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

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 residential property market and cost increases in the construction industry have not affected the overall operations 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 during the quarter and six months ended 30 June 2007.

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 and six months ended 30 June 2007.

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 12,846,400 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, RM3.33, RM4.61 and RM6.57 per ordinary share.

A8 Dividends

Please refer to Explanatory Note B12.

A9 Segmental Information

	CURRENT YEAR QUARTER (3 months period to 30.06.2007) RM'000	CURRENT YEAR TODATE (6 months period to 30.06.2007) RM'000
Segment Revenue		
Civil engineering & construction	789,620	1,365,850
Trading	44,037	84,147
Property development	62,157	128,659
Property & investment holding	695	1,411
Total revenue including inter-segment revenue	896,509	1,580,067
Elimination of inter-segment revenue	(128,193)	(261,028)
Total revenue	<u>768,316</u>	<u>1,319,039</u>
Segment profit from operation		
Civil engineering & construction	63,937	86,770
Trading	10,409	19,245
Property development	20,175	41,727
Property & investment holding	1,262	(1,711)
Interest income	4,678	9,805
	100,461	155,836
Elimination of inter-segment profit	(12,446)	(17,211)
Total profit from operation	<u>88,015</u>	<u>138,625</u>

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 August 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, a new wholly-owned subsidiary, WCT Offshore (L) Ltd, was incorporated in Labuan under the Offshore Companies Act, 1990 with an issued and paid-up share capital of USD1.00 only.

On 26 April 2007, the Company transferred 25 units ordinary shares in Cebarco-WCT W.L.L. of BD100 each to Cebarco Bahrain S.P.C., thereby reducing its equity interest from 51% to 50%. However, Cebarco-WCT W.L.L. remains a subsidiary of the Company pursuant to Section 5(1)(a)(i) of the Companies Act, 1965 and the Company has control over its financial and operating activities.

A13 Contingent Liabilities

Contingent liabilities of the Group as at 23 August 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 RM1,037.0 million and RM43.7 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 Guarantees RM'000	Letters of Credit RM'000
Balance as at 23 February 2007	668,896	-
Extended/utilised during the period	406,458	81,394
Discharged/paid during the period	(38,388)	(37,724)
	1,036,966	43,670
Balance as at 23 August 2007	1,036,966	43,670

A14 Capital Commitments

There are no material commitments except for as follows:-

	RM'000
Capital expenditure approved and contracted for property, plant and equipment	129,123
Capital expenditure approved and not contracted for property, plant and equipment	554
Share of capital commitments of jointly controlled entities	<u>14,067</u>
	<u><u>143,744</u></u>

A15 Significant Related Party Transactions

	RM'000
<u>The Group</u>	
Rental of property to a Director of the Company	<u><u>184</u></u>

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

B1 Review Of The Performance Of The Group

The Group recorded higher revenue and profit after tax for the current quarter under review amounted to RM768.3 million and RM61.4 million as compared to RM218.7 million and RM21.3 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 RM61.4 million as compared to RM37.2 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 RM3.2 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 30.06.2007)	PRECEDING YEAR CORRESPONDING (3 months period To 30.06.2006)	CURRENT YEAR TODATE (6 months period To 30.06.2007)	PRECEDING YEAR CORRESPONDING (6 months period To 30.06.2006)
	RM'000	RM'000	RM'000	RM'000
Taxation comprises:-				
Malaysia Tax				
- Current year	22,720	7,514	31,412	17,465
- Deferred taxation	447	(1,654)	832	(353)
	<u>23,167</u>	<u>5,860</u>	<u>32,244</u>	<u>17,112</u>
Foreign tax	-	-	-	-
	<u>23,167</u>	<u>5,860</u>	<u>32,244</u>	<u>17,112</u>

B5 Taxation (Contd.)

The effective tax rate for the 6 months ended 30 June 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 current reporting quarter and 6 months ended 30 June 2006 are approximates to the statutory tax rate.

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

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 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 August 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 (L) Ltd, 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”).

On 29 May 2007, Aseambankers, on behalf of the Board, further announced that an application will be made to the Labuan International Financial Exchange Inc. (“LFX”) for the listing of the Convertible Bonds in place of the Singapore Exchange Securities Trading Limited. LFX had vide its letter dated 25 June 2007 granted approval-in-principle on the primary listing of the Convertible Bonds, pursuant to the Rules of the LFX.

The above Proposals have received the approvals of the following:-

- (i) the Securities Commission (“SC”), for the Proposed Rights Issue of ICPS and Proposed Convertible Bond Issue (which have been approved on 18 June 2007);
- (ii) the Equity Compliance Unit (via the SC), for the Proposed Convertible Bond Issue (which have been approved on 18 June 2007);
- (iii) Bank Negara Malaysia, for the corporate guarantee given by WCTE to WCT Offshore pursuant to the Proposed Convertible Bond Issue (which have been approved on 28 June 2007);
- (iv) the shareholders of WCTE at an extraordinary general meeting (which have been approved on 31 May 2007);
- (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 (which have been approved on 25 June 2007);
- (vi) Labuan Offshore Financial Services Authority for the Proposed Convertible Bond Issue (which have been approved on 20 June 2007) ;
- (vii) Existing lenders of WCTE, if necessary; and
- (vi) the approval of any other relevant authorities, if required.

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.

A total of 75,698,635 new Bonus Shares have been issued pursuant to the Bonus Issue and subsequently a total of 504,657,950 new ICPS have been issued pursuant to the Rights Issue of ICPS. The new Bonus Shares and new ICPS have been listed and quoted on the Main Board of Bursa Securities on 10 July 2007 and 9 August 2007 respectively.

B9 Group Borrowings And Debt Securities

Details of group borrowings are as follows:-

	As at 30.06.2007 RM'000	As at 31.12.2006 RM'000
WCTL CRDS A	53,429	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	206,357	204,227
Long Term Loan - Secured	141,216	151,920
Long Term Hire Purchase Creditors - Secured	14,197	16,546
Sub-total secured	155,413	168,466
Total Long Term (A)	361,770	372,693
Short Term Bank Borrowings		
Secured :-		
Bank Overdrafts	11,525	1,324
Hire Purchase Creditors	15,020	33,728
Revolving Credit	65,874	56,891
Term loans	50,540	24,095
Sub-total secured	142,959	116,038
Unsecured :-		
Bank Overdrafts	35,848	8,533
Bankers Acceptance	39,619	26,878
Revolving Credit	179,007	111,374
Term loans	45,000	47,081
Islamic CP/MTN	25,000	-
Sub-total unsecured	324,474	193,866
Total (B)	467,433	309,904
GRAND TOTAL C =(A+B)	829,203	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 August 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 August 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 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 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 Plaintiff’s application to consolidate the aforesaid action with another related matter vides Kuala Lumpur High Court Suit No. S2-22-132-2000 (“Related Case”) has been allowed by the Court on the 8th June 2007 with costs to be borne by the Plaintiff.

The case management for the aforesaid action shall be before the judge in Related Case upon the file being transferred.

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

B12 Dividends

	PAID in Year Ending 31 Dec 2007	PAID in Year Ended 31 Dec 2006
	RM'000	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

At the Annual General Meeting of the Company held on 31 May 2007, the shareholders approved a final dividend in respect of the financial year ended 31 December 2006 of 7.5 sen per share less 27% tax on 302,794,542 ordinary shares of RM1.00 each, amounting to a net dividend of RM16,578,005 which was paid on 23 July 2007.

On 29 August 2007, the Directors declared an interim dividend of 7.5sen per share less 27% tax (2006: 7.5sen per share less 28%) on ordinary shares of RM1.00 each.

The entitlement date for the interim dividend shall be fixed on 14 September 2007 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 14 September 2007 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 2007.

B13 Earnings Per Share

	Reporting Quarter 30.06.07 RM'000	Current Year To Date 30.06.07 RM'000
(a) Basic Earnings Per Share		
Profit attributable to the equity holders of the parent	33,791	60,974
Weighted average no. of shares in issue ('000)	225,252	221,547
Basic earnings per share (sen)	15.00	27.52
(b) Fully Diluted Earnings Per Share		
Profit attributable to the equity holders of the parent	33,791	60,974
Weighted average no. of shares in issue ('000)	225,252	221,547
Weighted average no. of shares under option ('000)	10,143	13,793
Weighted average no. of shares that would have been issued at fair value ('000)	(5,370)	(7,262)
No. of shares used in the calculation of diluted earnings per share ('000)	230,025	228,078
Fully diluted earnings per share (sen)	14.69	26.73

B14. Comparative Figures

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

Date: 29th AUGUST 2007
cc: Securities Commission