

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

Condensed Income Statements
For the Six-Month Period Ended 30 June 2006

	Note	Individual Quarter		Year-To-Date	
		3 months ended		6 months ended	
		30.6.2006	30.6.2005	30.6.2006	30.6.2005
		RM'000	RM'000	RM'000	RM'000
			(restated)		(restated)
Revenue	5	2,850	1,814	3,093	2,069
Direct costs		(21)	(25)	(38)	(51)
Gross profit		2,829	1,789	3,055	2,018
Other income		9,491	(45)	7,982	-
Administrative expenses		(241)	(143)	(380)	(307)
Other expenses		(97)	(543)	(118)	(875)
Share of profit/(loss) of associates		4,121	(837)	4,836	(1,058)
Profit/(Loss) before tax		16,103	221	15,375	(222)
Income tax expense	20	(569)	(358)	(590)	(342)
Profit/(Loss) for the period		15,534	(137)	14,785	(564)
Earnings per share attributable to equity holders:					
Basic (Sen)	28	592.0	(5.2)	563.5	(21.5)

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 June 2006

	Note	As at 30.6.2006 RM'000	As at 31.12.2005 RM'000 (restated)
ASSETS			
Non-current assets			
Investment properties		1,503	1,477
Investment in associate		94,755	88,367
Other investments	22	-	5,922
Financial assets at fair value through profit or loss	22	122,947	-
		<u>219,205</u>	<u>95,766</u>
Current assets			
Other receivables		111	389
Current tax recoverable		508	449
Cash and bank balances		13,789	11,627
		<u>14,408</u>	<u>12,465</u>
TOTAL ASSETS		<u>233,613</u>	<u>108,231</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Share capital		1,312	1,312
Reserves		231,080	105,843
		<u>232,392</u>	<u>107,155</u>
Current liabilities			
Sundry payables		1,221	1,076
		<u>1,221</u>	<u>1,076</u>
Total liabilities		<u>1,221</u>	<u>1,076</u>
TOTAL EQUITY AND LIABILITIES		<u>233,613</u>	<u>108,231</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 Six-Month Period Ended 30 June 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	-	-	-	-	-	377	8,040
Prior year adjustments:	-	-	7,663	-	-	37,150	71,804
- effects of adopting FRS 121	-	34,654	-	-	-	-	-
- effects of adopting FRS 128	1,312	34,654	7,663	12,611	6,000	44,915	107,155
At 1 January 2006 (restated)	-	-	-	-	-	106,985	106,985
Effects of adopting FRS 139	1,312	34,654	7,663	12,611	6,000	151,900	214,140
Foreign currency translation	-	-	3,845	-	-	-	3,845
Dividends	-	-	-	-	-	(378)	(378)
Profit for the period	-	-	-	-	-	14,785	14,785
Total recognised income and expense for the period	-	-	3,845	-	-	14,407	18,252
At 30 June 2006	1,312	34,654	11,508	12,611	6,000	166,307	232,392

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Condensed Statement of Changes in Equity (Cont'd)
For the Six-Month Period Ended 30 June 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	-	-	9,973	-	-	-	9,973
- effects of adopting FRS 128	-	34,654	-	-	-	21,909	56,563
At 1 January 2005 (restated)	1,312	34,654	9,973	13,901	-	26,992	92,832
Foreign currency translation	-	-	(2,723)	-	-	-	(2,723)
Transfer to/(from) reserves	-	-	-	(1,009)	-	1,009	-
Dividends	-	-	-	-	-	(520)	(520)
Loss for the period	-	-	-	-	-	(564)	(564)
Total recognised income and expense for the period	-	-	(2,723)	(1,009)	-	(75)	(3,807)
At 30 June 2005	1,312	34,654	7,250	12,892	-	26,917	89,025

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 Six-Month Period Ended 30 June 2006**

	6 months ended	
	30.6.2006 RM'000	30.6.2005 RM'000 (restated)
Net cash used in operating activities	(435)	(1,175)
Net cash generated from investing activities	2,975	2,120
Net cash used in from financing activities	<u>(378)</u>	<u>(520)</u>
Net increase in cash and cash equivalents	2,162	425
Effects of exchange rate changes	-	-
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>13,789</u>	<u>10,730</u>

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

	As at 30.6.2006 RM'000	As at 30.6.2005 RM'000
Cash and bank balances	<u>13,789</u>	<u>10,730</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.

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	37,150	21,909
Increase in share of associated company reserve	<u>34,654</u>	<u>34,654</u>

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 (Cont'd)

	Individual Quarter		Year-To-Date	
	3 months ended		3 months ended	
	30.6.06	30.6.05	30.6.06	30.6.05
	RM'000	RM'000	RM'000	RM'000
Increase/(Decrease) in profit for the period	<u>4,121</u>	<u>(837)</u>	<u>4,836</u>	<u>(1,058)</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

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 impairment losses (provision for diminution in value), with changes in carrying value recognised in profit or loss.

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 financial assets 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 RM7.982 million for the current quarter and financial period ended 30 June 2006.

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

2. Changes in Accounting Policies (Cont'd)

(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 stated at cost less accumulated depreciation.

3. Comparatives

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

	← Adjustment →			
	←	FRS 121	FRS 128	→
	←	(Note 2(b))	(Note 2(c))	→
	←	RM'000	RM'000	→
	←	Previously stated	Restated	→
	←	RM'000	RM'000	→
At 31 December 2005				
ASSETS				
Investment in associate		11,947	4,616	71,804
Other investments		3,329	2,593	-
Current tax recoverable		461	(12)	-
				88,367
				5,922
				449
EQUITY AND LIABILITIES				
Sundry payables		1,217	(141)	-
Exchange fluctuation reserves		-	7,663	-
Property and investment reserve		12,611	-	-
Share of associated company reserve		-	-	34,654
Retained earnings		7,388	377	37,150
		<u>7,388</u>	<u>377</u>	<u>37,150</u>
				88,367
				5,922
				449
				1,076
				7,663
				12,611
				34,654
				44,915
6 months ended 30 June 2005				
Revenue		2,639	-	(570)
Cost of sales		(41)	(10)	-
Administrative expenses		(321)	14	-
Other expenses		(1,177)	302	-
Share of profit/(loss) of associates		-	-	(1,058)
Profit before tax		1,100	306	(1,628)
Taxation		(503)	161	-
Profit for the period		597	467	(1,628)
		<u>597</u>	<u>467</u>	<u>(1,628)</u>
				2,069
				(51)
				(307)
				(875)
				(1,058)
				(222)
				(342)
				(564)

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Part A - Explanatory Notes Pursuant to FRS 134

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

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

	6 months ended	
	30.6.2006 RM'000	30.6.2005 RM'000
Segment Revenue		
Investment	2,683	1,661
Interest income	53	51
Rental income	357	357
Total	<u>3,093</u>	<u>2,069</u>
Segment results		
Investment	10,664	646
Interest income	53	51
Rental income	319	316
	<u>11,036</u>	<u>1,013</u>
Unallocated corporate expenses	(497)	(177)
Profit from operations	<u>10,539</u>	<u>836</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 financial period ended 30 June 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 financial period ended 30 June 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.

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

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 30 June 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.

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 RM3.093 million for the financial period ended 30 June 2006 was significantly higher than the RM2.069 million achieved during prior financial period ended 30 June 2005 due to higher dividend income. The after-tax profit was RM14.785 million as compared to prior financial period's loss of RM564,000. 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 RM7.982 million and write-back of provision for diminution in value of investment of RM1.509 million provided during the quarter ended 31 March 2006. Share of associate's profit was RM4.836 million as compared to prior financial period's loss of RM1.058 million.

17. Comment on Material Change in Profit Before Taxation

The Company achieved a pre-tax profit of RM16.1 million for the current quarter ended 30 June 2006 as compared to the pre-tax loss of RM728,000 incurred for the immediate preceding quarter ended 31 March 2006. This was mainly due to the fair value gain of RM7.982 million, write-back of provision for diminution in value of investment of RM1.509 million and 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 its 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 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		6 months ended	
	30.6.2006	30.6.2005	30.6.2006	30.6.2005
	RM'000	RM'000	RM'000	RM'000
		(restated)		(restated)
Current tax:				
Malaysian income tax	3	2	5	(33)
Foreign tax	566	356	585	375
Total income tax expense	<u>569</u>	<u>358</u>	<u>590</u>	<u>342</u>

The effective tax rate for the current period ended 30 June 2006 was lower than the statutory tax rate principally due to certain income were exempted for tax purposes while the effective tax rate for previous period ended 30 June 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 30.6.2006 RM'000
At cost	4,882
At carrying value	122,947
At market value	<u>122,947</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 10 August 2006, the Company announced that Bursa Malaysia Securities Berhad has granted, vide its letter dated 9 August 2006, a further extension of time from 1 August 2006 until 30 September 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"). The Board has identified an option on the proposed steps to be undertaken by the Company to comply with Paragraph 8.16(A) of LR and a detailed announcement on the proposed steps will be made in due course.

24. Borrowings

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

25. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at 28 August 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 June 2006 (30 June 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/(loss) 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		6 months ended	
	30.6.2006	30.6.2005	30.6.2006	30.6.2005
Profit/(Loss) attributable to ordinary equity holders (RM'000)	<u>15,534</u>	<u>(137)</u>	<u>14,785</u>	<u>(564)</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/(loss) per share (Sen)	<u>592.0</u>	<u>(5.2)</u>	<u>563.5</u>	<u>(21.5)</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 28 August 2006.