WCT ENGINEERING BERHAD ("WCT" OR "THE COMPANY") (66538-K)
QUARTERLY UNAUDITED RESULTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 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 period under review, 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	1,935
Decrease in revaluation reserve	(2,630)
Decrease in investment properties	(956)
Decrease in minority interest	(261)

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 Group have been affected by the slowdown in the residential property market and cost increases in the construction industry.

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 and the current financial period ended 30 June 2006 have been increased by RM2,092,969 and RM4,185,938 respectively.

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 period under review.

Issuance of 453,600 new ordinary shares of RM1.00 each pursuant to the exercise of the ESOS at the exercise price of RM1.93, RM2.35 and RM3.33 per ordinary share.

A8 Dividends

Please refer to Explanatory Note B12.

A9 Segmental Information

	CURRENT YEAR QUARTER (3 months period to 30.06.2006) RM'000	CURRENT YEAR TODATE (6 months period to 30.06.2006) RM'000
Segment Revenue		
Engineering & Construction	146,329	248,519
Trading	12,084	19,062
Property development	76,821	130,380
Total revenue including inter-segment revenue	235,234	397,961
Elimination of inter-segment revenue	(16,512)	(29,607)
Total revenue	218,722	368,354
Segment profit from operation		
Engineering & Construction	29,381	49,405
Trading	638	1,045
Property development	23,399	35,939
Investment holdings	(472)	(4,723)
Interest	1,016	2,055
	53,962	83,721
Elimination of inter-segment profit	(21,051)	(9,278)
Total profit from operation	32,911	74,443

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 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 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 23 August 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.

Further to the announcement on 23 February 2006 in relation to the Letter of Intent for the construction, completion and maintenance of the Bahrain City Centre in Manama, Kingdom of Bahrain from Majid Al Futtaim Investments L.L.C. of Dubai, UAE ("MAF"), the 51%-owned subsidiary of the Company, Cebarco-WCT W.L.L. has executed the Contract Agreement with MAF and received it on 10 July 2006.

Pursuant to the Contract Agreement, the Contract Price has been revised to approximately BD127.8 million or approximately RM1.28 billion after taking into account the impact of the Value Engineering exercises and the omission of certain works.

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%. As a result, Cebarco-WCT W.L.L. has changed from an associated company to a subsidiary of the Group.

The acquisition had contributed the following financial results to the Group:-

	Individual Quarter 3 months to 30.06.2006 RM'000	Cumulative Period 6 months to 30.06.2006 RM'000
Revenue	71,528	78,309
Profit for the period	1,309	1,522

If the acquisition had occurred on 1 January 2006, the Group revenue and profit for the period from 1 January 2006 to 30 June 2006 would have been RM384.4 million and RM45.2 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	78,467
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 to the Group	5,852

A13 Contingent Liabilities

Contingent liabilities of the Group as at 23 August 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 RM655.0 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	311,955	-
Discharged during the period	(41,371)	(10,329)
Balance as at 23 August 2006	654,956	-

A14 Capital Commitments

There are no material commitments except for as follows:-

	RM'000
Capital expenditure approved and contracted for	22,911
Capital expenditure approved and not contracted for	8,787
Share of capital commitments of associates	18,338
Share of capital commitments to an unincorporated joint venture	12,754
	62,790

A15 Significant Related Party Transactions

	RM'000
The Group	
Rental of property to a Director of the Company	184

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

B1 Review Of The Performance Of The Group

The Group recorded a 5.3% lower revenue of RM368.3 million for the financial period ended 30 June 2006 compared with RM389.0 million for the financial period ended 30 June 2005. In terms of profitability, the Group made a profit after taxation ("PAT") of RM44.4 million for the current financial period as compared with RM52.6 million in the previous financial period. The performance was affected by the slow down in the residential property market and lower progress billings in the construction division.

B2 Comparison With Immediate Preceding Quarter's Results

For the quarter under review, the Group recorded a PAT of RM21.3 million as compared to RM23.1 million in the immediate preceding quarter due to the similar reasons mentioned in B1.

B3 Prospect For The Remaining Period of The Current Financial Year

The Group has an outstanding construction order book, including the revised contract price of Bahrain City Centre project in Manama, Kingdom of Bahrain, of approximately RM2.9 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 PERIOD	
	CURRENT YEAR QUARTER (3 months period to 30.06.2006)	PRECEDING YEAR CORRESPONDING (3 months period to 30.06.2005)	CURRENT YEAR TODATE (6 months period to 30.06.2006)	PRECEDING YEAR CORRESPONDING (6 months period to 30.06.2005)
Taxation comprises : -	RM'000	RM'000	RM'000	RM'000
Malaysia tax				
- Current year	7,514	8,515	17,465	20,518
- Prior year	-	(371)	-	(371)
- Deferred taxation	(1,654)	321	(353)	(1,581)
	5,860	8,465	17,112	18,566

The effective tax rate for the current 6 months ended 30 June 2006 is approximates to the statutory tax rate. The effective tax rate for the current reporting quarter is lower than the statutory tax rate mainly due to adjustment for tax over provided previously.

The effective tax rate for the quarter and 6 months period 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.

B7 Quoted Securities

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

(b) As at 30 June 2006, the Group did not hold any quoted securities.

B8 Status Of Corporate Proposals Announced

The Group has not announced any corporate proposal, which has not been completed as at 23 August 2006 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B9 Group Borrowings And Debt Securities

Details of group borrowings are as follows:-

	As at 30.06.2006 RM'000	As at 31.12.2005 RM'000
WCTL CRDS A	47,251	45,280
WCTL CRDS B	4,215	3,512
Long Term Loan - Unsecured	95,000	97,529
BAIDS - Unsecured	100,000	100,000
Sub total- unsecured	246,466	246,321
Long Term Loan - Secured	112,450	81,933
Long Term Hire Purchase Creditors - Secured	27,746	36,814
Sub-total secured	140,196	118,747
Total Long Term (A)	386,662	365,068
Short Term Bank Borrowings		
Secured : -		
Bank Overdrafts	1,241	18,394
Hire Purchase Creditors	38,786	36,433
Revolving Credit	34,255	-
Term loans	15,298	10,696
Sub-total secured	89,580	65,523
Unsecured : -		
Bank Overdrafts	15,482	16,570
Bankers Acceptance	9,362	7,349
Revolving Credit	22,000	71,500
Term loans	5,174	6,836
Sub-total unsecured	52,018	102,255
Total (B)	141,598	167,778
GRAND TOTAL C =(A+B)	528,260	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 23 August 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 below, WCT and its subsidiary companies were not engaged in any material litigation from 31 December 2005 (the last annual balance sheet date) to 23 August 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.

(i) 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")

The Plaintiff had filed an action against the Defendant vide Kuala Lumpur High Court Civil Suit No: S7-22-132-2005 against the Defendants claiming inter alia:-

(i) an outstanding contract sum 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 RM3,090,204.11 only;

(ii) interest at the rate of 8% per annum on the RM3,090,204.11 only calculated from the date of filing of the action until the date of full settlement;

(iii) costs; and

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

The Court had on 7th April 2006 fixed the case for trial on 3rd March 2008 to 5th March 2008.

(ii) 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 vide Kuala Lumpur High Court Civil Suit No. S4-22-758-2205 against the Defendant's 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 only;

(ii) interest at the rate of 8% per annum on the RM14,776,522.48 only 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 case management has been fixed by the Court on 19th September 2006.

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
<u>Final dividend paid</u> For the financial year ended 31 December 2005 7.5sen per share less 28% tax (31 December 2004 7.5sen per share less 28% tax)	11,731	8,193
<u>Special tax-exempt dividend paid</u> For the financial year ended 31 December 2004 12.0sen per share	-	18,207
<u>Special dividend paid</u> For the financial year ended 31 December 2004 10.0sen per share less 28% tax	-	10,924
<u>Interim dividend paid</u> For the financial year ended 31 December 2005: 7.5sen per share less 28% tax	-	8,200

On 28 August 2006, the Directors declared an interim dividend of 7.5sen per share less 28% tax (2005: 7.5sen per share less 28%) on ordinary shares of RM1.00 each.

The entitlement date for the interim dividend shall be fixed on 19 September 2006 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 19 September 2006 in respect of ordinary transfer; 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 2006.

B13 Earnings Per Share

		Reporting Quarter 30.06.06 RM'000	Current Year To Date 30.06.06 RM'000
(a)	**Basic Earnings Per Share**		
	Profit attributable to the equity holders of the parent	17,200	37,863
	Weighted average no. of shares in issue ('000)	212,925	212,774
	Basic earnings per share (sen)	8.08	17.80
(b)	**Fully Diluted Earnings Per Share**		
	Profit attributable to the equity holders of the parent	17,200	37,863
	Weighted average no. of shares in issue ('000)	212,925	212,774
	Weighted average no. of shares under option ('000)	8,481	8,639
	Weighted average no. of shares that would have been issued at fair value ('000)	(6,106)	(6,216)
	No. of shares used in the calculation of diluted earnings per share ('000)	215,300	215,197
	Fully diluted earnings per share (sen)	7.99	17.59

B14. Comparative Figures

Comparative figures, where applicable, have been modified to conform with the current quarter presentation.

Date: 28 AUGUST 2006
cc: Securities Commission