
**WCT ENGINEERING BERHAD (“WCTE” OR “THE COMPANY”) (66538-K)
QUARTERLY UNAUDITED RESULTS OF THE GROUP FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 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 nine months ended 30 September 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 nine months ended 30 September 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.

- (a) Issuance of 13,771,905 new ordinary shares of RM1.00 each pursuant to the exercise of the ESOS at the exercise price of RM1.45, RM1.77, RM2.48, RM2.50, RM3.46 and RM4.93 per ordinary share.
- (b) Issuance of 75,698,635 new ordinary shares of RM1.00 each pursuant to the bonus issue on the basis of one (1) new ordinary share for every three (3) existing ordinary shares held.
- (c) Issuance of 5,542,181 new ordinary shares of RM1.00 each pursuant to the conversion of Irredeemable Convertible Preference Shares ("ICPS") of RM0.10 which was satisfied by surrendering 10 ICPS for each new ordinary share.

A8 Dividends

Please refer to Explanatory Note B12.

A9 Segmental Information

| | CURRENT YEAR QUARTER (3 months period to 30.09.2007) RM'000 | CURRENT YEAR TODATE (9 months period to 30.09.2007) RM'000 |
|---|---|--|
| Segment Revenue | | |
| Civil engineering & construction | 665,780 | 2,031,630 |
| Trading | 21,568 | 105,715 |
| Property development | 78,626 | 207,285 |
| Property & investment holding | 681 | 2,092 |
| Total revenue including inter-segment revenue | 766,655 | 2,346,722 |
| Elimination of inter-segment revenue | (135,812) | (396,840) |
| Total revenue | <u>630,843</u> | <u>1,949,882</u> |
| Segment profit from operation | | |
| Civil engineering & construction | 75,364 | 162,134 |
| Trading | (6,036) | 13,209 |
| Property development | 21,276 | 63,003 |
| Property & investment holding | (2,208) | (3,919) |
| Interest income | 6,482 | 16,287 |
| | 94,878 | 250,714 |
| Elimination of inter-segment profit | (18,399) | (35,610) |
| Total profit from operation | <u>76,479</u> | <u>215,104</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 November 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 November 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 RM1,240.1 million and RM41.3 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 | 941,281 | 76,119 |
| Discharged/paid during the period | (370,045) | (34,856) |
| | <hr/> | <hr/> |
| Balance as at 23 November 2007 | 1,240,132 | 41,263 |
| | <hr/> | <hr/> |

A14 Capital Commitments

There are no material commitments except for as follows:-

| | |
|---|---------|
| | RM'000 |
| Capital expenditure approved and contracted for property, plant and equipment | 91,873 |
| Capital expenditure approved and not contracted for property, plant and equipment | 38,585 |
| Share of capital commitments of jointly controlled entities | 28,878 |
| | <hr/> |
| | 159,336 |
| | <hr/> |

A15 Significant Related Party Transactions

| | |
|---|--------|
| | RM'000 |
| <u>The Group</u> | |
| Rental of property to a Director of the Company | 275 |
| | <hr/> |

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 ("PAT") for the current quarter under review amounted to RM630.8 million and RM63.1 million as compared to RM416.3 million and RM33.7 million respectively in the corresponding quarter. Similarly, for the financial period ended 30 September 2007, the Group recorded revenue and PAT of RM1,949.9 million and RM161.7 million as compared to RM784.7 million and RM78.1 million respectively for financial period ended 30 September 2006.

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 RM63.1 million as compared to RM61.4 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 RM6.1 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 30.09.2007) | PRECEDING YEAR CORRESPONDING (3 months period To 30.09.2006) | CURRENT YEAR TODATE (9 months period To 30.09.2007) | PRECEDING YEAR CORRESPONDING (9 months period To 30.09.2006) |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Taxation comprises:- | | | | |
| Malaysia Tax | | | | |
| - Current year | 12,272 | 8,747 | 43,684 | 26,212 |
| - Prior years | (2,293) | (3,140) | (2,293) | (3,140) |
| - Deferred taxation | (2,414) | (852) | (1,582) | (1,205) |
| | 7,565 | 4,755 | 39,809 | 21,867 |
| Foreign tax | - | - | - | - |
| | 7,565 | 4,755 | 39,809 | 21,867 |

B5 Taxation (Contd.)

The effective tax rate for the current quarter and 9 months ended 30 September 2007 is lower than the statutory tax rate mainly due to income of a foreign subsidiary not subject to income tax and adjustment for tax over provided previously.

The effective tax rate for the quarter and 9 months ended 30 September 2006 is also lower than the statutory tax rate mainly due to income of a foreign subsidiary not subject to income tax and 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 September 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 November 2007 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

- (1) 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”).

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;

B8 Status Of Corporate Proposals Announced (Contd.)

- (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 |

- (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”).

B8 Status Of Corporate Proposals Announced (Contd.)

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);
- (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.

On 13 November 2007, Aseambankers, on behalf of the Board, further announced that the Company has decided to abort the Proposed Convertible Bond Issue due to the prevailing volatile capital market conditions arising from the sub prime mortgage issues of the United States of America. The Company has made arrangements to secure alternative modes of financing with regard to its offshore businesses and projects. In addition, the Company is currently considering a proposed Bonds with Warrants Issue as mentioned in note (2) below.

B8 Status Of Corporate Proposals Announced (Contd.)

- (2) On 13 November 2007, Aseambankers, on behalf of the Board, announced that the Company proposes to undertake the following proposals:
- (a) Proposed share split involving the subdivision of each of the existing ordinary share of RM1.00 each in WCT (“WCT Shares”) into two (2) new ordinary shares of RM0.50 each (“Subdivided WCT Shares”) in WCT (“Proposed Share Split”);
 - (b) Proposed issuance of up to RM300,000,000 nominal value of Islamic redeemable bonds (“Bonds”) with up to 145,918,510 detachable warrants (“Warrants”) on a bought deal basis to primary subscriber(s) (“Proposed Bonds with Warrants”);
 - (c) Proposed offer for sale by the primary subscriber(s) of up to 145,918,510 Warrants to the existing shareholders of WCT on a renounceable rights basis of one (1) Warrant for every five (5) Subdivided WCT Shares held in WCT held on an entitlement date and at an offer price to be determined and announced later (“Proposed Offer for Sale”); and
 - (d) Proposed amendments to the Memorandum and Article of Association (“M&A”) of WCT (“Proposed M&A Amendments”).

(The abovementioned shall hereinafter be referred to as “Proposals”).

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

- (i) the SC, for the Proposed Bonds with Warrants and the Proposed Offer for Sale;
- (ii) Bank Negara Malaysia for the offer of the Warrant to non-residents of Malaysia pursuant to the Proposed Offer For Sale;
- (iii) Bursa Securities for the :-
 - (aa) Proposed Share Split and the listing of and quotation for the Subdivided WCT Shares;
 - (bb) admission to the official list of Bursa Securities for the Warrants; and
 - (cc) listing of and quotation for the new Subdivided WCT Shares to be issued upon the exercise of the Warrants;
- (iv) shareholders of WCT, for the Proposals at an extraordinary general meeting to be convened; and
- (v) any other approvals and/or consents, if required.

The Proposed Offer for Sale is conditional upon the Proposed Bonds with Warrants. The Proposed Share Split is conditional upon the Proposed M&A Amendments and vice versa and not conditional upon any other proposals.

B9 Group Borrowings And Debt Securities

Details of group borrowings are as follows:-

| | As at 30.09.2007 RM'000 | As at 31.12.2006 RM'000 |
|--|--|--|
| WCTL CRDS A | 51,733 | 51,239 |
| WCTL CRDS B | 5,732 | 2,900 |
| Long Term Loan - Unsecured | 50,000 | 50,088 |
| BAIDS - Unsecured | 100,000 | 100,000 |
| Sub total- unsecured | 207,465 | 204,227 |
| Long Term Loan - Secured | 150,824 | 151,920 |
| Long Term Hire Purchase Creditors - Secured | 11,083 | 16,546 |
| Sub-total secured | 161,907 | 168,466 |
| Total Long Term (A) | 369,372 | 372,693 |
| Short Term Bank Borrowings | | |
| Secured :- | | |
| Bank Overdrafts | 6,372 | 1,324 |
| Hire Purchase Creditors | 12,040 | 33,728 |
| Revolving Credit | 101,378 | 56,891 |
| Term loans | 69,591 | 24,095 |
| Sub-total secured | 189,381 | 116,038 |
| Unsecured :- | | |
| Bank Overdrafts | 26,946 | 8,533 |
| Bankers Acceptance | 52,664 | 26,878 |
| Revolving Credit | 171,783 | 111,374 |
| Term loans | 45,000 | 47,081 |
| Islamic Commercial Paper / Medium Term Note | 25,000 | - |
| Sub-total unsecured | 321,393 | 193,866 |
| Total (B) | 510,774 | 309,904 |
| GRAND TOTAL C =(A+B) | 880,146 | 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 November 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 November 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 2006 7.5sen per share less 27% tax (31 December 2005 7.5sen per share less 28% tax) | 16,578 | 11,501 |

On 29 August 2007, the Directors declared an interim dividend of 7.5sen per share less 27% tax on ordinary shares of RM1.00 each. The interim dividend of RM16,852,941 was paid on 3 October 2007.

B13 Earnings Per Share

| | Reporting Quarter 30.09.07 RM'000 | Current Year To Date 30.09.07 RM'000 |
|---|--|---|
| (a) Basic Earnings Per Share | | |
| Profit attributable to the equity holders of the parent | 38,947 | 99,921 |
| Weighted average number of ordinary shares in issue ('000) | 305,854 | 298,907 |
| Basic earnings per share (sen) | 12.73 | 33.43 |
| (b) Fully Diluted Earnings Per Share | | |
| Profit attributable to the equity holders of the parent | 38,947 | 99,921 |
| Weighted average number of ordinary shares in issue ('000) | 305,854 | 298,907 |
| Effects of dilution: | | |
| Shares options ('000) | 5,758 | 8,522 |
| ICPS ('000) | 46,664 | 46,664 |
| Adjusted weighted average number of ordinary shares in issue and issuable ('000) | 358,276 | 354,093 |
| Fully diluted earnings per share (sen) | 10.87 | 28.22 |

B14 Comparative Figures

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

Date: 29th NOVEMBER 2007

cc: Securities Commission