
**WCT ENGINEERING BERHAD (“WCTE” OR “THE COMPANY”) (66538-K)
QUARTERLY UNAUDITED RESULTS OF THE GROUP FOR THE FIRST QUARTER ENDED
31 MARCH 2007**

**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 2006. 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 2006.

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 2006 except for the adoption of the following new/revised FRS issued by MASB that are effective for the Group’s annual reporting date, 31 December 2007:

FRS 117	Leases
FRS 124	Related Party Transactions

The adoption of FRS 117 and 124 do not have significant financial impact on the Group.

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 2006.

A4 Seasonal Or Cyclical Factors

The moderate slow down in the property market and cost increases in the construction industry have not affected the operation of the Group.

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

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 Debt and Equity Securities

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 5,180,800 new ordinary shares of RM1.00 each pursuant to the exercise of the ESOS at the exercise price of RM1.93, RM2.35, RM3.30 and RM3.33 per ordinary share.

A8 Dividends

Please refer to Explanatory Note B12.

A9 Segmental Information

	CURRENT YEAR QUARTER (3 months period to 31.03.2007) RM'000	CURRENT YEAR TODATE (3 months period to 31.03.2007) RM'000
Segment Revenue		
Civil engineering & construction	576,230	576,230
Trading	40,110	40,110
Property development	66,502	66,502
Property & investment holding	716	716
Total revenue including inter-segment revenue	683,558	683,558
Elimination of inter-segment revenue	(132,835)	(132,835)
Total revenue	550,723	550,723
Segment profit from operation		
Civil engineering & construction	22,833	22,833
Trading	8,836	8,836
Property development	21,552	21,552
Property & investment holding	(2,973)	(2,973)
Interest income	5,127	5,127
	55,375	55,375
Elimination of inter-segment profit	(4,765)	(4,765)
Total profit from operation	50,610	50,610

A10 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 2006.

A11 Subsequent Material Events

There were no material events subsequent to the reporting period up to 23 May 2007 (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.

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 29 March 2007, the Company incorporated a new wholly-owned subsidiary namely WCT Offshore (L) Ltd (“WCT Offshore”) for cash consideration of USD1.00 representing 100% of the issued and paid up share capital of USD1.00 each of the company.

A13 Contingent Liabilities

Contingent liabilities of the Group as at 23 May 2007 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) comprised Bank Guarantees and Letters of Credit totaling RM858.9 million and RM1.8 million respectively provided by the Group to various parties in the ordinary course of business. The changes in contingent liabilities since 23 February 2007 are as follows: -

	Bank Guarantee RM'000	Letters of Credit RM'000
Balance as at 23 February 2007	668,896	-
Extended/utilised during the period	211,107	2,158
Discharged/paid during the period	(21,132)	(343)
Balance as at 23 May 2007	858,871	1,815

A14 Capital Commitments

There are no material commitments except for as follows:-

	RM'000
Capital expenditure approved and contracted for property, plant and equipment	219,000
Capital expenditure approved and not contracted for property, plant and equipment	1,836
Share of capital commitments of jointly controlled entities	<u>15,215</u>
	<u><u>236,051</u></u>

A15 Significant Related Party Transactions

	RM'000
<u>The Group</u>	
Rental of property to a Director of the Company	<u><u>92</u></u>

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

B1 Review Of The Performance For The Current Quarter and Year-to-date

The Group recorded higher revenue and profit after tax (“PAT”) for the current quarter under review amounted to RM550.7 million and RM37.2 million as compared to RM149.6 million and RM23.1 million respectively in the corresponding quarter. The higher revenue and better profitability were attributed to the increase in the construction activities and property development projects undertaken by the Group.

B2 Comparison With Immediate Preceding Quarter’s Results

For the quarter under review, the Group recorded PAT of RM37.2 million as compared to RM37.1 million in the immediate preceding quarter.

B3 Prospect For The Remaining Period of The Current Financial Year

The Group has an outstanding construction order book of approximately RM3.5 billion. The Group is confident of a better financial performance for the remaining period of the current financial year ending 31 December 2007.

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 31.03.2007)	PRECEDING YEAR CORRESPONDING (3 months period To 31.03.2006)	CURRENT YEAR TODATE (3 months period To 31.03.2007)	PRECEDING YEAR CORRESPONDING (3 months period To 31.03.2006)
	RM’000	RM’000	RM’000	RM’000
Taxation comprises:-				
Malaysia Tax				
- Current year	8,692	9,951	8,692	9,951
- Deferred taxation	385	1,301	385	1,301
	9,077	11,252	9,077	11,252
Foreign tax	-	-	-	-
	9,077	11,252	9,077	11,252

B5 Taxation (Contd.)

The effective tax rate for the current reporting quarter ended 31 March 2007 is lower than the statutory tax rate mainly due to income of certain foreign subsidiaries not subject to income tax.

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

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 2007, 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 23 May 2007 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

On 7 March 2007, Aseambankers Malaysia Berhad (“Aseambankers”) on behalf of the Board of Directors of the Company announced that the Company is proposing the following:-

- (a) Bonus issue of up to 77,540,302 new ordinary shares of RM1.00 each in WCTE (“Bonus Share(s)”) on the basis of one (1) Bonus Share for every three (3) existing ordinary shares of RM1.00 each held in WCTE (“WCTE Shares”) on an entitlement date to be determined later (“Proposed Bonus Issue”);
- (b) Renounceable rights issue of up to RM155,080,604 five (5)-year 4.5% non-cumulative irredeemable convertible preference shares (“ICPS”) at an issue price of RM1.00 on the basis of one (1) ICPS for every two (2) existing WCTE Shares after the Proposed Bonus Issue (“Proposed Rights Issue of ICPS”);
- (c) Issue of up to United States Dollar (“USD”) 75,000,000 nominal value five (5)-year unsecured convertible bonds (“Proposed Convertible Bond Issue); and
- (d) Proposed amendments to the Memorandum and Articles of Association (“M&A”) of WCTE (“Proposed Amendments”).

B8 Status Of Corporate Proposals Announced (Contd.)

On 17 April 2007, Aseambankers, on behalf of the Board, further announced, the following:-

- (a) WCT Offshore, was incorporated on 29 March 2007 in Labuan to issue the Convertible Bonds in lieu and place of WCTE;
- (b) the amount of the Proposed Convertible Bonds Issue will be increased up to USD100,000,000 instead of USD75,000,000 (“Proposed Convertible Bond Issue”);
- (c) proposed increase in authorized share capital of WCTE to RM1,000,000,000 comprising 700,000,000 WCTE Shares and 300,000,000 preference shares of RM1.00 each by the creation of an additional 200,000,000 WCTE Shares and 300,000,000 preference shares of RM1.00 each; and
- (d) BNP Paribas has been appointed by WCTE as the Joint Lead Manager and Joint Bookrunner together with Aseambankers for the Proposed Convertible Bond Issue.

On 20 April 2007, Aseambankers, on behalf of the Board, further announced, the following changes:-

- (a) the principal indicative terms of the ICPS as follows:-

Terms	Proposed changes	As per announcement dated 7 March 2007
Nominal value	RM0.10 per ICPS	RM1.00 per ICPS
Annual non-cumulative preferential dividend rate based on the nominal value of ICPS	13.5% per annum	4.5% per annum
Issue price per ICPS	RM0.30	RM1.00
Maximum number of ICPS to be issued	516,899,793	155,080,604
Basis of issuance	Five (5) ICPS for every three (3) existing WCTE Shares	One (1) ICPS for every two (2) existing WCTE Shares
Conversion price	Fixed at par value of RM1.00 per WCTE Share and shall be satisfied by surrendering ten (10) ICPS of nominal value of RM0.10 each for every one (1) new WCTE Share	The conversion price of the ICPS will represent a discount to the five (5)-day volume weighted average market price and the theoretical ex-bonus price of WCTE Shares up to the price fixing date to be determined later

B8 Status Of Corporate Proposals Announced (Contd.)

- (b) the proposed increased in authorised share capital of WCTE:-

The authorised share capital of WCTE is proposed to be increased to RM800,000,000 comprising 700,000,000 WCTE Shares and 1,000,000,000 preference shares of RM0.10 each by the creation of an additional 200,000,000 WCTE Shares and 1,000,000,000 preference shares of RM0.10 each (“Proposed IASC”).

The above Proposals are subject to the approvals of the following:-

- (i) the Securities Commission (“SC”), for the Proposed Rights Issue of ICPS and Proposed Convertible Bond Issue;
- (ii) the Equity Compliance Unit (via the SC), for the Proposed Convertible Bond Issue;
- (iii) Bank Negara Malaysia, for the corporate guarantee given by WCTE to WCT Offshore pursuant to the Proposed Convertible Bond Issue;
- (iv) the shareholders of WCTE at an extraordinary general meeting to be convened;
- (v) Bursa Securities, for the listing of and quotation for the Bonus Shares and ICPS to be issued and for the new WCTE Shares to be issued pursuant to the conversion of the ICPS and the Convertible Bonds;
- (vi) Labuan Offshore Financial Services Authority for the Proposed Convertible Bond Issue;
- (vii) Existing lenders of WCTE, if necessary; and
- (vi) the approval of any other relevant authorities, if required.

An application will be made to the Singapore Exchange Securities Trading Limited for the listing of the Convertible Bonds.

The Proposed Rights Issue of ICPS is conditional upon the Proposed Bonus Issue and not vice versa. The Proposed Bonus Issue and Proposed Rights Issue of ICPS are not conditional upon the Proposed Convertible Bond Issue and vice versa. The Amendments is conditional upon the Proposed Right Issue of ICPS and vice versa. The Proposed IASC is conditional upon the Proposed Amendments.

B9 Group Borrowings And Debt Securities

Details of group borrowings are as follows:-

	As at 31.03.2007 RM'000	As at 31.12.2006 RM'000
WCTL CRDS A	52,320	51,239
WCTL CRDS B	2,928	2,900
Long Term Loan - Unsecured	50,000	50,088
BAIDS - Unsecured	100,000	100,000
Sub total- unsecured	205,248	204,227
Long Term Loan - Secured	140,531	151,920
Long Term Hire Purchase Creditors - Secured	17,942	16,546
Sub-total secured	158,473	168,466
Total Long Term (A)	363,721	372,693
Short Term Bank Borrowings		
Secured :-		
Bank Overdrafts	3,405	1,324
Hire Purchase Creditors	21,472	33,728
Revolving Credit	212,342	148,565
Term loans	33,130	24,095
Sub-total secured	270,349	207,712
Unsecured :-		
Bank Overdrafts	18,965	8,533
Bankers Acceptance	33,369	26,878
Revolving Credit	19,700	19,700
Term loans	45,000	47,081
Sub-total unsecured	117,034	102,192
Total (B)	387,383	309,904
GRAND TOTAL C =(A+B)	751,104	682,597

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 May 2007 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B11 Material Litigation

Save as disclosed below, WCTE and its subsidiary companies were not engaged in any material litigation from 31 December 2006 (the last annual balance sheet date) to 23 May 2007 (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 WCTE 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 WCTE 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 vide Kuala Lumpur High Court Civil Suit No. S4-22-758-2005 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 adjourned by the Court on the 8th June 2007 pending extraction of Plaintiff’s sealed application for consolidation of this matter with a related case known as Kuala Lumpur High Court Suit No. S2-22-132-2000.

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 2007 RM'000	PAID in Year Ended 31 Dec 2006 RM'000
<u>Interim dividend paid</u> For the financial year ended 31 December 2006 7.5sen per share less 28% tax	-	11,530
<u>Final dividend paid</u> For the financial year ended 31 December 2005 7.5sen per share less 28% tax	-	11,501

A final dividend of 7.5sen per share less 27% tax for financial year ended 31 December 2006, if approved at the forthcoming Annual General Meeting to be held on 31 May 2007, will be payable on 23 July 2007 based on the entitlement date fixed on 9 July 2007.

B13 Earnings Per Share

	Reporting Quarter 31.03.07 RM'000	Current Year To Date 31.03.07 RM'000
(a) Basic Earnings Per Share		
Profit attributable to the equity holders of the parent	27,183	27,183
Weighted average no. of shares in issue ('000)	217,801	217,801
Basic earnings per share (sen)	12.48	12.48
(b) Fully Diluted Earnings Per Share		
Profit attributable to the equity holders of the parent	27,183	27,183
Weighted average no. of shares in issue ('000)	217,801	217,801
Weighted average no. of shares under option ('000)	17,583	17,583
Weighted average no. of shares that would have been issued at fair value ('000)	(10,837)	(10,837)
No. of shares used in the calculation of diluted earnings per share ('000)	224,547	224,547
Fully diluted earnings per share (sen)	12.11	12.11

B14. Comparative Figures

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

Date: 29th MAY 2007
 cc: Securities Commission