<u>(12,962)</u>	<u>(38,435)</u>
Weighted average number of ordinary shares in issue	<u>123,747</u>	<u>123,747</u>	<u>123,747</u>	<u>123,747</u>
Basic loss per share (Sen)	<u>(11.93)</u>	<u>(1.84)</u>	<u>(10.47)</u>	<u>(31.06)</u>

(b) Diluted

Diluted loss per share is the same as basic loss per share as there is no dilutive potential ordinary shares outstanding as at 31 December 2016.

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**

27. Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise the following:

	6 months period	
	31.12.16	31.12.15
	RM'000	RM'000
Cash and bank balances	61,577	49,601
Less: Short-term deposits with a licensed bank with maturities more than 90 days	(3,806)	(4,915)
Cash and cash equivalents	<u>57,771</u>	<u>44,686</u>

28. Disclosure of Realised and Unrealised Profits

The disclosure of realised and unrealised profits mentioned above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

The breakdown of retained profits of the Economic Entity, pursuant to the format prescribed by Bursa Malaysia, is as follows:

	As at	As at
	31.12.16	30.06.16
	RM'000	RM'000
Total retained (losses) / profits of the Company:		
- Realised	(24,717)	(14,681)
- Unrealised	167,344	170,105
	142,627	155,424
Total share of retained profits from associated company:		
- Realised	41,798	41,529
- Unrealised	29,250	30,384
	71,048	71,913
	<u>213,675</u>	<u>227,337</u>
Less: Consolidation adjustments	(9,915)	(9,563)
	<u>203,760</u>	<u>217,774</u>

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 24 February 2017.