

**WCT ENGINEERING BERHAD (“WCT” OR “THE COMPANY”) (66538-K)
QUARTERLY UNAUDITED RESULTS OF THE GROUP FOR THE SECOND
QUARTER ENDED 30 JUNE 2005**

**A EXPLANATORY NOTES IN COMPLIANCE WITH MALAYSIAN
ACCOUNTING STANDARDS BOARD (“MASB”) FINANCIAL REPORTING
STANDARDS (“FRS”) 134, INTERIM FINANCIAL REPORTING**

A1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with MASB FRS 134 and Chapter 9 part K of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), and should be read in conjunction with the most recent annual financial statements of the Group for the year ended 31 December 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2004.

A2 Audit Qualification

There was no audit qualification in the auditors’ report of the Company’s previous financial statements for the financial year ended 31 December 2004.

A3 Seasonal Or Cyclical Factors

The business operations of the Group during the quarter under review are not materially affected by any seasonal or cyclical factors.

A4 Items Of Unusual Nature

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group that are unusual due to their nature, size or incidence for the quarter under review.

A5 Changes In Estimate

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the quarter under review.

A6 Changes In Share Capital

There were no issuance and repayment of debts and equity securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares during the period under review except for the issuance of 30,390,560 new ordinary shares of RM1.00 each pursuant to the conversion of warrants 2000/2005 at the exercise price of RM2.25.

A7 Dividends

Please refer to Explanatory Note B12.

A8 Segmental Information

Segment Revenue	CURRENT QUARTER (3 months to 30.06.2005)	CUMULATIVE PERIOD (6 months to 30.06.2005)
Civil Engineering	118,863	295,305
Trading	5,274	13,309
Property development	92,915	159,395
Property and investment holding	263	2,011
Total revenue including inter-segment revenue	217,315	470,020
Elimination of inter-segment revenue	(41,077)	(80,890)
Total revenue	176,238	389,130

Segment profit before taxation

Civil Engineering	12,660	30,787
Trading	131	364
Property development	25,902	43,119
Property and investment holding	(6,169)	(6,674)
Interest	2,952	3,524
Total profit before taxation	35,476	71,120

A9 Carrying Amount Of Revalued Assets

The valuations of property, plant and equipment and investment properties have been brought forward without amendment from the audited financial statements for the financial year ended 31 December 2004.

A10 Subsequent Material Events

Save as disclosed below and in Explanatory Note A11, there were no material events subsequent to the reporting period up to 22 August 2005 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) which have not been reflected in the financial statements for the quarter under review.

The Securities Commission has vide its letter dated 5 August 2005 (which was received on 8 August 2005) approved the issuance of the Islamic Fixed Rate Serial Bonds of RM100 million ("Islamic Bonds") and 7-year Islamic Commercial Papers/Medium Term Notes Programme of up to RM100 million ("Islamic CP/MTN").

A11 Effect Of Changes In The Composition Of The Group

Save as disclosed below, there were no changes in the composition of the Group during the period under review:

- (a) The change in the status of Intraxis Engineering Sdn Bhd ("IESB") from that of a jointly controlled entity to a subsidiary due to the change in the control in substance. With effect from 1 January 2005, WCT Construction Sdn Bhd, a wholly-owned subsidiary of the Company, has power to control over the financial and operating activities of IESB. The equity shareholding in IESB remains at 60%.
- (b) On 12 April 2005, WCT Land Berhad ("WCTL"), a subsidiary of the Company acquired 2 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Jelas Puri Sdn Bhd ("JPSB") for a cash consideration of RM2.00.

On 2 August 2005, JPSB increased its issued and paid-up share capital to RM100,000 by issuing 99,998 new ordinary shares of RM1.00 each at par to WCTL for cash.

A12 Contingent Liabilities

Contingent liabilities of the Group as at 22 August 2005 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) comprised Bank Guarantees and Corporate Guarantees totalling RM402.761 million and RM32.051 million respectively provided by the Group to various parties in the ordinary course of business. The changes in contingent liabilities since 26 May 2005 are as follows:-

	Bank Guarantee (RM'000)	Corporate Guarantee (RM'000)
Issued/provided as at 26 May 2005	241,993	32,051
Additions during the period	198,523	-
Discharged during the period	(37,755)	-
	<hr/>	<hr/>
Issued/provided as at 22 August 2005	<u>402,761</u>	<u>32,051</u>

B EXPLANATORY NOTES IN COMPLIANCE WITH LISTING REQUIREMENTS OF THE BURSA SECURITIES**B1 Review Of The Performance Of The Group**

The Group recorded lower revenue of RM176.2 million for the quarter under review as compared to RM212.6 million reported in the preceding year's corresponding quarter. The lower revenue is attributed to lower contribution from the construction division as a result of completion of some major construction projects.

In term of profitability, the Group achieved a profit before taxation of RM35.5 million in the quarter under review as compared with RM33.6 million in the preceding year's corresponding quarter. The better performance is attributed to the higher contribution from the property development division whereby the profit margin is higher than that of the construction division.

B2 Comparison With Immediate Preceding Quarter's Results

For the quarter under review, the Group recorded a profit before taxation ("PBT") of RM35.7 million which approximates to RM35.6 million reported in the immediate preceding quarter.

B3 Prospect For The Remaining Period of The Current Financial Year

The Group has a balance of construction order book, including the recently secured Dukhan Expressway and New Doha International Airport contracts in Qatar, of approximately **RM1.6 billion**. Coupled with secured sales from the property development division, and barring any unforeseen circumstances, the Group remains confident of performing satisfactorily in the remaining period of the current financial year ending 31 December 2005.

B4 Variance Of Actual Profit From Forecast Profit

Not applicable to the Group.

B5 Taxation

Taxation comprises : -	Reporting Quarter RM '000	Current Year To Date RM '000
- Malaysian tax		
- Current year	8,515	20,518
- Prior years	(371)	(371)
- Deferred taxation	321	(1,581)
	<u>8,465</u>	<u>18,566</u>

The effective tax rate for the reporting quarter and current year to date ended 30 June 2005 is lower than the statutory tax rate mainly due to income of certain associated companies are not subject to tax and over-provision of taxation in respect of prior years.

B6 Profit On Sales Of Unquoted Investments And/Or Properties

There were no profits on sale of investment and/or properties recorded for the quarter under review except for the disposal of investment properties which resulted in a profit of RM39,437.

B7 Quoted Securities

- (a) The Group did not transact any quoted securities for the quarter under review.
- (b) As at 30 June 2005, the Group did not hold any quoted securities.

B8 Status Of Corporate Proposals Announced

- (a) Status of corporate proposal announced:

Save as disclosed below, the Group has not announced any corporate proposal, which has not been completed as at 22 August 2005 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

On 25 July 2005, AmMerchant Bank Berhad, on behalf of the Board, announced that the Company is proposing to undertake the following:-

- (i) A bonus issue of up to 66,578,074 Bonus Shares on the basis of two (2) Bonus Shares for every five (5) existing Shares held in WCT on an Entitlement Date to be determined;
- (ii) Amendments to the By-Laws of WCT's existing Employee Share Options Scheme ("ESOS");

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- (iii) Amendments to the Articles of Association of WCT to, inter-alia, facilitate the allocation and issuance of new Shares to non-executive directors; and
 - (iv) Allocation of ESOS Options to the eligible Directors of WCT pursuant to the Proposed Amendments to the By-Laws.

- (b) Status of utilisation of proceeds raised from the Offer For Sales:

	Proposed utilisation of OFS	Utilised to date	Balance
	RM'000	RM'000	RM'000
Working capital	65,800	1,614	64,186

B9 Group Borrowings And Debt Securities

Total group borrowings (all denominated in Ringgit Malaysia) as at 30 June 2005 are as follows : -

	RM'000
WCTL CRDS A	42,548
WCTL CRDS B	3,107
Long Term Loan - Unsecured	54,619
Sub total- unsecured	100,274
Long Term Loan - Secured	34,311
Long Term Hire Purchase Creditors - Secured	41,183
Sub-total secured	75,494
Total Long Term (A)	175,768
Short Term Bank Borrowings	
Secured : -	
Bank Overdrafts	10,971
Hire Purchase Creditors	46,061
Term Loan	954
Sub-total secured	57,986
Unsecured : -	
Bank Overdrafts	48,849
Bankers Acceptance	9,707
Revolving Credit	71,500
Term Loan	5,176
Bond	120,000
Sub-total unsecured	255,232
Total (B)	313,218
GRAND TOTAL C =(A+B)	488,986

Key: CRDS - Convertible Redeemable Debt Securities

B10 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 22 August 2005 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B11 Material Litigations

Save as previously disclosed and disclosed below, WCT and its subsidiary companies were not engaged in any material litigation from 31 December 2004 (the last annual balance sheet date) to 22 August 2005 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) either as plaintiff or defendant, and the Board of WCT has no knowledge of any proceedings pending or threatened against the Company and its subsidiary companies or of any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of WCT and its subsidiary companies during the said period.

(a) Liew Yoon Thiam and Hi Geok Kim @ Hi Peh Lang (“Plaintiffs”) vs. Danaharta Nasional Berhad (“1st Defendant”), Bescorp Industries Berhad (“2nd Defendant”), WCTL (“3rd Defendant”) and Bursa Malaysia Berhad (“4th Defendant”)

On 29 March 2005, the plaintiffs withdrew their action with costs.

(b) WCT Construction Sdn Bhd (“WCTC”) vs Maju Holdings Sdn Bhd (“MHSB”)

WCTC had instituted an action against MHSB on 29 March 2005 claiming for the sum of RM14,076,342.79 together with interest at 8% and costs for non-payment of works done on the following projects:-

- (i) Proposed development of the Matriculation Centre on Lot 4706 and Part of Lot 3955, Pongsu Seribu, Mukim 8, Daerah Utara, Seberang Perai, Pulau Pinang (“Pongsu Works”);
- (ii) Proposed design, build and transfer a hostel building with facilities for 2,000 students at the UiTM campus in Dungun, Terengganu (“UiTM Works”); and
- (iii) Proposed construction of the building for the Institut Tanah, Ukur dan Pemetaan Negara (“Instun”), Daerah Batang Padang, Perak (“Instun Works”).

(collectively referred to as “the said Works”).

WCTC had in compliance with the terms of the respective letters of award for the said Works, completed the said Works and handed over possession of the same to MHSB. Upon completion of the said Works, WCTC had duly forwarded to MHSB its final progress claims as per the terms of the respective letters of award. However in breach of the letters of award, MHSB failed to settle WCTC’s final progress claims.

By a Settlement Agreement dated 18 January 2005 (“the Settlement Agreement”), MHSB agreed to pay WCTC the sum of RM12,000,000 as full and final settlement of the Debts in consideration of WCTC withholding legal proceedings against MHSB. Consequently, MHSB paid RM500,000 only to WCTC but thereafter failed and/or refused to pay the balance of the said Debts.

WCTC had applied for an order to enter judgment against MHSB pursuant to Order 14 of the Rules of the High Court, 1980 and the Court had on 22 July 2005 dismissed WCTC's application for an order to enter judgement with costs. WCTC had on 28 July 2005 appealed on the Court decision and the hearing date of the appeal on WCTC's application for an order to enter judgement against MHSB has been fixed by the Court on 5 September 2005.

MHSB had filed an application for stay of proceedings in WCTC's suit pending disposal of MHSB's Originating Summons ("OS") and the Court had on 8 July 2005 dismissed MHSB's application for stay of proceedings in WCTC's suit with costs.

WCTC applied to strike out MHSB's counter-claim and the Court had on 22 July 2005 allowed WCTC's application to strike out MHSB's counter-claim with costs.

The Board of Directors in consultation with the Company's solicitors has been advised that WCTC has reasonable grounds for the claims.

(c) Maju Holdings Sdn Bhd ("MHSB") vs WCT Construction Sdn Bhd ("WCTC")

MHSB on the other hand has also instituted action against WCTC claiming Liquidated Ascertained Damages on the following projects:-

- (i) Proposed development of the Matriculation Centre on Lot 4706 and Part of Lot 3955, Pongsu Seribu, Mukim 8, Daerah Utara, Seberang Perai, Pulau Pinang ("Pongsu Works");
- (ii) Proposed design, build and transfer a hostel building with facilities for 2,000 students at UiTM campus in Dungun, Terengganu ("UiTM Works"); and
- (iii) Proposed construction of the building for the Institut Tanah, Ukur dan Pemetaan Negara ("Instun"), Daerah Batang Padang, Perak ("Instun Works").

(collectively referred to as "the said Works").

Under the Originating Summons ("OS"), amongst others, MHSB is claiming against WCTC for a declaration that the Deed of Settlement dated 18 January 2005 ("the Deed of Settlement") is null and void and an Injunction to restrain WCTC, the directors, officers, employees and their agents to initiate any legal proceedings pursuant to the terms and conditions in the Deed of Settlement.

The hearing date of the OS has been adjourned to 23 September 2005 pending MHSB's application to amend the OS and WCTC's application to strike out the OS.

MHSB had applied to the Court to amend the OS and the Court had on 21 July 2005 allowed MHSB's application to amend the OS with costs and the hearing date has been fixed on 15 September 2005.

WCTC had applied to the Court to strike out the OS and the Court had on 21 July 2005 adjourned the hearing date to 15 September 2005.

Under the Writ of Summons (“WS”), MHSB is claiming against WCTC for, inter alia, a total sum of RM10,968,000.00 only which is calculated as at 17 March 2005 and interest at the rate of 8% per annum on the RM10,968,000.00 only calculated from 18 March 2005 until full settlement.

WCTC had applied to strike out MHSB’s WS and the Court had on 3 August 2005 dismissed WCTC’s application to strike out MHSB’s WS. WCTC had on 11 August 2005 filed an appeal to the judge in chamber on the Senior Assistant Registrar decision in dismissing WCTC’s application to strike out MHSB’s WS and the hearing date has been fixed on 7 October 2005.

MHSB had applied for stay of proceedings of WCTC’s application to strike out MHSB’s WS and the Court had on 21 July 2005 dismissed MHSB’s application with costs.

WCTC is disputing MHSB’s claims and the Board of Directors in consultation with the Company’s solicitors has been advised to rebut the claims and to defend the case.

B12 Dividends

	PAID in Year Ending 31 Dec 2005 RM	PAID in Year Ended 31 Dec 2004 RM
<u>Final dividend paid</u> For the financial year ended 31 December 2004 7.5sen less 28% tax (31 December 2003: 7.5sen less 28% tax)	8,192,938	6,346,323
<u>Special tax-exempt dividend paid</u> For the financial year ended 31 December 2004 12.0sen	18,206,529	-
<u>Special dividend paid</u> For the financial year ended 31 December 2004 10.0sen less 28% tax	10,923,918	-
<u>Interim dividend paid</u> For the financial year ended 31 December 2004: 7.5sen less 28% tax	-	6,545,198

On 29 August 2005, the Directors declared an interim dividend of 7.5sen less 28% tax (2004: 7.5sen less 28% tax) on ordinary shares of RM1.00 each.

The entitlement date for the interim dividend shall be fixed on 21 September 2005 and a Depositor shall qualify for entitlement only in respect of: -

- i) Shares transferred into the Depositor’s Securities Account before 4.00 p.m. on 21 September 2005 in respect of ordinary transfers; and
- ii) Shares bought on the Bursa Securities on a cum entitlement basis in accordance with the Rules of Bursa Securities.

The payment date for the interim dividend will be on 3 October 2005.

B13 Earnings Per Share

	Reporting Quarter 30 June 05 RM	Current Year To Date 30 June 05 RM
(a) Basic Earnings Per Share		
Profit after taxation and minority interest	24,134,798	46,944,380
Weighted average number of shares in issue	140,149,788	131,331,211
Basic earnings per share (sen)	17.22	35.75
(b) Fully Diluted Earnings Per Share		
Profit after taxation and minority interest	24,134,798	46,944,380
Weighted average number of shares in issue	140,149,788	131,331,211
Weighted average number of shares under option/warrants	1,587,033	16,032,295
Weighted average number of shares that would have been issued at fair value	(1,132,392)	(9,661,469)
Weighted average number of shares used in the calculation of diluted earnings per share	140,604,429	137,702,037
Diluted earnings per share (sen)	17.17	34.09

Date: 29 AUGUST2005**cc: Securities Commission**