WCT ENGINEERING BERHAD ("WCT" OR "THE COMPANY") (66538-K)
QUARTERLY UNAUDITED RESULTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2006

A EXPLANATORY NOTES IN COMPLIANCE WITH FINANCIAL REPORTING STANDARDS ("FRS") 134, INTERIM FINANCIAL REPORTING

A1 Basis of Preparation

The interim financial statements have been prepared under the historical cost convention except for revaluation of freehold land and buildings included in property, plant and equipment and investment properties which are stated at fair values .

The interim financial statements are unaudited and have been prepared in compliance with FRS 134: Interim Financial Reporting and Chapter 9 part K of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The interim financial statements should be read in conjunction with the most recent audited financial statements of the Group 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 Group since the year ended 31 December 2005.

A2 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 FRS effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Error
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effect of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 131	Investment in Joint Venture
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 140	Investment Property

The adoption of FRS 102, 108, 110, 116, 121, 127, 128, 131, 132, 133 and 136 does not have significant impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

(a) FRS 2: Share-based Payment

This FRS 2 requires an entity to recognize share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity

The Company operates an equity-settled, share-based compensation plan for the employees of the Group, the WCT Engineering Berhad's Employees' Share Option Scheme ("ESOS"). Prior to 1 January 2006, no compensation expense was recognized in income statement for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognized in income statement over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognized as compensation expense is determined by reference to the fair value of the share options at date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using a binomial model. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in income statement and a corresponding adjustment to equity over the remaining period.

Under the transitional provisions of FRS 2, for ESOS granted after 1 January 2005 but before 31 December 2005 and had vested before 1 January 2006, this FRS need not be applied in full except for certain disclosure requirements. 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
Decrease in retained profits	(920)
Increase in equity compensation reserve	858
Increase in share premium	62

(b) FRS 3: Business Combination

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is now recognized immediately in income statement. Prior to 1 January 2006, negative goodwill was recognised in the income statement in proportion of the sales value of development properties sold over the expected sales of the development properties of the subsidiary acquired. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM5,837,571 was derecognized with a corresponding increase in retained earnings.

During the current quarter, the Company acquired an additional 2% of the issue and paid-up share capital of an associate and have resulted in a negative goodwill of RM774,866. The negative goodwill is now recognized immediately in income statement.

(c) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and unincorporated joint venture and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profits or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognized income and and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interests.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

(d) FRS 140: Investment Property

The adoption of this new FRS has resulted in a change in accounting policy for investment properties. Investment properties are now stated at fair value, representing open-market value determined by external independent valuers. Gain or losses arising from changes in the fair values of investment properties are recognized in profit or loss in the period in which they arise. Prior to 1 January 2006, investment properties were stated at valuation. Valuations were carried out at least once every five years and any revaluation surplus is taken to equity as a revaluation surplus. The investment properties were last revalued in February and March 2004. 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 profits	1,674
Decrease in revaluation reserve	(2,630)
Decrease in investment properties	(956)

A3 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 2005.

A4 Seasonal Or Cyclical Factors

The business operations of the property division of the Group have been affected by the moderate slowdown in the residential property market.

A5 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.

A6 Changes In Estimate

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least once at each financial year end. The Group revised the residual values and estimated useful lives of certain plant and machineries and motor vehicles with effect from 1 January 2006. The revisions were accounted for as change in accounting estimates and as a result, the depreciation charges for the current quarter have been reduced by RM2,975,820.

The Group did not carry out a full valuation on certain stock properties. However, estimate has been done based on the recent transacted value of the completed properties.

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

A7 Changes In Share Capital

Save as disclosed below, 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 quarter under review.

Issuance of 44,000 new ordinary shares of RM1.00 each pursuant to the exercise of the ESOS at the exercise price of RM1.93.

A8 Dividends

Please refer to Explanatory Note B12.

A9 Segmental Information

	CURRENT YEAR QUARTER (3 months period to 31.03.2006) RM'000	CURRENT YEAR TODATE (3 months period to 31.03.2006) RM'000
Segment Revenue		
Engineering & Construction	102,190	102,190
Trading	6,978	6,978
Property development	53,559	53,559
Total revenue including inter-segment revenue	162,727	162,727
Elimination of inter-segment revenue	(13,095)	(13,095)
Total revenue	149,632	149,632
Segment profit from operation		
Engineering & Construction	20,024	20,024
Trading	407	407
Property development	12,540	12,540
Investment holdings	(4,251)	(4,251)
Interest	1,039	1,039
	29,759	29,759
Elimination of inter-segment profit	11,773	11,773
Total profit from operation	41,532	41,532

A10 Carrying Amount Of Revalued Assets

Save as disclosed below, the valuations of property, plant and equipment have been brought forward without amendment from the audited financial statements for the financial year ended 31 December 2005.

Certain property, plant and equipment are stated at valuation based on the latest open-market value determined by by directors of Henry Butcher Malaysia (SEL.) Sdn Bhd who is a member of the Institution of Surveyors, Malaysia . The value of the properties have been decreased by RM355,000 from RM11,005,000 to RM10,650,000.

Investment properties are stated at fair values, representing the latest open-market value determined by by directors of Henry Butcher Malaysia (SEL.) Sdn Bhd who is a member of the Institution of Surveyors, Malaysia. The fair values of these properties have been decreased by RM986,000 from RM49,280,000 to RM48,294,000.

A11 Subsequent Material Events

Save as disclosed below, there were no material events subsequent to the reporting period up to 20 May 2006 (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.

On 26 April 2006, the Company received a letter from the Ministry of Transport Malaysia awarding the Company the contract to design, execute test and commissioning of the works in connection with the upgrading of Kota Kinabalu Airport, Sabah Package I – Terminal Building and Landside Infrastructure Facilities for contract sum of RM720 million. The contract is for a period of 36 months.

A12 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.

On 27 February 2006, the Company acquired an additional 20 ordinary shares of BD100 each at par representing 2% of the issue and paid-up share capital of Cebarco-WCT W.L.L. for a cash consideration of BD2,000 or approximately RM20,000. Subsequent to the acquisition, the Company's equity interest in Cebarco-WCT W.L.L. increased from 49% to 51%, resulting in Cebarco-WCT W.L.L. becoming a subsidiary of the Company.

The acquisition had contributed the following financial results for the current quarter ended 31 March 2006:-

	Individual Quarter Current Year todate 3 months to 31.03.2006 RM'000	Cumulative Period Current Year todate 3 months to 31.03.2006 RM'000
Revenue	6,781	6,781
Profit for the period	213	213

If the acquisition had occurred on 1 January 2006, the Group revenue and profit for the period from 1 January 2006 to 31 March 2006 would have been RM165.7 million and RM23.9 million respectively.

The asset and liabilities arising from the acquisition are as follows:

	RM'000
Property, plant and equipment	5,814
Trade and other receivables	106,312
Cash and bank balances	5,872
Trade and other payables	(39,531)
Total net assets	78,879
Exchange differences	412
Less : Net assets previously accounted for as an associate	(39,635)
Less : Minority interest	(38,449)
Group's share of net assets	795
Negative goodwill arising on acquisition	(775)
Cost of acquisition	20

The cash inflow on acquisition is as follows:

	RM'000
Purchase consideration satisfied by cash	(20)
Cash and cash equivalents of subsidiary acquired	5,872
Net cash inflow of the Group	5,852

A13 Contingent Liabilities

Contingent liabilities of the Group as at 20 May 2006 (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 totaling RM469.6 million and RM Nil respectively provided by the Group to various parties in the ordinary course of business. The changes in contingent liabilities since 23 February 2006 are as follows: -

	Bank Guarantee RM'000	Corporate Guarantee RM'000
Balance as at 23 February 2006	384,372	10,329
Extended during the period	121,815	-
Discharged during the period	(36,296)	(10,329)
Balance as at 20 May 2006	469,891	-

A14 Capital Commitments

There are no material commitments except for as follows:-

	RM'000
Capital expenditure approved and contracted for	58,795
Capital expenditure approved and not contracted for	4.182
Share of capital commitments of associates	21,108
Share of capital commitments to an unincorporated joint venture	12,754
	96,840

A15 Significant Related Party Transactions

	RM'000
The Group	
Rental of property to a Director of the Company	92

B EXPLANATORY NOTES IN COMPLIANCE WITH LISTING REQUIREMENTS OF THE BURSA MALAYSIA

B1 Review Of The Performance Of The Group

For the quarter under review, the Group recorded a lower revenue of RM149.6 million as compared with RM212.8 million reported in the preceding year's corresponding quarter. The Group made a profit after taxation ("PAT") of RM23.1 million in the quarter under review as compared with RM25.5 million in the preceding year's corresponding quarter. The decrease is attributable to the slow down in the residential property market and construction division.

B2 Comparison With Immediate Preceding Quarter's Results

For the quarter under review, the Group recorded a PAT of RM23.1 million as compared to RM21.0 million in the immediate preceding quarter.

B3 Prospect For The Remaining Period of The Current Financial Year

The Group has an outstanding of construction order book, including the recently awarded Kota Kinabalu Airport, Sabah Package I contract, of approximately RM3.1 billion. With these outstanding construction contracts both locally and overseas, the construction division is expected to contribute positively to the Group's performance. However, the outlook for the property development division remains challenging due to softening of the property market which may affect the Group for the remaining period of the current financial year ending 31 December 2006.

B4 Variance Of Actual Profit From Forecast Profit

Not applicable to the Group.

B5 Taxation

	INDIVIDUAL QUARTER		**CUMULATIVE QUARTER**	
	CURRENT YEAR QUARTER (3 months period to 31.03.2006)	PRECEDING YEAR CORRESPONDING (3 months period to 31.03.2005)	CURRENT YEAR TODATE (3 months period to 31.03.2006)	PRECEDING YEAR CORRESPONDING (3 months period to 31.03.2005)
Taxation comprises : -	RM'000	RM'000	RM'000	RM'000
Malaysia tax				
- Current year	9,951	12,003	9,951	12,003
- Deferred taxation	1,301	(1,902)	1,301	(1,902)
	11,252	10,101	11,252	10,101

The effective tax rate for the reporting quarter ended 31 March 2006 is higher than the statutory tax rate mainly due to certain expenses not deductible for tax purposes.

The effective tax rate for the previous year corresponding quarter ended 31 March 2005 is approximate to statutory tax rate.

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.

B7 Quoted Securities

(a) The Group did not transact any quoted securities for the quarter under review.

(b) As at 31 March 2006, the Group did not hold any quoted securities.

B8 Status Of Corporate Proposals Announced

Save as disclosed below, the Group has not announced any corporate proposal, which has not been completed as at 20 May 2006 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

On 16 February 2006, Camellia Tropicana Sdn Bhd, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement ("SPA") to acquire a piece of leasehold land measuring a total area of approximately 87,000 square metres (approximately 21.5 acres), held under Title No. Town Lease 017544866, District of Kota Kinabalu, locality of Sembulan, State of Sabah for a total cash consideration of RM57,000,000 ("Proposed Acquisition").

The SPA is subject to the relevant approval of :-
(i) the Shareholders of the Company; which was obtained on 19 May 2006; and
(ii) the Foreign Investment Committee; which was obtained on 5 April 2006

The SPA is further subject to the aggregate redemption sum under every registered charge not exceeding the sum of RM30 million, prior to the date fixed for fulfillment of the Conditions precedent.

On 19 May 2006, all the Conditions precedent to the Acquisition were duly met.

B9 Group Borrowings And Debt Securities

Details of group borrowings are as follows:-

	As at 31.03.2006 RM'000	As at 31.12.2005 RM'000
WCTL CRDS A	46,086	45,280
WCTL CRDS B	4,042	3,512
Long Term Loan - Unsecured	95,000	97,529
BAIDS - Unsecured	100,000	100,000
Sub total- unsecured	245,128	246,321
Long Term Loan - Secured	103,831	81,933
Long Term Hire Purchase Creditors - Secured	34,278	36,814
Sub-total secured	138,109	118,747
Total Long Term (A)	383,237	365,068
Short Term Bank Borrowings		
Secured : -		
Bank Overdrafts	12,021	18,394
Hire Purchase Creditors	38,287	36,433
Term loans	16,741	10,696
Sub-total secured	67,049	65,523
Unsecured : -		
Bank Overdrafts	18,634	16,570
Bankers Acceptance	4,681	7,349
Revolving Credit	22,000	71,500
Term loans	-	6,836
Sub-total unsecured	45,315	102,255
Total (B)	112,364	167,778
GRAND TOTAL C =(A+B)	495,601	532,846

Key : CRDS - Convertible Redeemable Debt Securities
BAIDS - Bai Bithaman Ajil Islamic Debt Securities

B10 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 18 May 2006 (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 2005 (the last annual balance sheet date) to 18 May 2006 (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.

Westbury Tubular (M) Sdn Bhd ("Plaintiff") vs Ahmad Zaki Sdn Bhd ("1st Defendant"), Murray & Roberts (Malaysia) Sdn Bhd ("2nd Defendant") and WCT Engineering Berhad ("3rd Defendant") (1st Defendant, 2nd Defendant and 3rd Defendant collectively referred to as the "Defendants")

On 30 June 2005, the Plaintiff filed an action against the Defendants claiming inter alia,

(i) an outstanding sum for the variation orders under the sub-contract works between the Plaintiff and the Defendants for the project known as "Formula One Racing Circuit Facility and Associated Works" for an amount of RM14,776,522.48;

(ii) interest at the rate of 8% per annum on the RM14,776,522.48 calculated from the date of filing of the action until the full settlement;

(iii) costs; and

(iv) any other relief deems fit by the Court.

The Defendants had on 28 October 2005 filed a statement of defence in relation to the suits filed by the Plaintiff. The Plantiff had on 23 December 2005 filed a reply to the Defendants' statement of denfence.

As at to date the court has not fixed the hearing date.

The Defendants shall dispute the Plaintiff's claims and shall in consultation with its solicitors to take the necessary legal action to rebut its claims and to defend the case.

B12 Dividends

	PAID in Year Ending 31 Dec 2006 RM'000	PAID in Year Ended 31 Dec 2005 RM'000
Final dividend paid For the financial year ended 31 December 2004 7.5sen less 28% tax	-	8,193
Special tax-exempt dividend paid For the financial year ended 31 December 2004 12.0sen	-	18,207
Special dividend paid For the financial year ended 31 December 2004 10.0sen less 28% tax	-	10,924
Interim dividend paid For the financial year ended 31 December 2005: 7.5sen less 28% tax	-	8,200

At the Annual General Meeting of the Company held on 22 May 2006, the shareholders approved a final dividend in respect of the financial year ended 31 December 2005 of 7.5sen less 28% taxation per ordinary shares of RM1.00 to be paid on 20 June 2006 based on the entitlement date fixed on 31 May 2006.

B14 Earnings Per Share

	Reporting Quarter 31.03.06 RM'000	Current Year To Date 31.03.06 RM'000
(a) Basic Earnings Per Share		
Profit attributable to the equity holders of the parent	20,663	20,663
Weighted average no. of shares in issue ('000)	212,621	212,621
Basic earnings per share (sen)	9.72	9.72
(b) Fully Diluted Earnings Per Share		
Profit attributable to the equity holders of the parent	20,663	20,663
Weighted average no. of shares in issue ('000)	212,621	212,621
Weighted average no. of shares under option ('000)	8,839	8,839
Weighted average no. of shares that would have been issued at fair value ('000)	(7,448)	(7,448)
No. of shares used in the calculation of diluted earnings per share ('000)	214,012	214,012
Fully diluted earnings per share (sen)	9.66	9.66

Date: 25 MAY 2006
cc: Securities Commission