

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

Condensed Income Statements
For the Three-Month Period Ended 31 March 2006

	Note	Individual Quarter 3 months ended		Year-To-Date 3 months ended	
		31.3.2006 RM'000	31.3.2005 RM'000 (restated)	31.3.2006 RM'000	31.3.2005 RM'000 (restated)
Revenue	5	243	255	243	255
Direct costs		(17)	(26)	(17)	(26)
Gross profit		226	229	226	229
Other income		-	45	-	45
Administrative expenses		(139)	(164)	(139)	(164)
Other expenses		(1,530)	(332)	(1,530)	(332)
Share of profit/(loss) of associates		715	(221)	715	(221)
Loss before tax		(728)	(443)	(728)	(443)
Income tax expense	20	(21)	16	(21)	16
Loss for the period		(749)	(427)	(749)	(427)
Earnings per share attributable to equity holders:					
Basic (Sen)	28	(28.5)	(16.3)	(28.5)	(16.3)

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 March 2006

	Note	As at 31.3.2006 RM'000	As at 31.12.2005 RM'000 (restated)
ASSETS			
Non-current assets			
Investment properties		776	776
Investment in associate		67,327	67,173
Other investments	22	1,830	3,335
		<u>69,933</u>	<u>71,284</u>
Current assets			
Other receivables		140	389
Current tax recoverable		439	449
Cash and bank balances		12,008	11,627
		<u>12,587</u>	<u>12,465</u>
TOTAL ASSETS		<u>82,520</u>	<u>83,749</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Share capital		1,312	1,312
Reserves		80,095	81,361
		<u>81,407</u>	<u>82,673</u>
Current liabilities			
Sundry payables		1,113	1,076
		<u>1,113</u>	<u>1,076</u>
Total liabilities		<u>1,113</u>	<u>1,076</u>
TOTAL EQUITY AND LIABILITIES		<u>82,520</u>	<u>83,749</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 Three-Month Period Ended 31 March 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	-	-	(233)	(4)	-	373	136
Prior year adjustments:	-	34,530	-	-	-	20,696	55,226
- effects of adopting FRS 121	-	-	-	-	-	-	-
- effects of adopting FRS 128	-	-	-	-	-	-	-
At 1 January 2006 (restated)	1,312	34,530	(233)	12,607	6,000	28,457	82,673
Foreign currency translation	-	-	45	-	-	-	45
Transfer to/(from) reserves	-	-	-	(1,509)	-	1,509	-
Share of associated company reserves	-	(562)	-	-	-	-	(562)
Loss for the period	-	-	-	-	-	(749)	(749)
Total recognised income and expense for the period	-	(562)	45	(1,509)	-	760	(1,266)
At 31 March 2006	1,312	33,968	(188)	11,098	6,000	29,217	81,407

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Condensed Statement of Changes in Equity (Cont'd)
For the Three-Month Period Ended 31 March 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 2005	1,312	-	-	13,901	6,000	5,083	26,296
As previously stated							
Prior year adjustments:							
- effects of adopting FRS 121	-	-	(14)	-	-	-	(14)
- effects of adopting FRS 128	-	34,654	-	-	-	21,909	56,563
At 1 January 2005 (restated)	1,312	34,654	(14)	13,901	6,000	26,992	82,845
Foreign currency translation	-	-	(83)	-	-	-	(83)
Transfer to/(from) reserves	-	-	-	(332)	-	332	-
Share of associated company reserves	-	4	-	-	-	-	4
Loss for the period	-	-	-	-	-	(427)	(427)
Total recognised income and expense for the period	-	4	(83)	(332)	-	(95)	(506)
At 31 March 2005	1,312	34,658	(97)	13,569	-	26,897	82,339

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 Three-Month Period Ended 31 March 2006

	3 months ended	
	31.3.2006	31.3.2005
	RM'000	RM'000 (restated)
Net cash used in operating activities	(5)	(178)
Net cash generated from investing activities	297	482
Net cash generated from financing activities	-	-
	<hr/>	<hr/>
Net increase in cash and cash equivalents	292	304
Effects of exchange rate changes	89	-
Cash and cash equivalents at beginning of financial period	<hr/> 11,627	<hr/> 10,305
Cash and cash equivalents at end of financial period	<hr/> 12,008	<hr/> 10,609

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

	As at	As at
	31.3.2006	31.3.2005
	RM'000	RM'000
Cash and bank balances	<hr/> 12,008	<hr/> 10,609

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

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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.

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

(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	As at
	1.1.2006	1.1.2005
	RM'000	RM'000
Increase in retained earnings	20,696	21,909
Increase in share of associated company reserve	34,530	34,654

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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 (Cont'd)

	Individual Quarter		Year-To-Date	
	3 months ended		3 months ended	
	31.3.2006	31.3.2005	31.3.2006	31.3.2005
	RM'000	RM'000	RM'000	RM'000
Increase/(Decrease) in profit for the period	715	(221)	715	(221)

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

(d) 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 stated at cost less accumulated depreciation.

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	-	55,226	67,173
Other investments	3,329	6	-	3,335
Current tax recoverable	461	(12)	-	449
EQUITY AND LIABILITIES				
Sundry payables	1,217	(141)	-	1,076
Exchange fluctuation reserves	-	(233)	-	(233)
Property and investment reserve	12,611	(4)	-	12,607
Share of associated company reserve	-	34,530	-	34,530
Retained earnings	7,388	21,069	-	28,457

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Part A - Explanatory Notes Pursuant to FRS 134

	Previously stated RM'000	← Adjustment →		Restated RM'000
		FRS 121 (Note 2(b)) RM'000	FRS 128 (Note 2(c)) RM'000	
3. Comparatives (cont'd)				
3 months ended 31 March 2005				
Revenue	825	-	(570)	255
Cost of sales	(26)	-	-	(26)
Administrative expenses	(166)	2	-	(164)
Other income	-	45	-	45
Other expenses	(386)	54	-	(332)
Share of profit/(loss) of associates	-	-	(221)	(221)
Profit before tax	247	101	(791)	(443)
Taxation	(142)	158	-	16
Profit for the period	105	259	(791)	(427)

The following amounts as at 31 December 2005 have been reclassified due to the adoption of FRS 140 (Note 2(d)):

	Previously stated RM'000	Re- classification Rm'000	Restated RM'000
Property, plant and equipment	776	(776)	-
Investment properties	-	776	776

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.

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Part A - Explanatory Notes Pursuant to FRS 134

5. Segmental Information

	3 months ended	
	31.3.2006	31.3.2005
	RM'000	RM'000
Segment Revenue		
Investment	35	49
Interest income	29	24
Rental income	179	182
Total	<u>243</u>	<u>255</u>
Segment results		
Investment	(1,474)	(283)
Interest income	29	24
Rental income	163	155
	<u>(1,282)</u>	<u>(104)</u>
Unallocated corporate expenses	<u>(161)</u>	<u>(118)</u>
Profit from operations	<u>(1,443)</u>	<u>(222)</u>

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 financial period ended 31 March 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.

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Part A - Explanatory Notes Pursuant to FRS 134

9. Dividends Paid

No dividend was paid since the previous 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.

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.

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 March 2006.

14. Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2005.

15. Subsequent Events

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

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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 RM243,000 for the financial period ended 31 March 2006 was lower than the RM255,000 achieved during prior financial period ended 31 March 2005 mainly due to lower dividend income. The after-tax loss of RM749,000 was significantly higher as compared to prior financial period's loss of RM427,000. This was due to higher provision for diminution in value of investment partially offset by the share of associate's profit of RM715,000. Prior financial period's share of associate's result was a loss of RM221,000.

17. Comment on Material Change in Profit Before Taxation

The Company incurred a pre-tax loss of RM728,000 for the current quarter ended 31 March 2006 as compared to the pre-tax profit of RM526,000 achieved for the immediate preceding quarter ended 31 December 2005. This was mainly due to lower investment income and significantly higher provision for diminution in value of investment partially offset by higher 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 their investments. The performance of the associated company is further affected by the plantation contribution which is not expected to improve due to lower production expected from older palms and replanting.

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		Year-To-Date	
	3 months ended		3 months ended	
	31.3.2006	31.3.2005	31.3.2006	31.3.2005
	RM'000	RM'000	RM'000	RM'000
		(restated)		(restated)
Current tax:				
Malaysian income tax	2	(35)	2	(35)
Foreign tax	19	19	19	19
Total income tax expense	<u>21</u>	<u>(16)</u>	<u>21</u>	<u>(16)</u>

The effective tax rate for the current ended 31 March 2006 and previous year's quarter ended 31 March 2005 were higher than the statutory tax rate principally due to certain expenses which are 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. The decrease in the investments is mainly due to the additional provision for diminution in value of investments.

Details of investments in quoted securities:

	As at 31.3.2006 RM'000
At cost	4,882
At book value	1,830
At market value	<u>108,982</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 31 March 2005, Hwang-DBS Securities Berhad, on behalf of the Company's Board of Directors, announced that the Company had on 31 March 2005 entered into a Memorandum of Understanding ("MOU") with The Nyalas Rubber Estates Limited ("Nyalas") in regards to the proposed acquisition of an oil palm and rubber estate measuring 813.6926 hectares situated at Mukim of Nyalas, District of Jasin, Melaka and Mukim of Ayer Kuning, District of Tampin, Negeri Sembilan ("Estate") by the Company from Nyalas for an agreed purchase consideration of RM40,000,000 ("Estate Transaction Consideration")("Estate Transaction"), which is to be satisfied by the following:

- (i) the proceeds arising from the sale of the plot of land known as 9, Emerald Hill Road, Singapore 229293, Town Subdivision 27, Lot 99611W, together with the building thereon ("Land") by the Company to Nyalas for an agreed consideration of Singapore Dollars 3,900,000 ("Land Transaction Consideration") and;
- (ii) either by way of cash or by the transfer of the requisite number of shares of Great Eastern Holdings Limited ("GEHL") ("Consideration Shares"), at an exchange share price to be fixed upon the execution of a binding formal agreement, equivalent in value to the Estate Transaction Consideration less the Land Transaction Consideration by the Company to Nyalas.

On 10 March 2006, the Company received a letter from Nyalas withdrawing from further negotiations and discussions pursuant to the MOU and terminating the MOU with immediate effect.

On 5 May 2006, the Company announced that Bursa Malaysia Securities Berhad has granted, vide its letter dated 5 May 2006, a further extension of time from 1 May 2006 until 31 July 2006 to enable the Company to make announcement and submission of proposed corporate exercises to comply with Paragraph 8.16(A) of the Listing Requirements ("LR"). Pursuant to the termination of the MOU, the Board will be undertaking a review of possible options available to address the Paragraph 8.16(A) and Paragraph 8.15(1) of the LR of Bursa Securities, upon finalisation of which, an announcement would be made accordingly in due course.

24. Borrowings

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

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

25. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at 24 May 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 31 March 2006 (31 March 2005: Nil).

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	
	31.3.2006	31.3.2005	31.3.2006	31.3.2005
Loss attributable to ordinary equity holders (RM'000)	<u>(749)</u>	<u>(427)</u>	<u>(749)</u>	<u>(427)</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 loss per share (Sen)	<u>(28.5)</u>	<u>(16.3)</u>	<u>(28.5)</u>	<u>(16.3)</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 30 May 2006.