annual report

2007


# seizing today, forging tomorrow

WCT Engineering Berhad

Company No: 66538-K

# Our Vision:

To be a leader in the field of engineering, construction, property development and management known for its innovation and excellence

# Our Mission:

To provide excellent quality products and services that exceed customers' expectations;

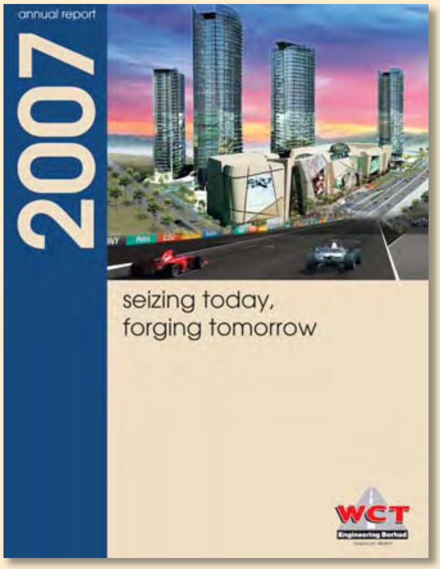
To ensure shareholders receive an equitable return on their investments;

To provide employees with a safe and healthy working environment as well as opportunities for career advancement through systematic training;

To create wealth and improve the quality of life for the betterment of the communities we operate in;

To play a significant role towards achieving the nation's social and economic objectives; and

To contribute our resources for the well-being of society and the environment.




## Cover Rationale

The award of the Abu Dhabi F1 Motor Racing Circuit contract is a stamp of recognition of WCT's capability and reputation as a world-class contractor.

The Paradigm, the Group's first major high-end integrated commercial development project, represents the Group's strategic operational shift up the value chain from township development to high-end commercial property development.

Located in Petaling Jaya, The Paradigm is a luxurious convergence of Business, Retail, Dining & Entertainment that offers 1.4 million sq ft of office space in four exquisitely designed office towers and a spacious shopping mall with 700,000 sq ft of dynamic retail space.

# Contents



# Milestones

**1981**
- Company was founded as WCT Earthworks and Building Contractors Sdn Bhd under the Companies Act, 1965, Malaysia

**1993**
- Successfully completed first major infrastructure project – Selangor Turf Club, Sungai Besi, Malaysia

**1995**
- Listed and quoted on the Second Board of Bursa Malaysia Securities Berhad as WCT Engineering Berhad

**1996**
- Ventured into property development
- Successfully completed bulk earthworks of the Kuala Lumpur International Airport (KLIA) project (more than 50 million cubic metres of earth was excavated)

**1997**
- First property sales launch at the integrated township of Bandar Bukit Tinggi, Klang, Malaysia

**1998**
- Successfully completed the Sepang F1 Circuit - contract value of RM308 million, within a record time of 14 months

**1999**
- Transferred to the Main Board of Bursa Malaysia Securities Berhad – Construction Sector
- First foray into overseas construction – India

**2001**
- Achieved ISO 9002 : 1994 Certification
- Malaysian Construction Industry Excellence Award (MCIEA) – Special Projects Category - Sepang F1 Circuit
- SI-KPMG Shareholder Value Award - No.1 for Construction, Infrastructure & Property Category

**2002**
- MCIEA – Builder of the Year Award
- Forged strategic partnership with Cebarco Bahrain SPC, Kingdom of Bahrain
- Achieved accumulated property sales of RM1.0 billion

**2003**
- Achieved ISO 9001: 2000 Certification

**2004**
- Successfully completed first overseas project - Tada-Nellore Highway, West Bengal, India
- Successfully completed first Middle East project - Bahrain International Circuit - contract value of RM586 million within a record time of 16 months
- MCIEA - International Achievement Award (Bahrain International Circuit)
- Listing and quotation of property division, WCT Land Berhad on the Main Board of Bursa Malaysia Securities Berhad

**2005**
- Industry Excellence Award - Export Excellence Award 2004 - Construction Services Sector
- Achieved accumulated property sales of RM2.0 Billion
- Achieved OHSAS 18001: 1999 Certification

**2006**
- Silver Jubilee - 25th Anniversary
- Ventured into property investment and management

**2007**
- Forged strategic partnership with Arabtec Holding PJSC of Dubai, U.A.E.
- Foray into Dubai construction market – Storm Water Drainage and Sewerage System Works at the Dubai World Central International Airport, U.A.E.
- Foray into Abu Dhabi construction market – Abu Dhabi F1 Circuit on Yas Island, Abu Dhabi, U.A.E.
- Clinched the single largest ever construction contract of RM4.6 billion - Meydan Racecourse Dubai, U.A.E.
- Inducted as a component stock of the Kuala Lumpur Composite Index (KLCI) by Bursa Malaysia Securities Berhad
- Secured RM7.3 Billion of new construction jobs – largest for a single year
- Road Engineering Association of Malaysia - Road Engineering Excellence Award

# Corporate Profile

Kota Kinabalu International Airport

Established on 14 January 1981 as WCT Earthworks & Building Contractors Sdn Bhd, the Company assumed its present name of WCT Engineering Berhad when it became a public listed company on 1 April 1994. WCT made its debut on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 February 1995 and subsequently on 7 January 1999, was elevated to the Main Board of Bursa Securities.

Over the years, with continuous hard work, perseverance, and beliefs in management productivity and efficiency, WCT has elevated its standing and solid reputation in the construction industry both local and abroad. As a team, we strived through the period of slow economic growth in the mid-1980s, as well as the financial crisis in the late 90s. These periods have not only strengthened our position in the construction and property industry but also propelled us into expanding our products and services to include project management, construction design and value engineering in:

- F1 racing circuit;
- Airport;
- Iconic infrastructure;
- Racecourse;
- Hydroelectric dam;
- Expressway & Highway;
- High-rise and special purpose building;
- Commercial building;
- Township planning & development;
- Commercial property development & management; and
- BOT Toll Concessions.

Over a period of 27 years, WCT has completed more than 300 Construction Projects valued at RM5.7 billion with global presence in the Middle East, India, Vietnam and Malaysia and has delivered in excess of 11,000 units of residential and commercial properties amounting to gross development value of RM2.4 billion. In assets investment, WCT owns shopping malls, Grade-A offices, hotel and has equity ownership in three BOT Toll Highway Concessions in India.

Our construction capabilities and track records are recognized both locally and abroad. WCT is the recipient of several distinguished awards including the highly acclaimed Builder of the Year Award in 2002, Special Project Award for Sepang International F1 Circuit in 2001 and the International Achievement Award in 2004 by the Construction Industry Development Board of Malaysia. In 2005, the Ministry of International Trade and Industry of Malaysia has accorded WCT with the prestigious Export Excellence Award. More recently, WCT was named the recipient of the Road Engineering Excellence Award 2007 for the construction of Guthrie Corridor Expressway by the Road Engineering Association of Malaysia.

A highly acclaimed organisation with the drive to achieve greater heights, WCT is moving forward with a Vision to be a true leader in the fields of Engineering & Construction, Property Development and Management known for its Innovation and Excellence. It is the objective of WCT to constantly provide excellent quality products and valuable services to our clients, and at the same time, create a better quality of life for the society. As a responsible corporate citizen, we are invariably committed to good governance and upholding shareholders' value.

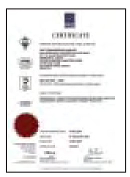
# Awards & Achievements

**2001**
**SI-KPMG Shareholder Value Awards**
Winner for the Construction, Infrastructure and Property Category
*Awarded by Smart Investor-KPMG*

**Special Project Award**
**Malaysian Construction Industry Excellence Awards**
- Sepang F1 Circuit
  *Awarded by the Construction Industry Development Board of Malaysia (CIDB)*

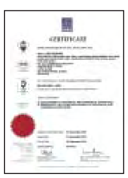
**2002**
**Builder of the Year**
**Malaysian Construction Industry Excellence Awards**
*Awarded by the Construction Industry Development Board of Malaysia (CIDB)*

**2003**
**MS ISO 9001 : 2000**
**Quality Management System Certification**
- *Provision of Construction Services for Building and Civil Engineering Works including Turnkey Projects*
  *Certification No. AR 2274*



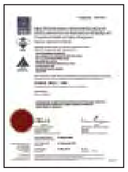
**2004**
**International Achievement Award**
- Bahrain International Circuit
  Malaysian Construction Industry Excellence Awards
  *Awarded by the Construction Industry Development Board of Malaysia (CIDB)*

**MS ISO 9001 : 2000**
**Quality Management System Certification**
- *Development of Residential and Commercial Properties*
- *Management (including Maintenance) of Residential and Commercial Properties*
  *Certification No. AR 3353*



**2005**
**Industry Excellence Award**
- ***Export Excellence – Construction Services***
  *Awarded by the Ministry of International Trade & Industry, Malaysia (MITI)*

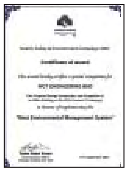
**OHSAS 18001 : 1999**
**Occupational Health and Safety Management Systems Certification**
- *Provision of Construction Services for Building and Civil Engineering Works including Turnkey Projects*
  *Certification No. W00710001*



**OHSAS 18001 : 1999**
**Occupational Health and Safety Management Systems Certification**
- *Provision of Residential and Commercial Property Development and Maintenance Services*
  *Certification No. W011300010905*

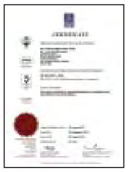
**2007**
**Road Engineering Excellence Award**
- Principal Contractor of Guthrie Corridor Expressway
  *Awarded by the Road Engineering Association of Malaysia*

**Certificate of Award for Best Environmental Management System**
- Design, Construction and Completion of the Office Building on Plot 3C4, Precinct 3, Putrajaya, Malaysia
  *Awarded by Putrajaya Holdings Sdn Bhd*



**Certificate of Award for Best Safety & Health Management System**
- Design, Construction and Completion of the Office Building on Plot 3C4, Precinct 3, Putrajaya, Malaysia
  *Awarded by Putrajaya Holdings Sdn Bhd*

**MS ISO 9001 : 2000**
**Quality Management System Certification**
- *Provision of Rental and Maintenance of Construction Equipment and Machineries*
  *Certification No. AR 4416*



# Corporate Structure At 31 March 2008

Engineering Berhad
Company No: 66538-K

### Investment Holdings and Others

**100%** WCT Offshore (L) Ltd

**100%** WCT (S) Pte Ltd ##

### Domestic Construction

**100%** WCT Construction Sdn Bhd

**60%** Intraxis Engineering Sdn Bhd

**100%** WCT Machinery Sdn Bhd

**100%** WCT Products Sdn Bhd

### Overseas Construction

**50%** Cebarco-WCT W.L.L. *

**50%** Khalid Abdulrahim Group WCT W.L.L. *

**99%** WCT (Bahrain) W.L.L. *

**61.9%** IWM Construction Pvt Ltd ^^

**30%** Gamuda-WCT (India) Pvt Ltd ^^

**99.9%** WCT Infrastructure (India) Pvt Ltd ^^

**100%** WCT Engineering Vietnam Company Limited #

**49%** AES-WCT Contracting (L.L.C.) **

**70%** Allied WCT L.L.C. ***

Note :-

| | | | |
|---|---|---|---|
| ^ | Incorporated in the Republic of Mauritius | *** | Incorporated in the Sultanate of Oman |
| ^^ | Incorporated in India | # | Incorporated in Vietnam |
| * | Incorporated in the Kingdom of Bahrain | ## | Incorporated in Singapore |
| ** | Incorporated in Dubai, United Arab Emirates | @ | Effective equity interest |

## Toll Concession

| | |
|---|---|
| **100%** | WCT Overseas Sdn Bhd |
| **100%** | WCT (International) Pvt Ltd ^ |
| **15.35%** | CIDB Inventures Sdn Bhd |
| **100%** | WCT (Offshore) Pvt Ltd ^ |
| **30%** | Gamuda-WCT (Offshore) Pvt Ltd ^ |
| **30%** | Suria Holdings (O) Pvt Ltd ^ |
| **21.6%@** | Swarna Tollway Pvt Ltd ^^ |
| **30%@** | Mapex Infrastructure Pvt Ltd ^^ |
| **30%@** | Emas Expressway Pvt Ltd ^^ |

## Property Development

| | |
|---|---|
| **100%** | WCT Land Sdn Bhd (Formerly known as WCT Land Berhad) |
| **100%** | Labur Bina Sdn Bhd |
| **100%** | Gemilang Waras Sdn Bhd |
| **100%** | Gabungan Efektif Sdn Bhd |
| **100%** | Camellia Tropicana Sdn Bhd |
| **100%** | Jelas Puri Sdn Bhd |
| **100%** | Labur Bina Management Sdn Bhd |
| **67%** | BSC-WCT Company Limited # |


## Property Investment

| | |
|---|---|
| **100%** | WCT Land Resources Sdn Bhd |
| **100%** | BBT Mall Sdn Bhd |
| **100%** | WCT Properties Sdn Bhd |
| **100%** | BBT Hotel Sdn Bhd |
| **100%** | Pantas Merdu Sdn Bhd |

# Corporate Calendar


9 September 2007


18 September 2007

**11 January 2007**
- WCT Engineering Berhad's market capitalisation surpassed the RM1.0 billion mark.

**26 March 2007**
- Announced 50-50% Joint Venture Partnership with Arabtec Engineering Services LLC., a wholly-owned subsidiary of Arabtec Holding PJSC, to undertake the project known as Dubai World Central International Airport – Stormwater Drainage and Sewerage System (Phase 1) – Remaining Areas.

**31 May 2007**
- WCT Engineering Berhad held its 26th Annual General Meeting.

**31 May 2007**
- Shareholders approved, among others, the 1 for 3 Bonus Issue and the 5 for 3 Renounceable Rights Issue of Irredeemable Convertible Preference Shares ("ICPS") of RM0.10 each at the Extraordinary General Meeting.

**9 July 2007**
- The 50% joint-venture company in Bahrain, Cebarco-WCT W.L.L. ("CWCT"), received and accepted the award of a build-only contract amounting to AED1.3 billion from ALDAR Properties PJSC for the construction, completion and remedying of defects for the Formula 1 Circuit on Yas Island, Abu Dhabi, UAE.

**10 July 2007**
- Listing of the 75,698,635 new ordinary shares of RM1.00 each arising from the 1 for 3 Bonus Issue.

**6 August 2007**
- WCT Engineering Berhad is included as one of the 100 component stocks in the Kuala Lumpur Composite Index (KLCI) of Bursa Malaysia Securities Berhad.

**9 August 2007**
- Listing of 504,657,950 13.5% non-cumulative irredeemable convertible preference shares of RM0.10 each ("ICPS") which were issued at a price of RM0.30 per ICPS on the renounceable rights basis of 5 ICPS for every 3 existing ordinary shares held. The ICPS Issue recorded an acceptance rate of 98.22% and an oversubscription rate of 28.11%.

- Original conversion ratio was ten (10) ICPS convertible into one (1) ordinary share of RM1.00 each. Following the share split completed on 12 February 2008, the conversion ratio has been adjusted to five (5) ICPS for every one (1) ordinary share of RM0.50 each by the tendering of five (5) ICPS.

**23 August 2007**
- The 50%-owned joint venture company in Bahrain, CWCT, accepted a Letter of Intent from MAF Investments Bahrain BSC(C) for the works totaling RM270 million relating to the fit-out phase of the hotels to be constructed under the Bahrain City Centre Project.

**9 September 2007**
- Exclusive preview of d'Banyan Residency cum Golf Tournament held at The Pacific Sutera Hotel in Sutera Harbour, Kota Kinabalu.


9 January 2008 - The Paradigm Preview


9 January 2008 - The Paradigm

**13 September 2007**
- Announced the receipt and acceptance of two (2) Letters of Award from Putrajaya Holdings Sdn Bhd totaling RM457 million for the design, construction and completion of the government office buildings consisting of two office towers, related works at the basements and external works at Lots 4G8 and 4G9, Precint 4, Federal Government Administrative Centre, Federal Territory of Putrajaya, Malaysia.

**18 September 2007**
- The joint-venture, Arabtec Construction LLC-WCT Engineering JV, received and accepted the award of a build-only contract from Meydan L.L.C. of Dubai valued at RM4.6 billion for the construction and completion of the Meydan Racecourse Project in Dubai, UAE.

**3 October 2007**
- Issuance of the Investment Certificate to WCT Engineering Vietnam Company Limited by the Ho Chi Minh City People's Committee.

**10 November 2007**
- Was awarded a contract worth RM185 million by AEON Co. (M) Bhd for the design and build, testing and commissioning of a shopping complex with a gross floor area of approximately 895,000 sq. ft. complete with infrastructure works in Bukit Indah, Johor Bahru.

**23 November 2007**
- Completion of the construction of Bandar Bukit Tinggi Mall, Klang, and signing of the 10+5+5+5 Lease Agreement between owner Gemilang Waras Sdn Bhd and AEON Co. (M) Bhd.

**24 November 2007**
- Official opening of Bandar Bukit Tinggi Mall, Klang.

**30 November 2007**
- Announced the proposed privatization of WCT Land Berhad via a voluntary take-over offer. The Offer Document was issued on 19 December 2007.

**9 January 2008**
- Receipt of the Investment Certificate and establishment of a subsidiary to undertake the Platinum Plaza Development Project in Ho Chi Minh City, Vietnam.

**9 January 2008**
- Exclusive preview of The Paradigm Project held at One World Hotel.

**22 January 2008**
- At the Extraordinary General Meeting held, the shareholders approved, among others, (i) Share Split, (ii) the issue of the RM300 million of Islamic serial redeemable sukuk ("Sukuk") with detachable warrants, (iii) the offer for sale by the subscribers to the Sukuk of up to 145,902,376 detachable provisional rights to allotment of warrants on a renounceable rights basis of 1 warrant for every 5 entitled ordinary shares held in WCT, and (iv) privatization of WCT Land Berhad via a voluntary take-over offer.

**12 February 2008**
- Completion of the Share Split which involved the subdivision of each existing ordinary share of RM1.00 into two (2) new ordinary shares of RM0.50 each in the Company.

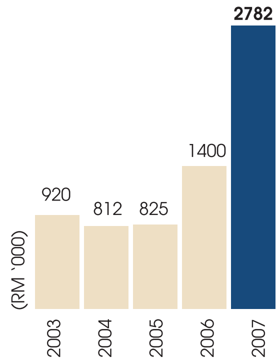
**12 March 2008**
- WCT Land Berhad was officially delisted from the Official List of Bursa Malaysia Securities Berhad.

**26 March 2008**
- Initiated the compulsory acquisition of the remaining shares in WCT Land Berhad ("WCTL") not already held by WCT Engineering Berhad ("WCTE"). The WCTE ordinary shares thus issued were subsequently listed and quoted on 4 April 2008. WCTL became a wholly-owned subsidiary of WCTE with effect from 28 March 2008. It was converted into a private company on 18 April 2008 and assumed the name WCT Land Sdn. Bhd.

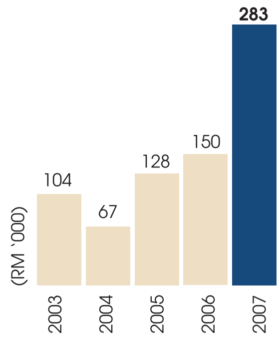
**28 March 2008**
- Issuance of the Prospectus for the Offer for Sale of Rights to the Provisional Allotment of Warrants at an issue price of RM0.25 per Warrant on the renounceable basis of one (1) warrant for every five (5) existing entitled ordinary shares held in WCT Engineering Berhad. Each warrant is exercisable into one (1) ordinary share of RM0.50 each at an exercise price of RM3.00 by the tendering of a Warrant together with a payment of RM3.00.

**15 April 2008**
- Closing date for the Offer for Sale of Rights to the Provisional Allotment of Warrants which received overwhelming response with an acceptance rate of 97.64% and an oversubscription rate of 84.06%.

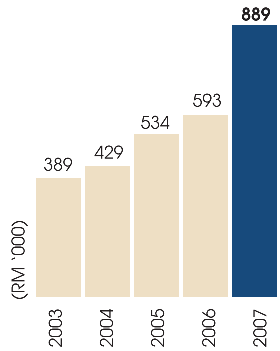
# Financial Highlights



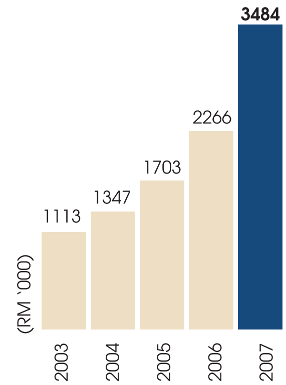

REVENUE




PROFIT BEFORE TAXATION




SHAREHOLDERS' FUNDS

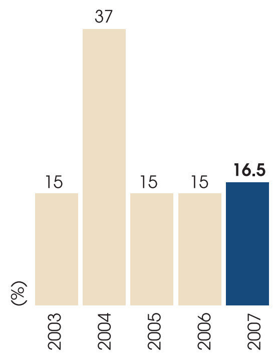



TOTAL ASSETS

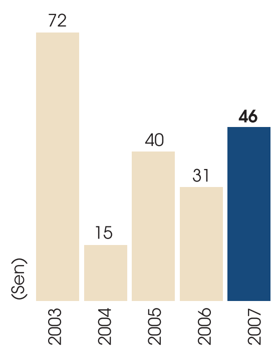
| | 2003 RM'000 | 2004 RM'000 | 2005 RM'000 | 2006 RM'000 | 2007 RM'000 |
|---|---|---|---|---|---|
| Revenue | 920,174 | 812,113 | 825,036 | 1,400,374 | 2,781,701 |
| Profit Before Taxation | 104,450 | 66,972 | 127,802 | 149,812 | 283,530 |
| Profit After Taxation # | 73,696 | 27,214 | 94,122 | 115,204 | 229,126 |
| Issued Share Capital | 112,232 | 121,331 | 212,606 | 214,250 | ^355,533 |
| Shareholders' Funds | 388,922 | 429,249 | 533,764 | 593,071 | 888,802 |
| **Total Assets** | **1,113,495** | **1,347,351** | **1,703,045** | **2,266,164** | **3,484,240** |

*# After exceptional items and share of results in associated companies and jointly controlled entity.*

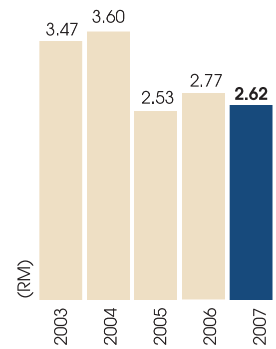
*^Includes both ordinary and preference shares.*




GROSS DIVIDEND




EARNINGS PER SHARE




NET ASSETS PER SHARE

| | | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|
| Gross dividend | % | 15.0 | 37.0 | 15.0 | 15.0 | 16.5 |
| Earnings per share | Sen | 72 | 15 | 40 | 31 | 46 |
| Net assets per share | RM | 3.47 | 3.60 | 2.53 | 2.77 | 2.62 |

**Notes:-**

(1) The above are based on ordinary shares of RM1.00 par value before the Share Split which was effected on 12 February 2008 whereby each ordinary share was subdivided into two (2) ordinary shares of RM0.50 each.

(2) The following Bonus Issues were effected in 2005 and 2007:-

(a) The 2 for 5 Bonus Issue where an additional 60,744,430 new ordinary shares of RM1.00 each were issued and allotted on 22 November 2005.

(b) The 1 for 3 Bonus Issue where an additional 75,698,635 new ordinary shares of RM1.00 each were issued and allotted on 9 July 2007.

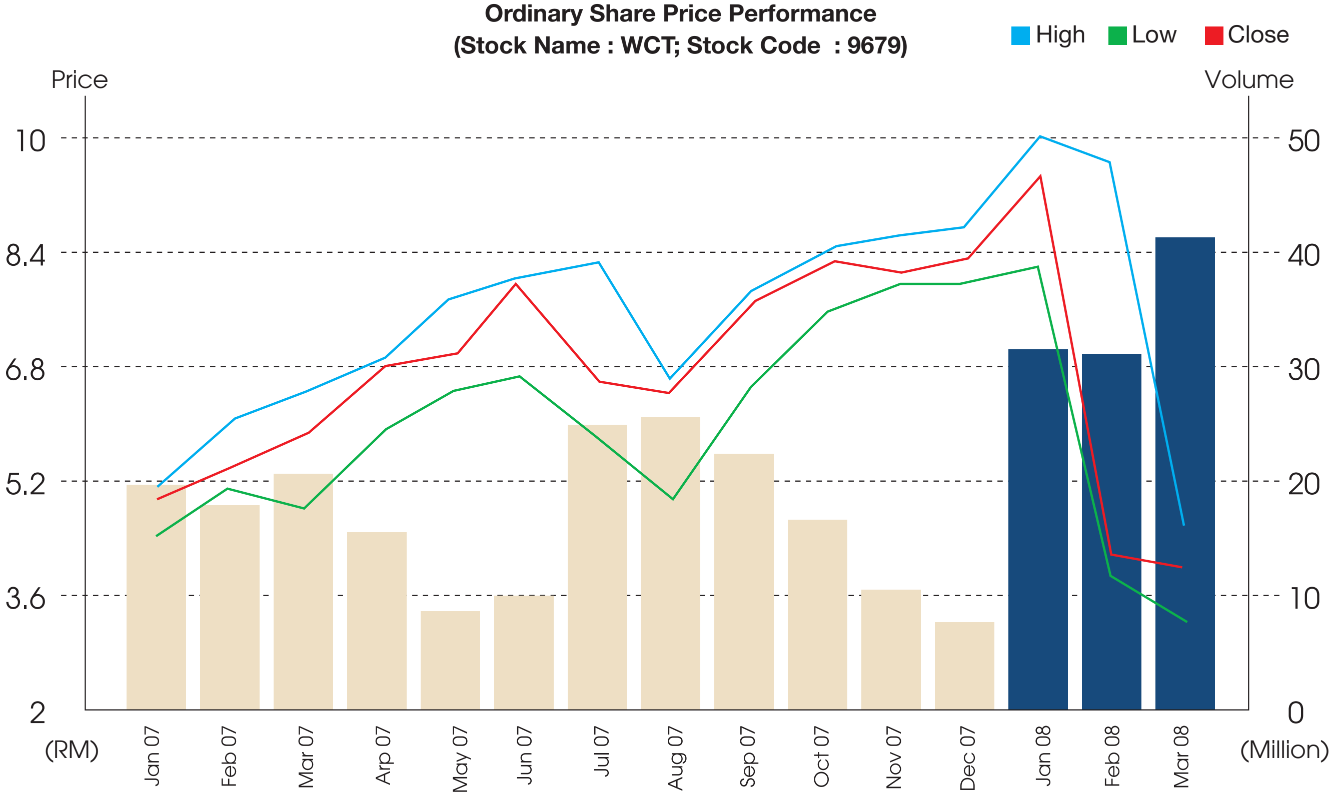
# Historical Share Price Performance

| | | 2007 | | | | | | | | | | | | 2008 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar |
| High | (RM) | 5.10 | 5.85 | 6.00 | 6.85 | 7.00 | 8.00 | 8.25 | 6.60 | 7.80 | 8.45 | 8.50 | 8.60 | 10.00 | 9.25 | 4.04 |
| Low | (RM) | 4.24 | 4.92 | 4.50 | 5.85 | 6.30 | 6.60 | #5.80 | 4.86 | 6.15 | 7.50 | 7.80 | 7.80 | 8.20 | *3.72 | 2.97 |
| Close | (RM) | 4.90 | 5.30 | 5.90 | 6.80 | 6.90 | 7.95 | #6.65 | 6.25 | 7.70 | 8.30 | 7.95 | 8.35 | 9.10 | *4.08 | 3.84 |
| Volume | ('million) | 19.66 | 17.90 | 20.64 | 15.55 | 8.64 | 9.98 | 24.93 | 25.58 | 22.37 | 16.63 | 10.51 | 7.67 | 31.53 | 31.12 | 41.32 |

*# On 10 July 2007, a total of 75,698,635 new ordinary shares of RM1.00 each pursuant to the 1 for 3 Bonus Issue were issued and listed. WCT's share price was adjusted accordingly for the Bonus Issue.*

** The Company completed its 2 for 1 share split on 12 February 2008 whereby each ordinary share of RM1.00 is sub-divided into 2 ordinary shares of RM0.50 each.*

**Ordinary Share Price Performance**
**(Stock Name : WCT; Stock Code : 9679)**

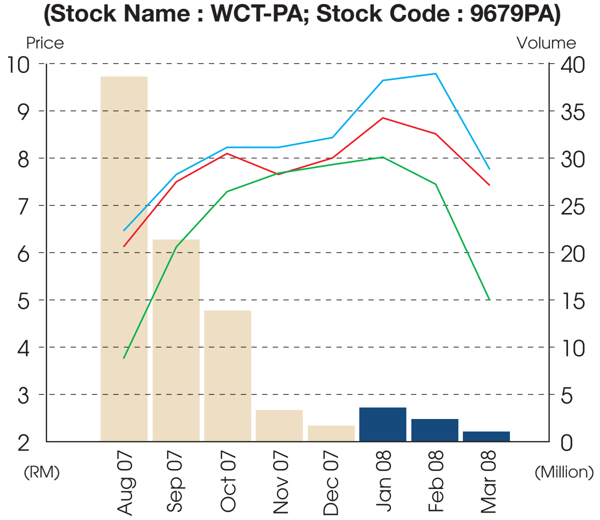



**IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")**

| | | 2007 | | | | 2008 | | |
|---|---|---|---|---|---|---|---|---|
| | | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar |
| High | (RM) | 0.645 | 0.775 | 0.830 | 0.830 | 0.850 | 0.970 | 0.985 | 0.780 |
| Low | (RM) | 0.380 | 0.605 | 0.730 | 0.775 | 0.790 | 0.800 | 0.740 | 0.500 |
| Close | (RM) | 0.615 | 0.750 | 0.815 | 0.775 | 0.800 | 0.895 | 0.855 | 0.750 |
| Volume | ('million) | 38.61 | 21.36 | 13.85 | 3.33 | 1.71 | 3.62 | 2.37 | 1.06 |

- *The ICPS of RM0.10 each are listed on 9 August 2007.*
- *Five (5) ICPS are convertible into one (1) ordinary share of RM0.50 each.*

**ICPS Price Performance**
**(Stock Name : WCT-PA; Stock Code : 9679PA)**



# Corporate Information

## Board of Directors

| | |
|---|---|
| Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid | (Independent Non-Executive Chairman) |
| Taing Kim Hwa | (Managing Director) |
| Goh Chin Liong | (Deputy Managing Director) |
| Wong Sewe Wing | (Executive Director) |
| Chua Siow Leng | (Executive Director) |
| Choe Kai Keong | (Executive Director) |
| Liang Kai Chong | (Executive Director) |
| Loh Siew Choh | (Executive Director) |
| Cheah Hon Kuen | (Independent Non-Executive Director) |
| Choo Tak Woh | (Independent Non-Executive Director) |

### Audit Committee
Cheah Hon Kuen (Chairman)
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid
Choo Tak Woh

### Nomination & Remuneration Committee
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid (Chairman)
Cheah Hon Kuen
Choo Tak Woh

### Options Committee
Cheah Hon Kuen (Chairman)
Taing Kim Hwa
Goh Chin Liong

### Company Secretaries
Wong Pooi Cheong (MAICSA 0782043)
Chai Wai Teck (MIA 6842)

### Auditors
Messrs Ernst & Young
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia

### Registered Office and Principal Place of Business
No. 12, Jalan Majistret U1/26
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Web : www.wcte.com.my

### Share Registrar
Symphony Share Registrars Sdn. Bhd.
Level 26, Menara Multi-Purpose
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No. 8 Jalan Munshi Abdullah
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### Principal Bankers
AmInvestment Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
Standard Chartered Bank Malaysia Berhad

### Solicitors
Yip & Co
Zaid Ibrahim & Co

### Stock Exchange Listing
Bursa Malaysia Securities Berhad
- Main Board
Stock Short Name: WCT
Stock Code: 9679

# Board of Directors

**FROM LEFT TO RIGHT**

| | |
|---|---|
| Cheah Hon Kuen | (Independent Non-Executive Director) |
| Choo Tak Woh | (Independent Non-Executive Director) |
| Liang Kai Chong | (Executive Director) |
| Loh Siew Choh | (Executive Director) |
| Taing Kim Hwa | (Managing Director) |
| Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid | (Independent Non-Executive Chairman) |
| Goh Chin Liong | (Deputy Managing Director) |
| Wong Sewe Wing | (Executive Director) |
| Chua Siow Leng | (Executive Director) |
| Choe Kai Keong | (Executive Director) |

**1** **Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid***
*Independent Non-Executive Chairman*

Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid, aged 58, was appointed to the Board on 12 August 1996. He qualified as a Master Mariner with a Master Foreign-Going Certificate of Competency from the United Kingdom ("UK") in 1974 and a Diploma in Applied International Management from the Swedish Institute of Management in 1984. Dato' Ahmad Sufian has also attended the Advanced Management Program at Harvard Business School in 1993.

He has over thirty-six years of experience in the international maritime industry and is a Fellow of the Nautical Institute (UK), a Fellow of the Chartered Institute of Logistics & Transport (UK) and a Fellow of the Institut Kelautan Malaysia. Amongst his previous experience was the creation and development of the Malaysian national shipping line, Perbadanan Nasional Shipping Line Berhad, for which he served as its General Manager and Director for seven years between 1982 to 1989. He was also involved in the privatization of the Kuantan Port in the mid 1990's and served as its first Executive Director / Chief Executive Officer for two years.

With his extensive business experience and in-depth knowledge in public sector procurement, he provides invaluable input to the Group's overall business direction and guides the Board with impartial and independent advice.

He is a member of the Audit Committee, chairs the Nomination & Remuneration Committee and acts as an advisor to the Management Committee. Dato' Ahmad Sufian is also a director of several public listed companies: he is the Independent Non-Executive Chairman of both GD Express Carriers Berhad and Alam Maritim Resources Berhad and is an Independent Non-Executive Director of Malaysian Bulk Carriers Berhad.

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**2** **Taing Kim Hwa***
*Managing Director*

Taing Kim Hwa, aged 54, was appointed to the Board on 14 January 1981 and is one of the founders of the Company. He graduated in 1978 from Sunderland Polytechnic (now known as the University of Sunderland), United Kingdom, with a Bachelor of Arts (Hons) degree in Economics.

Mr Taing brings to the Group his entrepreneurship and is the key driver of the Group's growth and success. He is responsible for setting the overall vision and strategy of the Group and is instrumental in transforming the Company from its early days as a private company specializing in earthworks to its present form with interests in engineering, construction, property development, property investment and management. Since year 2000, the Group has been reporting significant increases in revenue and profitability. From 2000 to 2007, the Group's revenue grew from RM450 million to RM2.78 billion and its pre-tax profit increased from RM57 million to RM283 million.

Under his stewardship, the Group has also expanded its geographical presence by venturing to the Middle East, India and more recently, Vietnam. In the Middle East, the Group is currently undertaking the construction works of several high-profile and iconic projects in Bahrain, Abu Dhabi, Dubai and Doha (Qatar).

Mr. Taing is a member of the Options Committee and acts as an advisor to the Management Committee. He is a major shareholder of the Company through his interest in WCT Capital Sdn Bhd.

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**3** **Goh Chin Liong***
*Deputy Managing Director*

Goh Chin Liong, aged 48, was appointed to the Board on 12 August 1996. A civil engineer by training, he graduated from the University of Malaya with a Bachelor in Engineering (Hons) Civil and has over 20 years of experience in the construction industry.

Mr Goh started his career as a project engineer/ manager and was involved in several construction projects before joining WCT Engineering Berhad in 1991 as a senior project manager. He became General Manager (Construction Division) in 1995 with expanded responsibilities for the Group's overall construction activities. He was promoted to Executive Director in 1996 and became Deputy Managing Director in July 2001, responsible for the Group's strategic business direction, operational performance, strategic management of the Group's resources as well as project cost efficiency and profitability.

Under Mr Goh's direction and supported by a team of dedicated management and staff, the Group succeeded in securing substantial construction contracts both locally and overseas. The Group counts amongst its notable completed projects, the Sepang International F1 Circuit (Malaysia,), the Guthrie Corridor Expressway


(Malaysia), several Federal Government office complexes in Putrajaya (Malaysia) and the Bahrain International F1 Circuit. The major construction projects currently being undertaken by the Group include the Kota Kinabalu International Airport (Malaysia), Bakun Hydroelectric Dam (Malaysia), an iconic project each in Bahrain, Doha (Qatar), Abu Dhabi and Dubai. The Group has also made forays into the property development sector in Vietnam with the award of an Investment Certificate in January 2008 for a mixed development project in Ho Chi Minh City.

Mr Goh chairs the Management Committee and is a member of the Options Committee.

4 **Wong Sewe Wing**
*Executive Director*

Wong Sewe Wing, aged 60, is one of the founders of the Company and has been a director since its incorporation on 14 January 1981.

He brings to the Group more than 30 years of extensive experience in construction site management and operation, particularly in the areas of construction resources management and project implementation. He guides the management on matters relating to project site mobilization and has overall responsibility for heavy equipment and related human resource requirements of the Group's construction operations.

He has been actively involved in all infrastructure projects and has in-depth knowledge and vast experience in the planning and execution of all major earthworks projects of the Group. Some of these projects include the bulk earthworks of the Kuala Lumpur International Airport, Sepang International F1 Circuit, Guthrie Corridor Expressway and Bakun Hydroelectric Dam.

Mr. Wong is a major shareholder of the Company through his interest in WCT Capital Sdn Bhd. He is a member of the Management Committee.

5 **Chua Siow Leng**
*Executive Director*

Chua Siow Leng, aged 58, was appointed to the Board on 15 October 1996. He is a Chartered Surveyor by profession with over 34 years of experience in the construction industry. He is a Fellow of the Institution of Surveyors, Malaysia ("ISM") and a Fellow of the Royal Institution of Chartered Surveyors U.K. ("RICS"). He is also a member of the Chartered Institute of Arbitrators and the Chartered Institute of Building.

Mr Chua graduated in 1974 with a Bachelor of Science in Quantity Surveying from Leeds Polytechnic (now known as Leeds Metropolitan University), United Kingdom, and holds a postgraduate Diploma in Law from City University, London (1987). He attended the Advanced Management Program at Templeton College, Oxford University in 1999.

He joined the Public Works Department based in Kuala Lumpur after graduation before embarking on a career in the private sector beginning 1978 which spanned various senior management positions. Prior to joining WCT Engineering Berhad in 1996, he was the Chief Executive of PERCON Corporation Sdn Bhd. Within the WCT Group, he is involved in business development and overseeing the various overseas operations of the Group. He is a member of the Management Committee.

Mr Chua has been actively involved in several local and international professional bodies. He was the past president of ISM (1997/98), a member of the Board of Quantity Surveyors Malaysia since 1990, the Chairman of RICS's Asia Pacific Accreditation and Partnership Board since 2002, the Chair of RICS's International Education Standards Board since 2006 as well as the Chair of the Education and Accreditation Committee of the Pacific Association of Quantity Surveyors. In recognition of his contribution to surveying education and the construction industry, he was conferred the honorary Master of Science by the Nottingham Trent University and was awarded the ISM Excellence Award 2007 as the Malaysian Surveyor of the Year in June 2007. In January 2008, he was appointed by the Construction Industry Development Board (CIDB) Malaysia to co-Chair one of the strategic working groups for the Malaysian Construction Industry Master Plan (CIMP).

## 6 Choe Kai Keong

*Executive Director*

Choe Kai Keong, aged 57, was appointed to the Board on 6 September 2000. He graduated from Sunderland Polytechnic (now known as the University of Sunderland), United Kingdom, in 1979 with a Bachelor of Science in Civil Engineering. Mr Choe has over twenty eight years of experience in engineering consultancy, project management and property development.

He joined WCT Engineering Berhad as a Project Manager in 1990 and progressed through a range of senior management positions culminating in his appointment as Executive Director in 2000. His responsibility over the Group's construction business was later extended to include the property development portfolio in 1998 in line with the Group's business diversification. He became Executive Director of WCT Land Berhad, the Group's property development subsidiary, upon its listing on Bursa Malaysia Securities Berhad in 2004, but remained as a Non-Executive Director of WCT Engineering Berhad.

In November 2007, in an effort to streamline and rationalize the Group's resources to realize potential cost savings and operational efficiencies to improve the enlarged Group's earnings in the medium to long term, the Group undertook a corporate exercise which involved the privatization of WCT Land Berhad through a voluntary take-over offer. WCT Land Berhad was subsequently delisted on 12 March 2008 and Mr Choe was then re-designated as Executive Director of WCT Engineering Berhad effective 14 April 2008, focusing on the operations of the Group's Property Development Division.

Mr. Choe is a member of the Management Committee.

## 7 Liang Kai Chong

*Executive Director*

Liang Kai Chong, aged 46, was appointed to the Board on 1 January 2004. He graduated in 1986 with a Bachelor of Science (Honours) in Mathematics from the University of Malaya and holds a postgraduate Diploma in Quantity Surveying from the Institution of Surveyors, Malaysia.

He is a member of the Institution of Surveyors, Malaysia and the Royal Institution of Chartered Surveyor, United Kingdom. He is a Council Member of the Master Builders Association of Malaysia, the collective and recognized voice of the construction industry in Malaysia.

Mr Liang has over twenty two years of experience in the construction industry. He spent his early career with MTD Group, a prominent Malaysian construction group, where he was involved in the negotiation, tendering and construction of major highway projects in Malaysia, notably, the Kuala Lumpur-Karak Toll Highway, the Kuala Kangsar-Grik Highway, the Middle Ring Road II Project and the East-West Highway Package 2 Project. He was its Head of Contracts before he left to join WCT Group in 1997 where he progressed from Head of Contracts Department to General Manager in 2001, principally in charge of contracts procurement and administration.

As Executive Director, he is responsible for the Group's Engineering & Construction Division operations, for both local and overseas projects, ranging from contracts procurement to project implementation and execution. He sits on the Executive Committees of all construction projects.

He is a member of the Management Committee.

## 8 Loh Siew Choh

*Executive Director*

Loh Siew Choh, aged 51, was appointed to the Board on 23 June 2006. He is a Fellow of the Chartered Association of Certified Accountants, United Kingdom and a member of the Malaysian Institute of Accountants.

His 15-year career at the former Renong Berhad Group of Companies ("Renong Group"), started in 1982, spanned numerous functions including financial control, international project fund raising, business development, contracts negotiation and procurement, privatization of mega projects, corporate planning and restructuring as well as operational management. He held senior management positions in the listed companies of the Renong Group including as Chief Operating Officer of both United Engineers Berhad and Faber Group Berhad and as Managing Director of Crest Petroleum Berhad.


Prior to joining WCT Engineering Berhad, he was the Joint Managing Director cum Chief Executive Officer of Ipmuda Berhad, responsible for the reconstruction and restoration of its businesses. As Executive Director of WCT Engineering Berhad, he is responsible for the Group's domestic and international business development, in addition to his responsibility over the Group's corporate and financial functions.

He is a member of the Management Committee.

9 **Cheah Hon Kuen**
*Independent Non-Executive Director*

Cheah Hon Kuen, aged 51, was appointed to the Board on 26th November, 1994. He graduated from the University of Singapore with a Bachelor of Science in 1980 and holds a Diploma in Education from the National University of Singapore. He is a member of the Institute of Electrical and Electronic Engineers Inc., USA (IEEE).

Upon graduation, Mr Cheah worked as a system manager with a naval architect in Singapore designing shipbuilding and structural engineering softwares. In 1982, he ventured into computer software, hardware and IT training businesses and eventually listed the IT and training company on the Stock Exchange of Singapore in 1993.

Upon his return to Malaysia, he joined WCT Engineering Berhad as an independent non-executive director and serves as a member on its Audit Committee. Mr Cheah is currently the chairman of both the Audit Committee and the Options Committee, and is a member of the Nomination & Remuneration Committee.

10 **Choo Tak Woh**
*Independent Non-Executive Director*

Choo Tak Woh, aged 57, was appointed to the Board on 16 December 1999. He completed his professional accountancy education in 1977 at Luton College of Higher Education, Bedfordshire, (now known as University of Bedfordshire), United Kingdom. He was admitted as a Fellow of the Institute of Chartered Certified Accountants (United Kingdom) in 1986 and is currently a member of the Malaysian Institute of Accountants.

Mr Choo started his career in finance and accounting when he joined the New Straits Times Press ("NSTP") Group, a media and publishing group, as an assistant accountant. During his 27-year career with the NSTP Group, he held senior management positions in several functions including accounting, corporate finance and general management.

He is a member of the Audit Committee and the Nomination & Remuneration Committee.

**Notes**:

(1) All the Directors of the Company are Malaysian.

(2) Save for Mr. Chua Siow Leng and Mr. Liang Kai Chong who are brothers-in-law, none of the other Directors have any family relationship with any Director and/or major shareholder of the Company.

(3) Save as disclosed above, none of the Directors have:-

(i) Conflict of interest with the Company; and
(ii) Convictions for offences within the past 10 years other than traffic offences.

* Denotes Directors who will be retiring at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association and being eligible, are offering themselves for re-election.

# Chairman's Statement

"Despite the challenging global and domestic business environment in 2007, I am pleased to report that the Group had risen up to the challenge by achieving a significant milestone when, for the first time, its revenue crossed the RM2.5 billion mark while its pre-tax profit surpassed RM250 million. The Group recorded revenue of RM2.78 billion and a pre-tax profit of RM283.5 million in 2007 representing an increase of about 98.6% and 89.2% respectively over its previous year's revenue of RM1.4 billion and pre-tax profit of RM149.8 million."


Kota Kinabalu International Airport

**On behalf of the Board of Directors of WCT Engineering Berhad (WCT), I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the year ended 31 December 2007.**

## OPERATING ENVIRONMENT OVERVIEW

Globally, 2007 has been a challenging year with commodity prices scaling to new highs, stoking global inflationary pressures. The world economy grew by approximately 4.7% (2006: 4.9%; source: International Monetary Fund) driven mainly by the larger emerging economies of China, India, Russia and Brazil. The buoyant growth of the other economies in the Middle East, South America and emerging Europe also contributed to the overall global growth.

On the home front, the robust domestic demand was the key driver of Malaysia's economy, expanding it by 6.3% (2006: 5.9%) despite a weaker external environment.

The construction sector, which saw three consecutive years of decline, turned around with a positive growth of 4.6% in 2007 driven mainly by increased civil engineering activities and supported by the improved demand in the property sector.

The strong growth in private consumption had stimulated demand for retail properties while the robust business activities seen in 2007 had contributed to the increased demand for office space, particularly in Kuala Lumpur City centre, as evidenced by increases in rentals. Consequently, the year also witnessed the trend of companies relocating out of Kuala Lumpur City centre attracted by the availability of quality office space in nearby areas where rental rates are comparatively lower.

Several positive policy measures introduced by the Government since December 2006 had also boosted foreign interest in the residential segment. These include the liberalization of the Foreign Investment Committee (FIC) ruling on foreign purchases, the exemption from Real Property Gains Tax and the relaxation on the number of residential or commercial property loans that foreigners could obtain.

## FINANCIAL HIGHLIGHTS

Despite the challenging global and domestic business environment in 2007, I am pleased to report that the Group had risen up to the challenge by achieving a significant milestone when, for the first time, its revenue crossed the RM2.5 billion mark while its pre-tax profit surpassed RM250 million. The Group recorded revenue of RM2.78 billion and a pre-tax profit of RM283.5 million in 2007 representing an increase of about 98.6% and 89.2% respectively over its previous year's revenue of RM1.4 billion and pre-tax profit of RM149.8 million. Earnings per share of RM0.50 each increased to 23 sen, up from the previous year's adjusted earnings of 16 sen per ordinary share of RM0.50 each.

About 59% of the Group's revenue was contributed by its construction operations in the Gulf Cooperation Council ("GCC") countries, mainly in Bahrain, Doha (Qatar), Abu Dhabi and Dubai. The remaining revenue came from its domestic construction and property development activities.

The Construction and Property segments contributed approximately RM2.52 billion (90.8%) and RM256.78 million (9.2%) respectively to the Group's revenue in 2007.

## OUTLOOK AND OPERATIONAL STRATEGIES

Asia and other emerging economies are expected to provide the thrust in global growth in 2008. Growth in the Middle East is expected to remain robust, supported by strong domestic consumption on the back of high commodity and oil prices. Global inflationary pressures will remain elevated in 2008 due to high oil, food and other commodity prices. The spill over effect will be felt in the rising cost of a wide range of raw materials.

Closer home, Bank Negara Malaysia, the Central Bank of Malaysia, expects the resilient domestic demand to be the driver of Malaysia's economic growth in 2008, expanding it by 5% to 6%. The construction sector is expected to expand by 5.5% led by the implementation of the various projects approved under the Ninth Malaysia Plan. Increased activities are also expected in the property sector due to demand for office space and residential properties especially in the Klang Valley.

Domestic retail spending which achieved a growth of 8% in 2007 is expected to continue in 2008. However there is cautious optimism in 2008 due to the rising cost of living and the large supply of retail space providing greater choices for consumers, leading to a competitive retail market.

While the Group is well poised to gain from the construction boom in Dubai, Abu Dhabi, Qatar and Bahrain, the focus in 2008 will be on timely completion and delivery of existing projects to enhance the Group's reputation and track-record in that region.

In January 2008, the Group has taken a further strategic step into the promising property sector of Vietnam when its 67%-owned subsidiary, BSC-WCT Company Limited, was awarded an Investment Certificate for the mixed development project known as Platinum Plaza in Ho Chi Minh City, Vietnam. Last year, its wholly-owned subsidiary, WCT Engineering Vietnam Company Limited, was granted an Investment Certificate to undertake construction works in Vietnam.

In line with the Group's domestic land bank and pricing strategies, focus will remain in the Klang Valley to capitalise on its favourable demographics and higher population growth rate. Locations in high growth corridors with good infrastructure will be identified for acquisition purposes. The Group will concentrate on offering properties in the middle and upper price ranges.

Overall, the Group will continue to build on its strength by growing its core businesses through strategic partnerships.

## CORPORATE EXERCISES AND PROPOSALS

The Company undertook a number of corporate and fund-raising exercises in 2007/2008 to re-position the Group as a whole while strengthening its share capital base and funding further growth:-

(a) 75,698,635 new ordinary shares of RM1.00 each were allotted and credited as fully paid pursuant to the 1 for 3 Bonus Issue on 9 July 2007.

(b) A total of about RM151 million was raised through the issuance of 504,657,950 13.5% non-cumulative irredeemable convertible preference shares of RM0.10 each ("ICPS") at RM0.30 per ICPS on 9 August 2007.

(c) The subdivision of the Company's ordinary shares of RM1.00 each into two (2) ordinary shares of RM0.50 each was completed on 12 February 2008.

(d) The voluntary take-over offer to privatize WCT Land Berhad ("WCTL") has been successfully completed. WCTL was delisted on 12 March 2008 and became a wholly-owned subsidiary of the Company on 28 March 2008. It was converted into a private company on 18 April 2008 and renamed WCT Land Sdn. Bhd.

(e) The Company raised RM300 million from the Sukuk with detachable Warrants while another RM200 million was drawn down from the RM300 million Islamic Commercial Papers and Islamic Medium Term Notes on 15 April 2008.

(f) 139,887,452 Warrants were issued at RM0.25 each on 23 April 2008 and were duly listed on 28 April 2008.

## DIVIDENDS

The Company paid an interim dividend of 7.5% or 7.5 sen per ordinary share of RM1.00 each less tax on 3 October 2007 for the year ended 31 December 2007. In view of the commendable performance for 2007, the Board of Directors is recommending a final dividend of 9% or 4.5 sen per ordinary share of RM0.50 each less 26% tax. If approved at the forthcoming Annual General Meeting, the total dividend payout for the financial year 2007 will be 16.5% or 8.25 sen per ordinary share of RM0.50 each, less tax (2006: 15% or 15 sen per ordinary share of RM1.00 each, less tax).

d'Banyan Residency Main Entrance

## DIRECTORATE AND AUDIT COMMITTEE

In line with the revised Malaysian Code on Corporate Governance, the Audit Committee was recomposed on 27 February 2008 to comprise entirely of non-executive directors.

Mr Choe Kai Keong, who was a Non-Executive Non-Independent Director of the Company, has been re-designated as an Executive Director with effect from 14 April 2008. He was an Executive Director of then listed WCT Land Berhad which has been taken private and delisted on 12 March 2008 via a voluntary take-over offer and is now known as WCT Land Sdn. Bhd.

## ACKNOWLEDGEMENT & APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere gratitude to our customers, shareholders and business partners for their continuous support and confidence in the Group throughout the year. I would also like to convey my appreciation to the regulatory and government authorities for their invaluable assistance and guidance. Last but not least, to the management and staff, my heartfelt thanks for your dedication and commitment to WCT Group.

**Dato' Capt. Ahmad Sufian**
Chairman

Date: 28 April 2008

"Citrifolia" - d'Banyan Residency

"Donia" - Bandar Bukit Tinggi, Klang

"Aeropa" - Bandar Bukit Tinggi, Klang

# MD's Letter to Shareholders

Dear Valued Shareholders,

For the year just ended, WCT Group registered a consolidated revenue of RM2,782 million with operating and net profit soared to RM301 million and RM148 million respectively.

The Engineering and Construction Division continued to be the main thrust of the Group's business activities. It contributed RM2,525 million or 91% to the Group's consolidated revenue. In terms of operating profits, it achieved RM191 million or 63% of the total operating profits of the Group.

Meanwhile, the Group's Property Division also fared commendably with revenue of RM257 million or 9% of the Group's consolidated revenue. Operating profit was RM97 million or 32% of the Group's total operating profits.

Bahrain City Centre

## ENGINEERING & CONSTRUCTION

Construction activities have been on an upswing since 2006. In 2007, we secured a total RM7.30 Billion of new construction contracts. Of these, WCT's portion in these contracts amounts to RM3.97 Billion – the best annual order book replenishment in our history. The largest job secured during the year is the contract for construction of the Meydan Racecourse, valued at RM4.60 Billion.

| Project Description | Location | Contract Value (RM million) | Contract Period (Months) | Expected Year of Completion |
|---|---|---|---|---|
| 2007 | | | | |
| Dubai World Central International Airport – Storm Water Drainage & Sewerage System | Dubai, U.A.E. | 486 | 18 | 2008 |
| Abu Dhabi F1 Circuit | Abu Dhabi, U.A.E. | 1,300 | 18 | 2009 |
| Bahrain City Centre Hotels Fit-out Works | Manama, Bahrain | 270 | 14 | 2008 |
| Lot 4G8 Putrajaya Government Office Building | Putrajaya, Malaysia | 195 | 28 | 2010 |
| Lot 4G9 Putrajaya Government Office Building | Putrajaya, Malaysia | 262 | 28 | 2010 |
| Meydan Racecourse | Dubai, U.A.E. | 4,600 | 25 | 2009 |
| Aeon Mall Bukit Indah | Johor, Malaysia | 185 | 14 | 2009 |

When completed, it will be one of the most iconic infrastructures in Dubai and is set to host the luxury Dubai World Cup in 2010. In Malaysia, we continued to secure the confidence of our client with the landing of high-rise Government Office building jobs with combined value of RM457 million. Construction works for these new projects are progressing steadily.

Meydan Racecourse, Dubai

Putrajaya Building

Construction activities in Malaysia are expected to trend at a slower pace for the rest of the year after the recent federal and state elections. The push towards transparency and efficiency by the Government will elevate the opportunities offered to competent contractors and we in WCT welcome this as we are confident that we have the necessary skills and competencies to handle any of the projects for the nation. As one of the nation's most prominent builders in the global market, WCT remains focused on the domestic market and will continue to bid for any opportunity that arises.

WCT has been in the Gulf for 6 years now with our first project being the prestigious Bahrain International Circuit. Having successfully completed this iconic infrastructure in 2004 which has since hosted five F1 Grand Prix, we continued to expand into Qatar, Dubai and Abu Dhabi in the U.A.E. With the successes of securing of construction projects in each of these countries, we are confident that the Gulf will continue to offer numerous construction opportunities for contractors in years to come in view of the national budget surpluses contributed by higher oil revenue. The ability to complete projects in a timely manner together with delivering world class products are keys to building a solid reputation and image in order to enhance the success of securing more projects in the future. Besides the Gulf States, we are poised to enter the construction market of Vietnam after receiving the necessary authority approval to conduct construction business there.

## PROPERTY

Property development activities commenced in 1996 and as we head into the 11th year, the business has been growing from strength to strength. The township of Bandar Bukit Tinggi I and II have reached maturity with 92% and 90% of the land having been developed respectively. The majority of the remaining land are in commercial zones. The Group is pushing ahead with the development activities in BBT Parklands.

The BBT Mall completed in 13 months, opened for business on 24th November, 2007. The Mall has been leased to Aeon (Jusco) and the Group hopes to acquire the skills of mall management through this arrangement for other future malls which would be developed. The BBT Mall has been very successful and this help raised the profile of the BBT Township and we are seeing healthy sales and increased selling prices of our properties. The Group is planning other complementary commercial development in the land adjacent to the Mall in the future.

The expansion and diversification out of township development into local mixed commercial and luxury homes development as well as venturing into overseas market gathered speed in 2007. We have obtained the planning approvals and the development order for the mixed commercial development in Kelana Jaya, Petaling Jaya known as "The Paradigm". Piling and basement works have commenced. In Kota Kinabalu, Sabah we have commenced piling work on the luxury homes development located in Sutera Harbour. The show house is being constructed and will be ready in the first half of 2008.

In Vietnam, the Group has received an Investment Certificate from the Ho Chi Minh's People's Committee for a mixed commercial development on a 9-hectare land. The Government has agreed to resettle this piece of land for the JV in which the Group's share is 67%. The JV partner is a local Vietnamese company. The Group will build the largest shopping mall in Vietnam on this site. We hope this will be the first of many of our ventures in Vietnam.

### Bandar Bukit Tinggi I, II and Parklands

Demand for the Group's properties in the above townships remained stable in 2007 due to the favourable demographics in the Klang Valley and the strong catalyst provided by the BBT Mall. The development has accumulated total sales of RM2.50 Billion for the 3 townships to date. Apart from achieving the solid financial performance over the years, we are proud to have played a leading role in changing Southern Klang city into the fastest growing corridor in the Klang Valley. Our townships are today home to a population of more than 40,000 people. The availability of schools, recreation parks, hypermarkets, shopping malls, commercial centre and excellent infrastructure helps create the lifestyle that is so important for family living. We are confident these townships will continue to grow as the Group continues to harness better financial rewards from the remaining undeveloped land.

Bandar Bukit Tinggi Mall, Klang

### The Paradigm @ Petaling Jaya

The Paradigm is an integrated mixed commercial development on 12.4 acres of land along the LDP Expressway in Kelana Jaya, Petaling Jaya. The development will comprise a shopping mall, 4 blocks of Grade A offices and basement car park. The total gross floor area is about 5.25 million square feet whilst the net floor area is 2.48 million square feet. The Paradigm will offer a convergence of business, retail, dining and entertainment. The shopping mall will cater mainly for the office workers and provide a source of retail and food and entertainment outlet for the established neighborhood. The Grade A offices will provide quality office space to cater to the demand due to the expansion of the economy and the relocation of offices from central Kuala Lumpur to the outskirts to avoid traffic congestion and higher rentals.

Construction works have commenced and the first phase would involve foundation and basement works. The push to market the offices and the shopping mall will commence once the first phase of the construction works has been completed.

### Platinum Plaza, Ho Chi Minh City, Vietnam

The Group's 67% subsidiary, BSC-WCT Company Limited was awarded the Investment Certificate by the People's Committee of Ho Chi Minh City in January 2008 to undertake the Platinum Plaza project on a land measuring 9 hectares or approximately 22.2 acres. The land is located in the District of Binh Chanh in Ho Chi Minh City. The land is fronting the brand new 10 lane East West Highway called Nguyen Van Linh Road. This road connects the existing Highway 1A from the South with Highway 1A in the North. The land is administered by the specially created one stop agency, Management Authority for Southern Development (MASD). MASD is responsible for the administration of the entire Saigon South area including the well known modern township of Phu My Hung.

The project is an integrated development comprising a shopping mall, 2 office towers, a 4-star hotel, a SOHO block and car park. The total gross floor area of the development is approximately 671,960 square metres or 7.2 million square feet. The shopping mall when completed will be the largest mall in Vietnam. The project is expected to take 4 years after the land has been resettled and will be developed over 3 phases.

### d'Banyan Residency

This development of luxury homes will comprise 14 units bungalows, 48 units semi-detached and 60 units of superlink villas with a total projected gross development value of RM264 million. This represents the Group's first foray into the high end residential market which is set to benefit from the Government's relaxation of foreign ownership of properties and the exemption on Capital Gains Tax.

### Bandar Bukit Tinggi Shopping Mall

This is the Group's first investment property. It was opened on 24th November, 2007 and became an immediate success. The mall is leased to Aeon Co. (M) Berhad for an initial term of 10 years with an option to renew the lease for another 3 terms of 5 years each. The lease rental will be revised every 3 years. The 5,000 car parks are managed and maintained by the Group and will contribute further to bottom line. We are of the opinion that it is necessary for the Group to start building up some investment properties for future recurring income. Good assets are difficult to come by and we should grow these assets until we are convinced that the market price has reached an attractive level. This investment is in line with the Group's long term strategy and objective of developing more commercial properties for the purposes of generating stable recurring income.

## TOLL CONCESSIONS

The Group's investments in Toll Concessions date back to 1999 when WCT, via a consortium of Malaysian contractors, ventured into India and constructed the 145km Tada to Nellore highway under the BOT scheme. Tolling commenced in 2004 and the increase in traffic volume and revenue is very encouraging. Our investments in 2 other BOT highway projects, namely, the Durgapur Expressway and the Panagarh-Palsit Expressway have been completed and the concession company is paid on a semi-annuity method.

## RISING TO GLOBAL CHALLENGES

The sharp increases in oil and commodity prices have resulted in significant increases in construction material prices. This trend has continued into 2008. Whilst this has affected many stakeholders in the construction industry, contributions from construction and property development activities improved in 2007. The stronger results were achieved from careful pricing, planning and purchasing and better efficiency during projects execution. Financial discipline and conservative approach to doing business remains the management style in WCT.

The increases in construction costs are even more pronounced in the Gulf where a significant portion of the order book originates. The mega projects secured in 2007, the Abu Dhabi F1 Circuit and the Meydan Racecourse in Dubai, which form a large portion of the Group's construction order book, are largely negotiated contracts where various risks are factored into the prices of each part of the works. The experience of more than 6 years building and constructing in the Gulf countries helped the team a great deal building up the prices during the bids. In addition, the Group was able to secure prices of bulk materials in early part of the construction program. In the addition, the Group adopted the policy of not agreeing to prices for works whose designs have not been completed. Existing projects are already quite advance in the construction program and have not been severely affected.

Going forward, the Group will continue to focus on the Gulf countries. The opportunities created by the successful completion of the Bahrain F1 Circuit have enabled the Group to secure the Abu Dhabi F1 Circuit and the Meydan Racecourse. We are very confident that the successful completion of these 2 mega and high profiled projects will augment even more successes for the Group going forward. We will continue to focus our attention and energy on these 2 projects to ensure their completion. We are also paying attention to our clients and putting in the efforts to nurture long lasting relationships with them for future works. The building activities are so immense in the Gulf that there are many reports of tenders that did not attract even a single bid. We will continue to be selective about the type of work we choose and concentrate on projects that fit our profile and strength.

## MOVING FORWARD STRATEGIES

WCT will continue to maintain its presence and businesses in Malaysia. The country is important for us and we will seek more opportunities in the construction field. Our entry into the development of commercial properties will continue and we are positive it will improve the gross profit of the property division.

The Group, within 6 years, has successfully established a strong presence in the Gulf through the undertaking of high profile mega projects. To reflect this strong presence and the continuing efforts to expand our reach in this region, the Group has also set up a full fledged regional offices that will serve as important contact points for clients, consultants, suppliers and others with the Group.

Our entry in Vietnam is through 2 Investment Certificates, one to start a construction company, WCT Engineering Vietnam Company Limited and the other BSC-WCT Company Limited. The construction company will be fully involved in the construction of the Platinum Plaza development when the land is fully resettled and compensated.

The expansion of businesses in these 3 countries will drive the Group forward. Our focus will still be very much in construction and property development. The Group will continue to explore other related business opportunities in the global market to improve our operational and financial performance. We will continue to build on our strength by growing our core businesses. Whilst the Group has a solid outstanding construction order book, we will continue to replenish this order book with carefully selected construction projects that provide margin enhancement to the Group's bottom line. The new high end developments of Paradigm, d'Banyan Residency and the Platinum Plaza are excellent projects to expand WCT's forte in the property industry. These, geared with detailed implementation strategies, are expected to generate respectable shareholders' returns in the coming year and beyond.

Taing Kim Hwa
Managing Director

28 April 2008

**FROM LEFT TO RIGHT**

1. **Wong Lim Fong**
*Senior Manager – Human Resource & Administration*
2. **Choe Kai Keong**
*Executive Director – Property*
3. **Liang Kai Chong**
*Executive Director – Engineering & Construction*
4. **Loh Siew Choh**
*Executive Director – Corporate & Finance*
5. **Goh Chin Liong**
*Deputy Managing Director & Chairman of the Management Committee*
6. **Wong Sewe Wing**
*Executive Director – Operations*
7. **Chua Siow Leng**
*Executive Director – Business Development & Corporate Affairs*
8. **Yong Kiang Keen**
*Group General Manager*
9. **Chai Wai Teck**
*General Manager – Corporate & Finance*
10. **Wong Pooi Cheong**
*Company Secretary*

# Management Committee

Senior Management

# Engineering & Construction Division

**FROM LEFT TO RIGHT**

1. **Ng Eng Keat**
   *General Manager – Contracts & Business Development (South-East Asia)*

2. **James Andrew Chai**
   *Project Director*

3. **Saw Aik Hock**
   *Project Director*

4. **Leong Yeon Thoong**
   *General Manager – Contracts & Business Development (Middle East)*

5. **Mohd Roslan bin Sarip**
   *Project Director*

6. **Ong Ka Thiam**
   *Head Of Technical*

7. **Lim Swee Hock**
   *Senior Project Manager*

Directors of

## WCT Construction Sdn. Bhd.

**FROM LEFT TO RIGHT**

1. **Goh Tong Kiat**
   *Project Director*
2. **Yong Kiang Keen**
   *Group General Manager*
3. **Stewart Tew Peng Eng**
   *General Manager – Sales & Marketing*

Senior Management

# Property Development Division

WCT Engineering Berhad is committed in its endeavor to harmonize Corporate Social Responsibility ("CSR") with its business activities in construction and property development. In sustaining longevity of our core businesses, it is our belief to pursue CSR in the best possible manner. Hence, we, together with our stakeholders, are ever mindful of our role in CSR for the betterment of society at large.

## MARKETPLACE

The Group has internalised a culture which emphasises on quality, occupational health and safety in all our business activities. This practice ultimately ensures timely delivery of quality products and services to our valued customers and optimum returns to our shareholders.

We continuously evaluate and develop work processes and management systems conforming to MS ISO 9001 and OHSAS 18001 standards which are subject to annual independent audits. In addition, our major stakeholders such as sub-contractors and suppliers are expected to conform to the relevant standards practised by the Group.

The Group's untiring efforts in delivering quality of the highest standards to its customers is attested with the numerous awards received, the latest being the Road Engineering Excellence Award received in 2007 from the Road Engineering Association of Malaysia.

As a responsible developer, we ensure all our townships are holistic environments for our customers and their loved ones to live, work and play by offering a balanced integration of residential and commercial developments. In planning our townships, besides quality and aesthetic considerations, emphasis is placed on accessibility and the availability of parks, playgrounds and facilities for leisure and sporting activities. With this objective in mind, the townships developed by us are vibrant communities complete with schools, shopping centres, well-maintained parks, playgrounds, aesthetic landscaping and community centres.

## ENVIRONMENT

Being in the construction and property development businesses, we are fully aware of the direct impact our activities have on the environment. Through the adoption of internationally recognized construction methodology and practices, the Group will continue to operate in a responsible manner by optimizing its resources and reducing the generation of waste. All construction equipment and machineries are stringently maintained and independently audited annually in conformation to the standards of MS ISO 9001.

In September 2007, in special recognition of the Group's responsible environmental practices, it received a Certificate of Award from the client, Putrajaya Holdings Sdn Bhd, for implementing the Best Environmental Management System for the project which involved the Design, Construction and Completion of the Office Building on Plot 3C4, Precinct 3, Putrajaya, Malaysia.

## WORKPLACE

We recognize the invaluable contribution made by our employees towards a sustainable growth of the Group. We care for their well-being both at work and in play. Career progression opportunities, various structured trainings, seminars and workshops are continuously planned and organised to enhance the skills and knowledge of our employees.

An occupational safety and health system is being reviewed, upgraded and independently audited on a regular basis to provide a fair working environment to all employees. Our ultimate aim is to ensure that no harm to our employees' safety and health occurs as a result of our business activities. For its efforts, the Group was awarded the Certificate of Award for Best Safety & Health Management System by Putrajaya Holdings Sdn Bhd in September 2007.

To promote a healthy lifestyle among employees, leisure and recreational activities such as yoga, line dancing, badminton and futsal are made available to all employees.

## COMMUNITY

The Group has been actively pursuing socially responsible practices especially in the areas relating to sports, education and the community.

Residents of townships developed by the Group enjoy and appreciate the Group's efforts in promoting neighbourliness through the various festivals, competitions and sporting events organized throughout the year.



Our employees are encouraged to engage themselves in various community and sporting activities.

### Facilities for the Community

The following are some of the community facilities and infrastructure provided in our BBT township in Klang, Selangor:-

- Community hall ;
- Flyover constructed at a cost of RM10 million at BBT for better traffic flow and accessibility;
- Well-maintained parks and playgrounds;
- Bus stops, guard house and general landscaping.

### Education

A total of RM2.5 million has been donated towards the building of new schools since 2004. More recently, the Group has committed to donate a piece of land measuring about 3.5 acres for the primary school, SRJK (C) Wu Teck, in Bandar Parklands, Klang.

### Donations and Contributions

The Group's charitable donations including contributions to the community activities in 2007 totalled approximately RM316,000.

### Sports

In 2007, the Group sponsored a basketball team and a series of coaching clinics with a total contribution of RM71,000. The coaching clinics for students below 15 years old were held in Bandar Parklands, Klang, in conjunction with the Annual 3x3 Street Basketball Championship and the AND1 Streetball Challenge held in July 2007.

WCT's basketball team emerged as the champion of the National Basketball League 2007.

### Community & Social Activities

Throughout 2007, to foster neighbourliness, the Group organized several events and activities for members of the public and residents of Bandar Bukit Tinggi Township ("BBT") which comprises BBT1, BBT2 and Bandar Parklands (BBT3), Klang:-

| | | |
|---|---|---|
| March | - | Children's colouring and drawing workshops and competitions. |
| May | - | Health talk by Master Gao from China |
| June | - | Singing Competition, "Second to Fame" hosted by MyFM DJ Jack Lim. |
| July | - | Hot Air Balloon Ride where students from three primary schools in BBT were invited to join in the ride |
| August | - | Merdeka Celebrations at AEON Bukit Tinggi Shopping Centre car park, Klang |
| September | - | "Fest of Lights", Mid-Autumn lantern celebration with singer Nicholas Teo. |

## INTRODUCTION

The Board of Directors of WCT Engineering Berhad ("the Company") is committed and continue to comply with the principles and best practices set out in Parts 1 and 2 of the Malaysian Code on Corporate Governance ("the Code") respectively to ensure that the highest standards of corporate governance are practised throughout the Group in discharging its responsibilities.

The Board has approved the following statement via a resolution adopted on 28 April 2008 which outlines how the Group has applied the principles laid down in the Code. Except for matters specifically identified, the Board of Directors has complied with the best practices set out in the Code.

## DIRECTORS

### The Board

The Group is led by a sound and experienced Board which plays an important role in the stewardship of its direction and operations. It focuses mainly on strategies, financial performance and critical business issues, including the following specific areas to ensure that the governance of the Group is firmly in its hands:-

- Business plan and direction of the Group
- The Group strategic action plans
- Financial performance and key performance indicators
- Acquisition and divestment policy
- Major investment decisions
- Internal control system

The Board also has a well-defined framework on the various categories of matters that require the Board's approval, endorsement or notation as the case may be. The Board is ably supported by the Management Committee, whose responsibility is to implement the Group's strategy. Please refer to the Statement on Internal Control on pages 40 to 41 which sets out the membership, functions, roles and responsibilities of the Management Committee.

The Board meets at least four (4) times a year, with additional meetings to be convened as necessary. During the financial year ended 31 December 2007, four (4) meetings were held. Details of the attendance of the Directors at the Board Meetings are as follows:

| Directors | No. of meetings attended |
|---|---|
| Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid | 4/4 |
| Taing Kim Hwa | 4/4 |
| Goh Chin Liong | 4/4 |
| Wong Sewe Wing | 4/4 |
| Chua Siow Leng | 4/4 |
| Choe Kai Keong | 4/4 |
| Loh Siew Choh | 4/4 |
| Liang Kai Chong | 4/4 |
| Cheah Hon Kuen | 4/4 |
| Choo Tak Woh | 4/4 |

In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, Board approvals are sought via circular resolutions which are attached with sufficient and relevant information required for an informed decision to be made. Where a potential conflict arises in the Group's investment, projects or any transactions involving Director's interest, such Director is required to declare his interest and abstain from further discussion and the decision making process.

### Board Balance

As at 31 December 2007, the Board comprises ten (10) members, six (6) of whom are Executive Directors, one (1) Non-Executive Non-Independent Director and the remaining three (3) are Independent Non-Executive Directors.

On 14 April 2008, Mr Choe Kai Keong, a Non-Executive Non-Independent Director, was appointed and re-designated as an Executive Director of the Company. Mr Choe was an Executive Director of the then listed subsidiary, WCT Land Berhad (now renamed WCT Land Sdn Bhd), which has been taken private and duly delisted on 12 March 2008 from the Official List of Bursa Malaysia Securities Berhad pursuant to the Voluntary Take-over Offer by the Company.

The profile of each Director is presented on pages 12 to 15.

There is a clear division of responsibility between the Chairman and the Managing Director of the Group in order to provide for balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct and to facilitate constructive deliberation on matters in hand whilst the Managing Director has overall responsibility for the operating units, organisational effectiveness and implementation of the Board's policies and decisions.

Although all the Executive Directors have an equal responsibility for the Group's operations, the presence of the Independent Non-Executive Directors on the Board fulfils an important role in ensuring corporate accountability, as they provide unbiased and independent views, advice, opinions and judgments to take into account the interests, not only of the Group but also of the shareholders, employees, customers, suppliers and the many communities in which the Group conducts its business.

The Board is satisfied that the current Board composition fairly reflects the interest of the minority shareholders of the Company.

The Independent Non-Executive Directors are actively involved in the various Board Committees and visit the Group's project sites both local and overseas in getting a first hand assessment. They provide broader views, independent assessments and opinions on management proposals sponsored by the Executive Directors.

In view of the current composition of the Board, particularly the clear and strong independent element and the separation of the roles between the Chairman and Managing Director, the Board does not consider it necessary to nominate a Senior Independent Non-Executive Director to whom concerns may be conveyed. The composition of the Board provides an effective blend of entrepreneurship, business and professional expertise in general management, finance, legal and technical areas of the industries the Group is involved in. The mixture of skills and experience is vital for the continued success and direction of the Group. A key strength of this structure has been the speed of decision-making on critical matters.

### Board Committees

Where appropriate, matters have been delegated to Board Committees, all of which have written terms of reference to assist the Board in discharging its duties and responsibilities. The Board receives the reports of their proceedings and deliberations at its scheduled Board meetings.

### (1) Audit Committee

The composition of the Audit Committee is in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") which require all the members to be non-executive directors with independent non-executive directors forming the majority and one of the members being a qualified accountant.

The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities relating to financial reporting and internal control systems of the Group. The Audit Committee Report is set out on pages 42 to 46. The Audit Committee is able to obtain external professional advice and where necessary, invite outsiders with relevant experience to attend its meeting to seek opinions, viewpoints and clarifications.

### (2) Nomination & Remuneration Committee

The Nomination Committee and the Remuneration Committee were merged on 29 November 2007 for administrative efficiency since both committees comprised the same three (3) Independent Non-Executive Directors. The merged committee is known as the Nomination & Remuneration Committee ("NRC") and its members are:-

(i) Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid (Chairman);
(ii) Cheah Hon Kuen; and
(iii) Choo Tak Woh.

The NRC meets at least once a year and whenever required. During the financial year, one (1) meeting each was held by the Nomination and Remuneration Committees respectively before their merger.

The NRC is responsible for the following:-

**(a) Appointments and Evaluation**

(i) To identify, consider, assess and recommend new nominees to the Board as well as committees of the Board of WCT Engineering Berhad based on the following broad criteria:-

- Skills, knowledge, expertise and experience;
- Professionalism;
- Integrity; and
- For non-executive directors, the ability to discharge their duties.

However, the Board makes all decisions on appointments after considering the recommendations of the NRC .

(ii) The NRC will review annually the required mix of skills, experience and other qualities including core competencies which directors should bring to the Board.

(iii) To carry out on an annual basis, a process approved by the Board, to assess the effectiveness of:-

- The Board as a whole, including its size and composition;
- The various Board committees;
- The contribution of each individual director, including independent non-executive directors.

All assessments and evaluations will be properly documented.

**(b) Remuneration**

(i) To develop the Group's remuneration policy and determine the remuneration packages of the Group's Executive Directors.

(ii) To propose, subject to the approval of the Board, the remuneration and terms and conditions of service of Executive Directors and the remuneration to be paid to each Director for his services as a member of the Board as well as Committee of the Board.

**(3) Options Committee**

The Options Committee is established to administer the Company's Employees' Share Options Scheme in accordance with the objectives and regulations thereof and to determine participation eligibility, option offers and share allocations and to attend to such other matters as may be required. The members of the Options Committee are as follows:-

(i) Cheah Hon Kuen (Chairman);
(ii) Taing Kim Hwa; and
(iii) Goh Chin Liong.

During the financial year, one (1) meeting was held.

**Supply of information**

All scheduled meetings held during the financial year were preceded with a formal agenda issued by the Company Secretary in consultation with the Chairman of the Meeting. The agenda for each of the meetings were accompanied by the minutes of preceding meetings of the Board and Board Committees, reports on group financial performance, operational performance of its business units, quarterly results for announcements, updates on material litigation (if any) and other relevant information. The Board papers are comprehensive and encompass all aspects of the matters being considered, enabling the Board to look at both quantitative and qualitative factors so that informed decisions may be made.

The Directors have access to the advice and services of the Company Secretary and all necessary external professional advice, when required, at the Company's expense.

### Appointments and re-elections to the Board

The NRC is responsible for making recommendations for any appointments to the Board. In making these recommendations, the NRC considers the required mix of skills and experience which the Directors should bring to the Board.

As part of the process of appointing new Directors, the Board ensures that the new Directors are provided with an orientation and education programme. For the re-election of Directors, the Company's Articles of Association requires that the number of Directors nearest to, but not greater than one third retire by rotation each year and seek re-election at the Annual General Meeting. The Directors required to retire are those who have been longest in office since their last election.

A retiring director is eligible for re-election. This provides an opportunity for shareholders to renew mandates. The election of each director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile and the shareholdings in the Group of each director standing for election are furnished in the Annual Report.

## DIRECTORS' REMUNERATION

The objective of the Group's Remuneration Policy is to attract and retain the Directors required to lead and control the Group effectively. Generally, the remuneration of each Director reflects the level of responsibility and commitment that goes with his Board Committee membership.

In the case of Executive Directors, the Group aims to strike a balance between a level of remuneration which is sufficient to act as an incentive to the Executive Directors while at the same time challenging them to drive the growth of the Group's business and to maximize the return to shareholders. There are three (3) components to the Executive Directors' remuneration:-

- Basic salary and benefits;
- Annual bonus which is a percentage of salary and is linked to individual and corporate performance; and
- Long-term incentives.

Generally, salaries are established in accordance with each Executive Director's level of responsibility and experience. Long-term incentives are implemented through share-based schemes to align the Executive Directors' interest more closely to those of the shareholders.

The NRC also reviews and recommends for the Board's approval all other Directors' fees. In addition, the Company reimburses reasonable expenses incurred by these Directors in the course of their duties as Directors. Independent Non-Executive Directors are paid attendance fees for each Board or Board Committee meeting they attend.

In accordance with Article 72 of the Company's Articles of Association, the shareholders had on 18 October 2001 approved in advance an annual payment of Directors' fees of an aggregate amount not exceeding RM300,000/- to be divided amongst the Directors in such manner as they may determine for the financial year ended 31 January 2002 and for each financial year thereafter. The total Directors' fees for the financial year ended 31 December 2007 was RM264,000/- at the Company level. The Board will seek shareholders' approval when there is a need to revise the said aggregate amount.

### Disclosure

The Board has considered disclosure of details of the remuneration of each Director. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' Remuneration are appropriately served by the "band disclosure" as required by the Listing Requirements of Bursa Securities.

(1) Aggregate remuneration of Directors of the Company comprising remuneration received and/or receivable from the Company and/or subsidiaries during the financial year are as follows:-

| | Directors' Fees (RM) | Salaries and /or Other Emoluments (RM) | Bonus (RM) | Benefits-in-Kind and Perquisites (RM) | EPF (RM) | Total (RM) |
|---|---|---|---|---|---|---|
| Executive Directors | 132,000 | 2,931,000 | 739,500 | 1,775,356 | 440,460 | 6,018,316 |
| Non-Executive Directors | 204,000 | 428,000 | 105,000 | 307,919 | 63,000 | 1,107,919 |
| Total | 336,000 | 3,359,000 | 844,500 | 2,083,275 | 503,460 | 7,126,235 |

(2) The number of Directors of the Company whose total remuneration received and/or receivable from the Company and/or subsidiaries during the financial year fall within the following bands:-

| Range of remuneration | Number of Directors | |
|---|---|---|
| | Executive | Non-Executive |
| RM50,001 to RM100,000 | - | 2 |
| RM150,001 to RM200,000 | - | 1 |
| RM650,001 to RM700,000 | 1 | - |
| RM700,001 to RM750,000 | - | 1 |
| RM750,001 to RM800,000 | 1 | - |
| RM800,001 to RM850,000 | 1 | - |
| RM900,001 to RM950,000 | 1 | - |
| RM1,150,001 to RM1,200,000 | 1 | - |
| RM1,400,001 to RM1,450,000 | 1 | - |
| **Total** | **6** | **4** |

## DIRECTORS' TRAINING

All the Directors have completed the Mandatory Accreditation Programme ("MAP") and the Continuing Education Programme ("CEP") as prescribed by Bursa Securities.

The Directors will continue to undergo other relevant training programmes as appropriate to further enhance their professionalism and knowledge as directors of a public listed company

Details of the training programmes attended by the Directors in 2007 are as follows:-

| **1. Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid*** | |
|---|---|
| • Corporate Social Responsibility | 10 January 2007 |
| • Executing Brand Management Program | 10 July 2007 |
| • Corporate Social Responsibility | 5 November 2007 |
| • Audit Committee and Accounting Manipulation | 5 November 2007 |

| **2. Taing Kim Hwa** | |
|---|---|
| • Corporate Social Responsibility | 10 January 2007 |
| • Executing Brand Management Program | 10 July 2007 |

| **3. Goh Chin Liong** | |
|---|---|
| • Corporate Social Responsibility | 10 January 2007 |
| • Executing Brand Management Program | 10 July 2007 |

| **4. Wong Sewe Wing** | |
|---|---|
| • Corporate Social Responsibility | 10 January 2007 |
| • Executing Brand Management Program | 10 July 2007 |

| **5. Chua Siow Leng** | |
|---|---|
| • Corporate Social Responsibility | 10 January 2007 |
| • Executing Brand Management Program | 10 July 2007 |

| | |
|---|---|
| **6. Choe Kai Keong** | |
| • Corporate Social Responsibility | 10 January 2007 |
| • Executing Brand Management Program | 10 July 2007 |
| **7. Loh Siew Choh** | |
| • Corporate Social Responsibility | 10 January 2007 |
| • Executing Brand Management Program | 10 July 2007 |
| **8. Liang Kai Chong** | |
| • Corporate Social Responsibility | 10 January 2007 |
| • Executing Brand Management Program | 10 July 2007 |
| **9. Cheah Hon Kuen*** | |
| • Corporate Social Responsibility | 10 January 2007 |
| • Controversies of Financial Reporting Practices in Malaysia | 6 November 2007 |
| **10. Choo Tak Woh*** | |
| • Corporate Social Responsibility | 10 January 2007 |
| • Executing Brand Management Program | 10 July 2007 |
| • Crucial Update on New Corporate Governance Requirements in Malaysia | 14 November 2007 |
| • Finding the Landmines in Accounts: A Guide for Audit Committee | 14 November 2007 |

* Current members of the Audit Committee

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

**Dialogue between the Company and Investors**

The Group values and strongly believes in the importance of good communication with shareholders, potential investors and the public. This is to ensure that all shareholders, both institutional and individual investors, have full access to the information disclosed by the Company. It does this through the Annual Report, Annual General Meeting, the Company's website (www.wcte.com.my) and timely release of all corporate announcements and financial results, thus providing shareholders and the investing public with an overview of the Group's performance and operations. All enquiries made are dealt with as promptly as practicable.

The Annual Report remains the Company's main source of information for investors while the website, which has a dedicated investor relations section, is intended to provide comprehensive information about the Group to a wider segment of the investing public.

Another important channel of communication with shareholders, investors and the general investment community, both locally and internationally, is the Group's investor relations activities. The Company conducts regular briefings with financial analysts and fund managers from time to time as a means of maintaining and improving investor relationship. At least four (4) analyst briefings are held each year, usually to coincide with the release of the Group's quarterly financial results to explain the results achieved and the Group's strategic business plans with the aim of fostering better understanding of the Group's objectives.

A press conference is normally held after the Annual General Meeting or any Extraordinary General Meeting of the Company.

In these exchanges, presentations based on permissible disclosures are made to explain the Group's performance and major development programmes. Price-sensitive and information that may be regarded as undisclosed material information about the Group is, however, not disclosed until after the prescribed announcement to Bursa Securities has been made.

### Investor Relations Activities in 2007

Below is a summary of the investor relations activities undertaken in the financial year 2007:-

| | Total |
|---|---|
| Meetings with investors, analysts and fund managers | 39 |
| Investors briefings | 4 |
| Press conferences / interviews | 5 |
| Regional investors road shows / conferences | 5 |

### The Annual General Meeting

The Company has over the years used the Annual General Meeting as a forum of communication with its shareholders. The Board encourages participation from shareholders by having a question and answer session during the Annual General Meeting whereby the Directors are available to discuss aspects of the Group's performance and its business activities. Each item of special business included in the notice of the meeting is accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received, both for and against each separate resolution where appropriate.

## ACCOUNTABILITY AND AUDIT

**(a) Financial Reporting**

The Board continually strives to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcements of results to shareholders as well as the Chairman's statement and review of operations in the annual report.

In preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. All accounting standards that the Board considers to be applicable have been followed if required.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

**(b) Statement of Directors' Responsibility in Relation to the Financial Statements**

The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year and of their results and their cash flows for that year then ended.

The Directors consider that in preparing the financial statements,

- the Group and the Company have used appropriate accounting policies and are consistently applied;
- reasonable and prudent judgements and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which will enable them to ensure that the Financial Statements comply with the Companies Act 1965.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

**(c) Internal Control**

Information on the Group's internal control system during the year is presented in the Statement on Internal Control laid out in pages 40 and 41.

**(d) Relationship with Auditors**

Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group's auditors, both external and internal in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

The role of the Audit Committee in relation to the external auditors can be found in the Audit Committee Report set out in pages 42 to 46.

# Other Disclosures

The following disclosures are provided for shareholders' information and in accordance with the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"):-

**1. Utilisation of Proceeds from the issue of the Irredeemable Convertible Preference Shares of RM0.10 each ("the Issue")**

| Utilisation | Amount (RM) |
|---|---|
| 1. Repayment of existing borrowings | 100,000,000 |
| 2. Working capital | 49,507,850 |
| 3. Expenses for the Issue | 1,889,535 |
| Total Proceeds from the Issue: | **151,397,385** |

**2. Share Buy-backs**

The Company did not undertake any share buy-back during the financial year and does not hold any treasury shares.

**3. Exercise of options, warrants or convertible securities**

The options exercised pursuant to the Employees' Share Option Scheme ("ESOS") are disclosed in Note 26(b) to the Financial Statements.

**4. Options Granted to Non-Executive Directors**

The following are the options granted in respect of ordinary shares of RM1.00 each and remained outstanding for the Non-Executive Directors of the Company pursuant to the Company's ESOS during the financial year ended 31 December 2007:-

| Name of Director | Balance as at 1.1.2007 | Number of Options granted# | Number of Options Exercised | Balance as at 31.12.2007 |
|---|---|---|---|---|
| Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid | 280,000 | 60,666 | 98,000 | 242,666 |
| Cheah Hon Kuen | 140,000 | 30,333 | 49,000 | 121,333 |
| Choo Tak Woh | 140,000 | 30,666 | 60,000 | 110,666 |
| Choe Kai Keong | *680,000 | 60,666 | 498,000 | 242,666 |

*# The additional options granted are in respect of adjustments made pursuant to the Bonus Issue of one (1) new ordinary share of RM1.00 each for every three (3) existing ordinary shares of RM1.00 each held and which were allotted on 9 July 2007.*

** Includes options previously granted to him prior to 1 May 2004 when he was an Executive Director of the Company.*

**5. American Depository Receipt ("ADR") / Global Depository Receipt ("GDR")**

The Company did not sponsor any ADR / GDR Programme during the financial year.

**6. Imposition of Sanctions/Penalties**

There were no sanctions or penalties imposed by the relevant regulatory bodies on the Company or its subsidiaries, directors or management during the financial year.

**7. Non-Audit fees**

The amount of non-audit fees paid to the external auditors by the Company and its subsidiaries for the financial year is RM358,000/-.

**8. Material Contracts Involving Directors and Major Shareholders**

During the financial year ended 31 December 2007, the subsisting material contracts (not being contracts entered into in the ordinary course of business) entered into by WCT Engineering Berhad Group which involved directors and major shareholders are as follows:-

Pursuant to the issuance of the Convertible Redeemable Debt Securities by the subsidiary, WCT Land Berhad* ("WCTL") which was subsequently listed on the Main Board of Bursa Securities on 2 December 2004, the following agreements have been entered into:-

(a) Subscription Agreement dated 21 July 2004 between the Company and WCTL where WCTL has agreed to issue and the Company has agreed to subscribe for the RM120,000,000 nominal value of 5-year 3% Convertible Redeemable Debt Securities A ("CRDS-A");

(b) Subscription Agreement dated 21 July 2004 between the Company and WCTL and Commerce International Merchant Bankers where WCTL agreed to issue and the Company agreed to subscribe for the RM12,000,000 nominal value of 5-year 3% Convertible Redeemable Debt Securities B ("CRDS-B").

The CRDS-A and CRDS-B have been early redeemed on 4 February 2008.

Other material contracts involving directors and major shareholders which are still subsisting at the end of the financial year on 31 December 2007 are described in Note 41 to the Financial Statements.

**9. Revaluation Policy**

The Company's revaluation policy on landed properties is disclosed in Note 2.2(d) & 2.2(e) to the Financial Statements.

**10. Recurrent Related Party Transactions of A Revenue Nature**

Pursuant to the Shareholders' Mandate obtained at the Annual General Meeting held on 31 May 2007, the following are the recurrent related party transactions between WCT Engineering Berhad ("WCTE") Group and WCT Land Berhad ("WCTL") Group*.

| Related Parties | Contracting Parties | Nature of Transaction | Transacted Value for the financial year ended 31 December 2007 (RM) |
|---|---|---|---|
| Labur Bina Sdn Bhd | WCT Engineering Berhad | Award of Contract (Construction and completion of building infrastructure work) | 251,093 |
| Labur Bina Sdn Bhd | WCT Construction Sdn Bhd | Award of Contract (Construction and completion of building infrastructure work) | 1,075,360 |
| Gabungan Efektif Sdn Bhd | WCT Construction Sdn Bhd | Award of Contract (Construction and completion of building infrastructure work) | 552,168 |
| Gemilang Waras Sdn Bhd | WCT Construction Sdn Bhd | Award of Contract (Construction and completion of building infrastructure work) | 2,741,216 |
| WCT Land Sdn Bhd (Formerly known as WCT Land Berhad) Group | WCT Engineering Berhad | Management fees received by WCT Engineering Berhad | 360,000 |
| Total: | | | 4,979,837 |

Notes:

(i) WCT Construction Sdn Bhd is a wholly-owned subsidiary of WCT Engineering Berhad.

(ii) Labur Bina Sdn Bhd, Gabungan Efektif Sdn Bhd and Gemilang Waras Sdn Bhd are the wholly-owned subsidiaries of WCT Land Sdn Bhd (Formerly known as WCT Land Berhad) ("WCTL").

(iii) As at 31 December 2007, WCTL was a listed subsidiary of WCT Engineering Berhad.

** WCTL was subsequently taken private and duly delisted from the Official List of Bursa Malaysia Securities Berhad on 12 March 2008 pursuant to the Voluntary Take-over Offer by WCT Engineering Berhad.*

## INTRODUCTION

The Malaysian Code of Corporate Governance requires the board of listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets.

## BOARD RESPONSIBILITY

The Board acknowledges their overall responsibility for the Company and its subsidiaries' (the "Group") sound system of internal control and the review of its adequacy and integrity throughout the Group in order to safeguard the Group's assets and shareholder's investment. Due to limitations that are inherent in any system of internal control, the system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, it can only provide reasonable but not absolute assurance against any material misstatement or loss.

In ensuring sound system of internal control being implemented, the Board relies upon Audit Committee together with the support of Internal Audit function to monitor and review the adequacy and the integrity of the system of internal control. In addition, the Group has put in place an ongoing risk management process of identifying, evaluating, monitoring and managing significant risks that would affect the achievement of its business objectives.

## KEY INTERNAL CONTROL PROCESSES

**Enterprise Risk Management**

The Board acknowledges that risk management process is a key discipline, within the system of internal control, to ensure that those risks that may affect the achievement of the Group's are identified and properly managed.

The Group adopted an ongoing risk management process of identifying, documenting, evaluating, monitoring and managing significant risks affecting the achievement of the Group's business objective. The established Enterprise Risk Management of the Group provides a structured and focused approach to the Risk Management Committee in managing the Group's significant business risk.

The Risk Management Committee which comprises of key management personnel from across the Group's business units was established to coordinate and oversee risk management activities across the Group. The Risk Management Committee meets on periodic basis to discuss significant risks or changes affecting the Group and the external environment including its mitigation factors. Risk assessment reports and updated risk registers are presented in the management reports and deliberated in the Management Committee meetings, attended by key personnel within the Group.

**Internal Audit Function**

The Group Internal Audit Department (the "GIA") provides independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

The GIA reviews the internal control in the Group's business activities and key business processes based on the annual audit plan. The GIA adopts a risk-based approach when establishing its audit plan and strategy.

**Audit Committee**

The Audit Committee (AC), which is being chaired by an independent non-executive director received reports from both GIA and external auditors on regular basis.

The GIA carried out scheduled reviews on the state of internal control of the Group based on the approved annual plan. Internal audit reports, responses, and actions plans agreed by the Management are regularly reviewed and followed-up by the GIA and reported to the AC at their periodic meeting.

The external auditors provide assurance in the form of their annual statutory audit of the financial statement of the Group. Any areas for improvement identified during the course of their audit are brought to the attention of the AC through management letters, or are articulated at AC meeting.

**Other Key Elements of Internal Control**

Apart from the above, the other key elements of the Group Internal Control System include:-

- Clearly defined operating structure, lines of responsibilities and delegated authority. Various Board and Management Committees have been established to assist the Board in discharging its duties. Among the committees are:-

  > Audit Committee;
  > Nomination & Remuneration Committee;
  > Options Committee; and
  > Management Committee.

- Policies, procedures and guidelines are documented to provide guidance to all level of staff. These policies, procedures and guidelines are regularly reviewed and updated when necessary.

- An ISO 9001:2000 and OHSAS 18001:1999 Management System, which is subject to regular review and improvement, continuously manages and controls the quality requirement of the Group's products and services and also safety and health at work place.

- Comprehensive and adequate financial information, operational information and key business indicators are timely presented to the Management and the Board allowing the Management and the Board to review Group's performance.

- Management Committee meetings are held on periodic basis to identify, discuss and resolve strategic, operational, financial and key management issues. Management Committee comprises of Executive Directors, Head of Departments and other Senior Management personnel.

- Proper guidelines for hiring and termination of staff, and annual performance system are in place. Training and development programmes are identified and scheduled for employees to acquire the necessary knowledge and competency to meet their job expectations.

- Regular visits to operating units and projects by senior management, Audit Committee members and internal auditors.

- In respect of joint ventures entered into by the Group, the management of the joint ventures, which comprises of representations from the Group and the joint venture partners are responsible to oversee the administration, operation and executive management of the joint venture. Financial and operational information of these joint ventures are provided to the Management of the Company on regular basis.

- In respect of associate company, Management of the Company has significant influence in the management of the associate company. Representative of the Company will attend the Board meeting of the associate company. Financial and operational information of associate company are provided to the Management of the Company on periodic basis.

The Board confirms that the Group's existing system of internal control is adequate and effective and will continue to review and/or update with the changes in business environment. There were no significant internal control problem and no material losses incurred during the financial year as a result of weaknesses in internal control.

## A. MEMBERSHIP

The Audit Committee comprises the following members:-

| | | |
|---|---|---|
| Chairman | : | Cheah Hon Kuen<br>(Independent Non-Executive Director) |
| Members | : | Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid<br>(Independent Non-Executive Director) |
| | | Choo Tak Woh<br>(Independent Non-Executive Director) |

In line with the Malaysian Code on Corporate Governance which was revised on 1 October 2007, the Audit Committee was re-composed to comprise three (3) Independent Non-Executive Directors with the executive members namely, Mr Goh Chin Liong (Deputy Managing Director) and Mr Loh Siew Choh (Executive Director), relinquishing their membership in the Audit Committee on 27 February 2008. Mr Choo Tak Woh is a member of the Malaysian Institute of Accountants. Hence, the current composition of the Audit Committee is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

## B. TERMS OF REFERENCE

### I. COMPOSITION

The Committee shall be appointed by the Board of Directors amongst the Directors of the Company which fulfils the following requirements:-

(1) the Committee must be composed of no fewer than three (3) members;

(2) all the Committee members must be non-executive directors with a majority of them being independent directors; and

(3) at least one (1) member of the Committee:-

  (a) must be a member of the Malaysian Institute of Accountants; or

  (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience; and

    (i) he must have passed the examinations specified in Part I and of the First Schedule of the Accountants Act 1967; or

    (ii) he must be a member of one of the association of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

  (c) fulfils such other requirements as prescribed or approved by Bursa Securities.

The members of the Committee shall elect a Chairman from among themselves who shall be an independent director. No alternate director should be appointed as a member of the Committee.

In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements of Bursa Securities pertaining to the composition of the audit committee, the Board of Directors shall within three months of that event fill the vacancy.

The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

## II. MEETINGS

**Frequency**

Meetings shall be held not less than four (4) times a year, with additional meetings convened as and when necessary. Upon the request of the external auditor, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders.

In the interval between Audit Committee meetings, for exceptional matters requiring urgent decisions, Audit Committee approvals are sought via circular resolutions which are attached with sufficient information required for an informed decision.

**Quorum**

A quorum of the Committee shall be at least two (2) members and consist of a majority of independent directors.

**Secretary**

The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.

**Reporting Procedure**

The minutes of each meeting shall be circulated to the Committee members and to all members of the Board.

**Attendance**

The Head of Corporate & Finance, the Head of Internal Audit and the representative of the external auditor (if required) shall normally attend the meetings. Other directors and employees may attend any particular meeting only at the Audit Committee's invitation, specific to the relevant meeting.

At least twice a year, the Committee shall meet with the external auditor without any executive Board members present. For the financial year ended 31 December 2007, a total of six (6) Audit Committee Meetings were held, details of the attendance of the members are as follows:-

| Name | Number of meetings attended |
|---|---|
| Cheah Hon Kuen | 6/6 |
| Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid | 6/6 |
| Choo Tak Woh | 6/6 |
| Goh Chin Liong* | 5/6 |
| Loh Siew Choh* | 6/6 |

** Relinquished their membership following the re-composition of the Audit Committee on 27 February 2008 in line with the revised Malaysian Code on Corporate Governance.*

## III. RIGHTS AND AUTHORITY

(1) The Audit Committee is authorised by the Board of Directors to investigate into any activities within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate on any request made by the Audit Committee.

(2) The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

(3) The Audit Committee is empowered to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

(4) The Audit Committee has direct communication channels with the external auditor and person(s) carrying out the internal audit function or activity.

### IV. FUNCTIONS, DUTIES AND RESPONSIBILITIES

The functions, duties and responsibilities of the Audit Committee shall be:-

(1) To recommend the nomination of person or persons as the external auditor, the audit fee and any questions of suitability for re-appointment, resignation or dismissal;

(2) To review the following and report the same to the Board of Directors:-

(a) the quarterly results and year-end financial statements of the Group and the Company, focusing particularly on any changes in or implementation of major accounting policies and procedures, significant and unusual events, significant adjustments arising from the audit, the going concern assumption and compliance with applicable approved accounting standards and other legal and regulatory requirements;

(b) the audit plan, with the external auditor, before the audit commences, the nature and scope of audit, and ensure co-ordination where more than one audit firm is involved;

(c) the external auditor's evaluation of the Group's system of internal controls;

(d) the external auditor's Report to the Audit Committee and management's response;

(e) the problems and reservations arising from any interim and final audit, and any matter the external auditor may wish to discuss (in the absence of management where necessary);

(f) the assistance given by employees of the Group to the external auditor;

(g) any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(3) To review the following in respect of the internal audit function:-

(a) the adequacy of the scope, functions, competency and resources of the internal audit functions, and that it has the necessary authority to carry out its works;

(b) the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;

(c) any appraisal or assessment of the performance of members of the internal audit function; and

(d) any appointment or termination of senior staff members of the internal audit function and to provide the opportunity for the resigning staff member to submit his reasons for resigning;

(e) the major findings of internal investigations and the management's response;

(4) To promptly report to Bursa Securities on matters reported by it to the Board that have not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities;

(5) To review and verify annually that options allocated and granted are in accordance with the approved allocation criteria; and

(6) To undertake such other functions as may be authorised by the Board.

### C. SUMMARY OF ACTIVITIES

During the financial year under review, the Audit Committee:-

(1) Reviewed the quarterly unaudited Financial Statements of the Group and recommended the same to the Board of Directors for approval and for release to Bursa Securities;

(2) Reviewed the annual financial statements together with the external auditors, the audit report and management's responses to the findings of the external auditors prior to submission to the Board of Directors for their approval. The review was, inter-alia, to ensure compliance with:-

   (a) Provisions of the Companies Act, 1965;
   (b) Listing Requirements of Bursa Securities;
   (c) Applicable approved accounting standards in Malaysia; and
   (d) Other legal and regulatory requirements;

(3) Reviewed the related party transactions entered into by the Company and its subsidiaries;

(4) Discussed with the external auditors on their audit plan, scope of work, the audit procedures to be utilised as well as their report to the Audit Committee for the year;

(5) Discussed with the internal auditors on their scope of work, adequacy of resources and co-ordination with the external auditors;

(6) Deliberated on the significant audit findings and management response in internal audit reports and the follow-up action taken on the audit recommendations;

(7) The three (3) Independent Non-Executive Directors of the Audit Committee visited eleven (11) on-going projects, both locally and in the Middle East, together with the Manager - Internal Audit.

(8) Reviewed and verified that options allocated and granted during the year under the Company's Employees Share Option Scheme ("ESOS") were in accordance with the allocation criteria approved by the Options Committee and in compliance with the By-Laws of the ESOS;

(9) Reviewed 23 internal audit reports covering existing local and overseas projects, toll concession operation and compliance with relevant laws and regulations; and

(10) Discussed and approved 15 internal audits planned for the year 2008 covering existing local and overseas projects and key processes of the construction business.

### D. INTERNAL AUDIT FUNCTION

The in-house Group Internal Audit Department ("GIA"), which reports directly to the Audit Committee, assists the Audit Committee in the discharge of its duties and responsibilities. Its role is to provide independent and objective reports on the organisation's management records, accounting policies and controls to the Audit Committee.

A risk-based approach is used to ensure that the high risk activities in each auditable area are audited annually. Audits are prioritised according to an assessment of the potential risk exposures and are based on processes by which significant risks are identified, assessed and managed. Such audits also ensure instituted controls are appropriate and are effectively applied to achieve acceptable risks exposure.

The scope of the internal audit function covers the review and evaluation of the risks exposure relating to the Group's governance, operations and information system as follows:-

(a) Effectiveness and efficiency of operations;
(b) Safeguarding of assets;
(c) Reliability and integrity of financial and operational information;
(d) Compliance with policies and procedures, laws, regulations and contracts; and
(e) Recommend appropriate controls to overcome deficiencies and to enhance operations.

The GIA carries out its activities according to the audit plan approved by the Audit Committee. It also conducts follow-up reviews to monitor and ensure that audit recommendations are effectively implemented. The internal audit reports which include action plans as agreed with the operational level management, are circulated to Senior Management and tabled at the Audit Committee meetings.

### E. ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The GIA conducts regular reviews and appraisals to give assurance to the Board on the efficiency and effectiveness of the system of internal control. The GIA comprises four (4) staff including a Manager – Internal Audit, a Senior Executive and two (2) Junior Executives.

For the year 2007, reviews and appraisal conducted by GIA are based on the approved Internal Audit Plan which was developed based on risks associated with the business and activities carried out by the Group.

The main activities of the GIA function include:-

(1) Performing operational audit on the following areas:-

    (a) On-going projects and other businesses of the Group.
    (b) System administration and support service.
    (c) Reviewing compliance with the policies, procedures and applicable laws and regulations.

(2) The GIA completed twenty three (23) audits in year 2007 including twenty two (22) planned audits as per the Internal Audit Plan approved by the Audit Committee on 23 November 2006 and one (1) ad-hoc audit. The types of audits undertaken are summarised below:-

| Type of Audit | No. of Audits Conducted |
|---|---|
| On-going projects | 11 |
| Other business | 3 |
| System administration and support service | 8 |
| Investigation | 1 |
| | 23 |

(3) Undertaking investigation on any suspicion of fraud or operational failure reported within the Group.

(4) Conducting follow-up on audit recommendations raise in each audit report to ensure that corrective and preventive action has been implemented accordingly by the auditee and provided updates on the status of such actions in internal audit report.

(5) Visited eleven (11) on-going projects (local and overseas) together with Audit Committee Members to discuss with Project Management team on matters and issues related to the project to enable the independent directors to have adequate information on the operations of each projects.

# Financial Report

# Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company are that of civil engineering works specialising in earthworks, highway construction and related infrastructure works, investment and property holding.

The principal activities of the subsidiaries, associates and joint ventures are disclosed in Notes 6, 7 and 8 to the financial statements respectively.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

**FINANCIAL RESULTS**

| | GROUP RM'000 | COMPANY RM'000 |
|---|---|---|
| Profit after taxation | 229,126 | 86,886 |
| Attributable to: | | |
| Equity holders of the Company | 147,862 | 86,886 |
| Minority interests | 81,264 | - |
| | 229,126 | 86,886 |

There were no material transfers to or from reserves and provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than:

(i) the effects arising from changes in estimates where the residual values and the estimated useful lives of certain plant and machineries were revised resulting in an increase in the Group's profit for the financial year by RM5,898,055 as disclosed in Note 2.4 to the financial statements.

(ii) the effects arising from provision made by the Company for doubtful debts due from jointly controlled entities amounting to RM23,477,204 as disclosed in Note 37(a) to the financial statements; and

(iii) the effects arising from the share of losses of a jointly controlled entity of RM23,626,493 in respect of the Group as disclosed in Note 8 to the financial statements.

## DIVIDENDS

The amount of dividends paid by the Company since 31 December 2006 were as follows:

| | RM'000 |
|---|---|
| In respect of the financial year ended 31 December 2006 as approved by the shareholders: | |
| Final dividend of 7.5 sen per share less tax at 27% on 302,794,542 ordinary shares of RM1.00 each, paid on 23 July 2007 | 16,578 |
| In respect of the financial year ended 31 December 2007: | |
| Interim dividend of 7.5 sen per share less tax at 27% on 307,816,234 ordinary shares of RM1.00 each declared on 29 August 2007 and paid on 3 October 2007 | 16,853 |
| | 33,431 |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2007 of 4.5 sen per ordinary share of RM0.50 each less tax at 26% (3.33 sen net per share) on 677,932,296 ordinary shares of RM0.50 each amounting to a dividend of RM22,575,146 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2008.

## DIRECTORS

The Directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid
Taing Kim Hwa
Goh Chin Liong
Wong Sewe Wing
Chua Siow Leng
Choe Kai Keong
Liang Kai Chong
Loh Siew Choh
Cheah Hon Kuen
Choo Tak Woh

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Options Scheme, Irredeemable Convertible Preference Shares and Convertible Redeemable Debt Securities.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 37(c) to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 41 to the financial statements.

## DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares, irredeemable convertible preference shares, convertible redeemable debt securities and options over shares in the Company and its related corporations during the financial year were as follows:

| | Number of ordinary shares of RM1.00 each | | | | |
|---|---|---|---|---|---|
| | 1 January 2007 | Bonus Issue | Acquired | Disposed | 31 December 2007 |
| **The Company** | | | | | |
| Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid | | | | | |
| - direct | 280,000 | 125,999 | 98,000 | - | 503,999 |
| Taing Kim Hwa | | | | | |
| - direct | 2,247,112 | 603,703 | 1,716,990 | (2,250,000) | 2,317,805 |
| - indirect | 52,917,944 | 17,639,313 | 11,759,640 | (1,500,000) | 80,816,897 |
| Goh Chin Liong | | | | | |
| - direct | 287,496 | 357,000 | 1,659,000 | (637,496) | 1,666,000 |
| Wong Sewe Wing | | | | | |
| - direct | 77,940 | 61,446 | 952,614 | (803,600) | 288,400 |
| - indirect | 52,917,944 | 17,639,313 | 11,759,640 | (1,500,000) | 80,816,897 |
| - indirect (spouse) | 110,000 | - | - | (110,000) | - |
| - indirect (child) | - | - | 8,500 | - | 8,500 |
| Chua Siow Leng | | | | | |
| - direct | 1,112,800 | 624,266 | 1,331,730 | (650,000) | 2,418,796 |
| Choe Kai Keong | | | | | |
| - direct | 674,120 | 277,373 | 726,500 | (1,082,000) | 595,993 |
| Liang Kai Chong | | | | | |
| - direct | 151,900 | 209,300 | 709,533 | (239,000) | 831,733 |
| - indirect (spouse) | - | - | 100,177 | - | 100,177 |
| Loh Siew Choh | | | | | |
| - direct | 100,000 | 107,333 | 762,900 | (381,000) | 589,233 |
| - indirect (spouse) | - | 31,000 | 114,200 | - | 145,200 |
| Cheah Hon Kuen | | | | | |
| - direct | - | 18,333 | 64,400 | (8,000) | 74,733 |
| Choo Tak Woh | | | | | |
| - direct | - | 16,000 | 70,000 | (10,000) | 76,000 |

## DIRECTORS' INTERESTS (CONT'D)

| | Number of Irredeemable Convertible Preference Shares of RM0.10 each | | | |
|---|---|---|---|---|
| | 1 January 2007 | Acquired | Disposed/ Converted | 31 December 2007 |
| **The Company** | | | | |
| Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid | | | | |
| - direct | - | 844,622 | (844,600) | 22 |
| Taing Kim Hwa | | | | |
| - direct | - | 4,030,100 | (4,029,900) | 200 |
| - indirect | - | 117,596,400 | (117,596,400) | - |
| Goh Chin Liong | | | | |
| - direct | - | 2,380,000 | (2,380,000) | - |
| Wong Sewe Wing | | | | |
| - direct | - | 426,400 | (426,140) | 260 |
| - indirect | - | 117,596,400 | (117,596,400) | - |
| - indirect (child) | - | 85,000 | (85,000) | - |
| Chua Siow Leng | | | | |
| - direct | - | 4,217,600 | (4,217,300) | 300 |
| Choe Kai Keong | | | | |
| - direct | - | 2,285,500 | (2,285,000) | 500 |
| Liang Kai Chong | | | | |
| - direct | - | 1,395,334 | (1,395,334) | - |
| - indirect (spouse) | - | 143,110 | (143,110) | - |
| Loh Siew Choh | | | | |
| - direct | - | 5,409,200 | (5,409,000) | 200 |
| - indirect (spouse) | - | 212,200 | (212,200) | - |
| Cheah Hon Kuen | | | | |
| - direct | - | 109,100 | - | 109,100 |
| Choo Tak Woh | | | | |
| - direct | - | 107,200 | (100,000) | 7,200 |

## DIRECTORS' INTERESTS (CONT'D)

| | Number of ordinary shares of RM0.50 each | | | |
|---|---|---|---|---|
| | 1 January 2007 | Acquired | Disposed | 31 December 2007 |
| **Subsidiary - WCT Land Berhad** | | | | |
| Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid | | | | |
| - direct | 40,000 | - | - | 40,000 |
| - indirect | 50,000 | - | (50,000) | - |
| Taing Kim Hwa | | | | |
| - direct | 120,000 | - | - | 120,000 |
| - indirect | 236,595,284 | - | (27,585,140) | 209,010,144 |
| Goh Chin Liong | | | | |
| - direct | 180,000 | - | - | 180,000 |
| Wong Sewe Wing | | | | |
| - direct | 60,000 | - | - | 60,000 |
| - indirect | 236,595,284 | - | (27,585,140) | 209,010,144 |
| - indirect (child) | - | 21,000 | - | 21,000 |
| Chua Siow Leng | | | | |
| - direct | 266,000 | 134,000 | - | 400,000 |
| - indirect (spouse) | - | 21,000 | - | 21,000 |
| Choe Kai Keong | | | | |
| - direct | 230,000 | 521,000 | - | 751,000 |
| Liang Kai Chong | | | | |
| - direct | 76,840 | - | - | 76,840 |
| - indirect (spouse) | - | 6,000 | - | 6,000 |
| Loh Siew Choh | | | | |
| - direct | 172,300 | 70,000 | - | 242,300 |
| Cheah Hon Kuen | | | | |
| - direct | 30,000 | 9,000 | - | 39,000 |
| Choo Tak Woh | | | | |
| - direct | 35,000 | - | - | 35,000 |

**DIRECTORS' INTERESTS (CONT'D)**

| | Nominal value of RM1.00 Convertible Redeemable Debt Securities A | | | |
|---|---|---|---|---|
| | 1 January 2007 | Acquired | Disposed | 31 December 2007 |
| **Subsidiary - WCT Land Berhad** | | | | |
| Taing Kim Hwa | | | | |
| - direct | 1,000 | - | - | 1,000 |
| - indirect | 59,501,000 | - | - | 59,501,000 |
| Goh Chin Liong | | | | |
| - direct | 1,000 | - | - | 1,000 |
| Wong Sewe Wing | | | | |
| - direct | 1,000 | - | - | 1,000 |
| - indirect | 59,501,000 | - | - | 59,501,000 |
| Chua Siow Leng | | | | |
| - direct | 1,000 | - | - | 1,000 |
| Choe Kai Keong | | | | |
| - direct | 1,000 | - | - | 1,000 |
| Liang Kai Chong | | | | |
| - direct | 1,000 | - | - | 1,000 |

By virtue of their interests in shares in the Company, Taing Kim Hwa and Wong Sewe Wing, are also deemed interested in shares in all the Company's subsidiaries to the extent the Company has an interest.

## DIRECTORS' INTERESTS (CONT'D)

| | Number of share options over ordinary shares of RM1.00 each pursuant to WCT Engineering Berhad Employee Share Options Scheme | | | | |
|---|---|---|---|---|---|
| | 1 January 2007 | Granted | Exercised | Adjustment* | 31 December 2007 |
| **The Company** | | | | | |
| Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid | 280,000 | - | (98,000) | 60,666 | 242,666 |
| Taing Kim Hwa | 1,831,000 | - | (1,314,000) | 172,333 | 689,333 |
| Goh Chin Liong | 1,890,000 | - | (1,421,000) | 156,332 | 625,332 |
| Wong Sewe Wing | 1,120,000 | - | (910,000) | 70,000 | 280,000 |
| Chua Siow Leng | 1,120,000 | - | (910,000) | 70,000 | 280,000 |
| Choe Kai Keong | 680,000 | - | (498,000) | 60,666 | 242,666 |
| Liang Kai Chong | 1,050,000 | 70,000 | (570,000) | 183,332 | 733,332 |
| Loh Siew Choh | - | 560,000 | (112,000) | 149,333 | 597,333 |
| Cheah Hon Kuen | 140,000 | - | (49,000) | 30,333 | 121,333 |
| Choo Tak Woh | 140,000 | - | (60,000) | 30,666 | 110,666 |

* Adjustments were made to the outstanding unexercised options on 9 July 2007 following the bonus issue of one (1) new ordinary share for every three (3) existing ordinary shares held.

| | Number of share options over ordinary shares of RM0.50 each pursuant to WCT Land Berhad Employee Share Options Scheme | | | |
|---|---|---|---|---|
| | 1 January 2007 | Granted | Exercised | 31 December 2007 |
| **Subsidiary - WCT Land Berhad** | | | | |
| Choe Kai Keong | 630,000 | - | (221,000) | 409,000 |

## ISSUE OF SHARES

Ordinary Shares

During the financial year, the Company increased its authorised share capital from RM500 million to RM700 million through the creation of 200 million ordinary shares of RM1.00 each.

The Company also increased its issued and paid-up ordinary share capital from RM214,249,507 to RM338,966,148 by way of:

(i) issuance of 15,119,118 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Options Scheme at exercise price ranging from RM1.45 to RM6.57 per ordinary share;

(ii) allotment of 75,698,635 ordinary shares of RM1.00 each on 9 July 2007 credited as fully paid pursuant to the bonus issue on the basis of one (1) new ordinary share for every three (3) existing ordinary shares held in the Company; and

(iii) issuance of 33,898,888 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.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares.

Irredeemable Convertible Preference Shares

During the financial year, the Company created RM100 million authorised preference share capital by way of creation of 1 billion ICPS of RM0.10 each.

The Company also issued 504,657,950 five (5)-year 13.5% non-cumulative ICPS of RM0.10 each at an issue price of RM0.30 per ICPS. The ICPS were listed on Bursa Securities on 9 August 2007.

As mentioned in (iii) above, 338,988,891 ICPS were converted into 33,898,888 new ordinary shares of RM1.00 each during the financial year.

## EMPLOYEE SHARE OPTIONS SCHEME

Details of the Employee Share Options Scheme ("ESOS") and options granted and not exercised as at 31 December 2007 are set out in Note 26 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia under Section 169(11) of the Companies Act, 1965 from having to disclose the names of option holders who held less than 100,000 options.

Those employees of the Group whose share options entitlements are equal to or more than 100,000 share options in the Company pursuant to the ESOS are as follows:

| | Number of share options over ordinary shares of RM1.00 each pursuant to WCT Engineering Berhad Employee Share Options Scheme | | | | |
|---|---|---|---|---|---|
| | 1 January 2007 | Granted | Exercised | Adjustment* | 31 December 2007 |
| Ong Ka Thiam | 252,000 | - | (40,000) | 70,666 | 282,666 |
| Mohd Roslan Bin Sarip | 392,000 | - | (282,000) | 53,666 | 163,666 |
| James Andrew Chai | 236,600 | 28,000 | (156,600) | 35,999 | 143,999 |
| Yap Wei Meng | 72,000 | 67,000 | (50,000) | 29,666 | 118,666 |
| Lim Swee Hock | 308,000 | - | (220,000) | 29,332 | 117,332 |
| Leong Yeon Thoong | 280,000 | - | (198,000) | 27,332 | 109,332 |
| Ng Eng Keat | 245,000 | - | (172,000) | 32,999 | 105,999 |

* Adjustments were made to the outstanding unexercised options on 9 July 2007 following the bonus issue of one (1) new ordinary share for every three (3) existing ordinary shares held.

## OTHER STATUTORY INFORMATION

(a) Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in these financial statements inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which have arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 46 to the financial statements.

## SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 47 to the financial statements.

## AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 April 2008.

**TAING KIM HWA**
Managing Director

**GOH CHIN LIONG**
Deputy Managing Director

# Statement by Directors
## Pursuant to Section 169(15) of the Companies Act, 1965

We, TAING KIM HWA and GOH CHIN LIONG, being two of the Directors of WCT ENGINEERING BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 59 to 153 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 April 2008.

**TAING KIM HWA**
Managing Director

**GOH CHIN LIONG**
Deputy Managing Director

# Statutory Declaration
## Pursuant to Section 169(16) of the Companies Act, 1965

I, LOH SIEW CHOH, being the Director primarily responsible for the financial management of WCT ENGINEERING BERHAD do solemnly and sincerely declare that the accompanying financial statements set out on pages 59 to 153 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )
the abovenamed LOH SIEW CHOH at ) **LOH SIEW CHOH**
Kuala Lumpur in the Federal Territory )
on 28 April 2008 )

Before me,

**Soh Ah Kau (No. W315)**
Commissioner for Oath

# Report of the Auditors to the Members of
WCT Engineering Berhad (66538 - K) (Incorporated in Malaysia)

We have audited the accompanying financial statements set out on pages 59 to 153. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:

  (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the financial year then ended; and

  (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiary companies of which we have not acted as auditors, as indicated in Note 6 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

**ERNST & YOUNG**
AF: 0039
Chartered Accountants

**LOW KHUNG LEONG**
No. 2697/01/09 (J)
Partner

Kuala Lumpur, Malaysia
28 April 2008

# Balance Sheets as at 31 December 2007

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 3 | 321,733 | 365,790 | 11,647 | 9,082 |
| Land held for property development | 4(a) | 156,241 | 149,635 | - | - |
| Investment properties | 5 | 403,554 | 95,402 | - | - |
| Investment in subsidiaries | 6 | - | - | 180,495 | 188,775 |
| Investment in associates | 7 | 140,999 | 140,177 | 520 | 520 |
| Jointly controlled entities | 8 | - | - | - | - |
| Other investments | 9 | 15,498 | 19,098 | - | 3,600 |
| Deferred tax assets | 32 | 7,542 | 5,887 | 1,343 | 194 |
| | | 1,045,567 | 775,989 | 194,005 | 202,171 |
| **CURRENT ASSETS** | | | | | |
| Property development costs | 4(b) | 258,655 | 255,318 | - | - |
| Inventories | 10 | 93,602 | 31,470 | 14,056 | 18,224 |
| Trade receivables | 11 | 1,177,888 | 625,907 | 65,821 | 37,357 |
| Other receivables | 12 | 147,734 | 120,368 | 5,659 | 6,940 |
| Due from related parties | 13 | 41,701 | 39,599 | 692,955 | 416,526 |
| Tax recoverable | | 8,476 | 5,924 | - | 5 |
| Deposits | 14 | 374,275 | 321,957 | 170,209 | 132,497 |
| Cash and bank balances | 15 | 336,342 | 89,632 | 6,303 | 3,496 |
| | | 2,438,673 | 1,490,175 | 955,003 | 615,045 |
| **CURRENT LIABILITIES** | | | | | |
| Trade payables | 16 | 914,764 | 429,251 | 19,645 | 35,658 |
| Other payables | 17 | 410,819 | 344,024 | 47,897 | 76,685 |
| Due to related parties | 13 | 30,294 | 27,590 | 46,789 | 52,916 |
| Borrowings | 18 | 585,467 | 309,904 | 325,134 | 200,380 |
| Tax payable | | 12,292 | 9,712 | 5,775 | - |
| | | 1,953,636 | 1,120,481 | 445,240 | 365,639 |
| **NET CURRENT ASSETS** | | 485,037 | 369,694 | 509,763 | 249,406 |
| | | 1,530,604 | 1,145,683 | 703,768 | 451,577 |

# Balance Sheets as at 31 December 2007 (cont'd)

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **FINANCED BY:** | | | | | |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital | 26 | 338,966 | 214,250 | 338,966 | 214,250 |
| Irredeemable Convertible Preference Shares ("ICPS") | 27 | 16,567 | - | 16,567 | - |
| Share premium | 28 | 140,942 | 32,848 | 140,942 | 32,848 |
| Reserves | 29 | 392,327 | 345,973 | 106,678 | 103,851 |
| | | 888,802 | 593,071 | 603,153 | 350,949 |
| Minority interests | 30 | 279,030 | 163,102 | - | - |
| Total equity | | 1,167,832 | 756,173 | 603,153 | 350,949 |
| **LONG-TERM LIABILITIES** | | | | | |
| Long term payables | 31 | - | 9,078 | - | - |
| Borrowings | 18 | 357,330 | 372,693 | 100,615 | 100,628 |
| Deferred tax liabilities | 32 | 5,442 | 7,739 | - | - |
| | | 362,772 | 389,510 | 100,615 | 100,628 |
| | | 1,530,604 | 1,145,683 | 703,768 | 451,577 |

The accompanying notes form an integral part of the financial statements.

# Income Statements
for the financial year ended 31 December 2007

| | Note | GROUP 2007 RM'000 | GROUP 2006 RM'000 | COMPANY 2007 RM'000 | COMPANY 2006 RM'000 |
|---|---|---|---|---|---|
| Revenue | 33 | 2,781,701 | 1,400,374 | 358,377 | 120,113 |
| Cost of sales | 34 | (2,477,131) | (1,189,143) | (330,091) | (87,440) |
| Gross profit | | 304,570 | 211,231 | 28,286 | 32,673 |
| Other operating income | 35 | 88,340 | 22,759 | 182,629 | 38,375 |
| Administration expenses | | (55,319) | (42,529) | (16,837) | (11,419) |
| Other expenses | | (36,935) | (18,557) | (56,400) | (14,925) |
| | | 300,656 | 172,904 | 137,678 | 44,704 |
| Finance costs | 36 | (26,930) | (27,345) | (12,517) | (11,237) |
| | | 273,726 | 145,559 | 125,161 | 33,467 |
| Share of results in associates | | 9,804 | 4,253 | - | - |
| Profit before taxation | 37 | 283,530 | 149,812 | 125,161 | 33,467 |
| Taxation | 38 | (54,404) | (34,608) | (38,275) | (8,477) |
| Profit after taxation | | 229,126 | 115,204 | 86,886 | 24,990 |
| **Attributable to:** | | | | | |
| Equity holders of the Company | | 147,862 | 88,080 | 86,886 | 24,990 |
| Minority interests | 30 | 81,264 | 27,124 | - | - |
| | | 229,126 | 115,204 | 86,886 | 24,990 |
| **Earning per share attributable to equity holders of the Company (sen)** | | | | | |
| - Basic | 39 (i) | 23.04 | 15.50 | | |
| - Fully diluted | 39 (ii) | 22.44 | 15.29 | | |

The accompanying notes form an integral part of the financial statements.

# Statement of Changes in Equity
for the financial year ended 31 December 2007

| | Note | Share capital (Note 26) RM'000 | Preference share (Note 27) RM'000 | Share premium (Note 28) RM'000 | Revaluation reserve (Note 29) RM'000 | Other reserve (Note 29) RM'000 | Capital reserve (Note 29) RM'000 | Equity compen-sation reserve (Note 29) RM'000 | Exchange reserve (Note 29) RM'000 | General reserve (Note 29) RM'000 | Retained profits (Note 29) RM'000 | Total RM'000 | Minority Interest (Note 30) RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ← Attributable to Equity Holders of the Company → | | | | | | | | | | | | |
| | | | | ← Non-Distributable → | | | | | | ← Distributable → | | | | |
| **GROUP** | | | | | | | | | | | | | | |
| **At 1 January 2006** | | 212,606 | - | 30,280 | 1,134 | 2,637 | 1,400 | 859 | 130 | 314 | 289,547 | 538,907 | 102,106 | 641,013 |
| Transfer within reserve | | - | - | - | (273) | - | - | - | - | - | 273 | - | - | - |
| Foreign currency translation differences | | - | - | - | - | - | - | - | (15,524) | - | - | (15,524) | (2,135) | (17,659) |
| Realisation of other reserves | 29(b) | - | - | - | - | (1,183) | - | - | - | - | 1,183 | - | - | - |
| Net expense recognised directly in equity | | - | - | - | (273) | (1,183) | - | - | (15,524) | - | 1,456 | (15,524) | (2,135) | (17,659) |
| Profit for the financial year | | - | - | - | - | - | - | - | - | - | 88,080 | 88,080 | 27,124 | 115,204 |
| Total recognised income and expense for the financial year | | - | - | - | (273) | (1,183) | - | - | (15,524) | - | 89,536 | 72,556 | 24,989 | 97,545 |
| Dividends | 40 | - | - | - | - | - | - | - | - | - | (23,031) | (23,031) | - | (23,031) |
| Dividends paid to minority shareholders | 30 | - | - | - | - | - | - | - | - | - | - | - | (3,071) | (3,071) |
| Share options granted under ESOS | 37 (b) | - | - | - | - | - | - | 901 | - | - | - | 901 | - | 901 |
| Share options granted under ESOS of a subsidiary | 30 | - | - | - | - | - | - | - | - | - | - | - | 621 | 621 |
| Arising from share options exercised | 26 & 28 | 1,644 | - | 2,103 | - | - | - | - | - | - | - | 3,747 | - | 3,747 |
| Transfer within reserve for ESOS exercised | | - | - | 465 | - | - | - | (465) | - | - | - | - | - | - |
| Arising from dilution of a subsidiary | | - | - | - | - | - | - | - | - | - | (9) | (9) | 9 | - |
| Arising from acquisition of a subsidiary | 30 | - | - | - | - | - | - | - | - | - | - | - | 38,448 | 38,448 |
| Transfer of reserve | 29(f)(i) | - | - | - | - | - | - | - | - | 1,179 | (1,179) | - | - | - |
| **At 31 December 2006** | | 214,250 | - | 32,848 | 861 | 1,454 | 1,400 | 1,295 | (15,394) | 1,493 | 354,864 | 593,071 | 163,102 | 756,173 |
| Transfer within reserve | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Foreign currency translation differences | | - | - | - | - | - | - | - | (11,762) | - | - | (11,762) | (2,797) | (14,559) |
| Realisation of other reserves | 29(b) | - | - | - | - | (704) | - | - | - | - | 704 | - | - | - |
| Net expense recognised directly in equity | | - | - | - | - | (704) | - | - | (11,762) | - | 704 | (11,762) | (2,797) | (14,559) |
| Profit for the financial year | | - | - | - | - | - | - | - | - | - | 147,862 | 147,862 | 81,264 | 229,126 |
| Total recognised income and expense for the financial year | | - | - | - | - | (704) | - | - | (11,762) | - | 148,566 | 136,100 | 78,467 | 214,567 |

The accompanying notes form an integral part of the financial statements.

| | | | | ← Attributable to Equity Holders of the Company → | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | ← Non-Distributable → | | | | | | ← Distributable → | | | | |
| | Note | Share capital (Note 26) RM'000 | Preference share (Note 27) RM'000 | Share premium (Note 28) RM'000 | Revaluation reserve (Note 29) RM'000 | Other reserve (Note 29) RM'000 | Capital reserve (Note 29) RM'000 | Equity compen-sation reserve (Note 29) RM'000 | Exchange reserve (Note 29) RM'000 | General reserve (Note 29) RM'000 | Retained profits (Note 29) RM'000 | Total RM'000 | Minority Interest (Note 30) RM'000 | Total Equity RM'000 |
| **GROUP** (cont'd) | | | | | | | | | | | | | | |
| Dividends | 40 | - | - | - | - | - | - | - | - | - | (33,431) | (33,431) | - | (33,431) |
| Issue of ICPS | 26 & 27 | - | 50,466 | 100,932 | - | - | - | - | - | - | - | 151,398 | - | 151,398 |
| Dividends paid to minority shareholders | 30 | - | - | - | - | - | - | - | - | - | - | - | (3,360) | (3,360) |
| Share options granted under ESOS | 37 (b) | - | - | - | - | - | - | 2,753 | - | - | - | 2,753 | - | 2,753 |
| Share options granted under ESOS of a subsidiary | 30 | - | - | - | - | - | - | - | - | - | - | - | 1,164 | 1,164 |
| Arising from share options exercised | 26 & 28 | 15,119 | - | 29,479 | - | - | - | - | - | - | - | 44,598 | - | 44,598 |
| Arising from bonus issue | | 75,698 | - | (25,000) | - | - | - | - | - | - | (50,698) | - | - | - |
| Arising from conversion of ICPS | 27 | 33,899 | (33,899) | - | - | - | - | - | - | - | - | - | - | - |
| Transfer within reserve for ESOS exercised | | - | - | 2,683 | - | - | - | (2,683) | - | - | - | - | - | - |
| Arising from dilution of subsidiaries | | - | - | - | - | - | - | - | - | - | (5,687) | (5,687) | 39,657 | 33,970 |
| Amount transferred to capital reserve on bonus issue of a subsidiary | | - | - | - | - | - | 1,446 | - | - | - | (1,446) | - | - | - |
| Transfer of reserve | 29(f)(i) | - | - | - | - | - | - | - | - | 1,123 | (1,123) | - | - | - |
| **At 31 December 2007** | | 338,966 | 16,567 | 140,942 | 861 | 750 | 2,846 | 1,365 | (27,156) | 2,616 | 411,045 | 888,802 | 279,030 | 1,167,832 |

The accompanying notes form an integral part of the financial statements.

| | | ← Non-Distributable | | | | → | Distributable | |
|---|---|---|---|---|---|---|---|---|
| | Note | Share capital (Note 26) RM'000 | Preference share (Note 27) RM'000 | Share premium (Note 28) RM'000 | Revaluation reserve (Note 29) RM'000 | Equity compensation reserve (Note 29) RM'000 | Retained profits (Note 29) RM'000 | Total equity RM'000 |
| **COMPANY** | | | | | | | | |
| **At 1 January 2006** | | 212,606 | - | 30,280 | 1,134 | 859 | 99,463 | 344,342 |
| Transfer within reserve | | - | - | - | (273) | - | 273 | - |
| Dividends | 40 | - | - | - | - | - | (23,031) | (23,031) |
| Share options granted under ESOS | 37 (b) | - | - | - | - | 554 | - | 554 |
| Share options granted under ESOS included in investment in subsidiaries | 6 | - | - | - | - | 347 | - | 347 |
| Arising from share options exercised | 26 & 28 | 1,644 | - | 2,103 | - | - | - | 3,747 |
| Transfer within reserve for ESOS exercised | | - | - | 465 | - | (465) | - | - |
| Profit for the financial year | | - | - | - | - | - | 24,990 | 24,990 |
| **At 31 December 2006** | | 214,250 | - | 32,848 | 861 | 1,295 | 101,695 | 350,949 |
| Dividends | 40 | - | - | - | - | - | (33,431) | (33,431) |
| Share options granted under ESOS | 37 (b) | - | - | - | - | 1,438 | - | 1,438 |
| Share options granted under ESOS included in investment in subsidiaries | 6 | - | - | - | - | 1,315 | - | 1,315 |
| Arising from share options exercised | 26 & 28 | 15,119 | - | 29,479 | - | - | - | 44,598 |
| Issue of ICPS | 26 & 27 | - | 50,466 | 100,932 | - | - | - | 151,398 |
| Arising from bonus issue | | 75,698 | - | (25,000) | - | - | (50,698) | - |
| Arising from conversion of ICPS | 27 | 33,899 | (33,899) | - | - | - | - | - |
| Transfer within reserve for ESOS exercised | | - | - | 2,683 | - | (2,683) | - | - |
| Profit for the financial year | | - | - | - | - | - | 86,886 | 86,886 |
| **At 31 December 2007** | | 338,966 | 16,567 | 140,942 | 861 | 1,365 | 104,452 | 603,153 |

The accompanying notes form an integral part of the financial statements.

# Cash Flow Statements

for the financial year ended 31 December 2007

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007<br>RM'000 | 2006<br>RM'000 | 2007<br>RM'000 | 2006<br>RM'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit before taxation | 283,530 | 149,812 | 125,161 | 33,467 |
| Adjustments for:- | | | | |
| Interest income | (17,909) | (13,610) | (7,394) | (5,812) |
| Dividend income | - | - | (113,580) | (25,030) |
| Interest expense | 26,930 | 27,345 | 12,517 | 11,237 |
| Unrealised gain on foreign exchange | (18,785) | (1,287) | (16,318) | - |
| Unrealised loss on foreign exchange | 27,502 | 3,008 | 27,264 | 1,059 |
| Provision for building maintenance | 107 | 130 | - | - |
| Provision for doubtful debts | | | | |
| - third parties | 2,580 | 114 | - | - |
| - jointly controlled entities | - | - | 23,477 | 10,073 |
| Property, plant and equipment | | | | |
| - depreciation | 6,864 | 5,032 | 748 | 417 |
| - gain on disposal | (4,122) | (1,209) | (43) | (200) |
| - loss on disposal | - | 3,643 | - | - |
| - written off | - | 13 | - | - |
| - revaluation | 450 | 355 | - | 155 |
| Bad debts written off | - | 2 | - | - |
| Write down in value of property stock | 3,173 | 396 | 2,186 | - |
| Provision for foreseeable losses for contract work in progress | 29,952 | - | - | - |
| Share options granted under ESOS | 3,917 | 1,522 | 1,438 | 554 |
| Share of results in associates | (9,804) | (4,253) | - | - |
| Negative goodwill | - | (775) | - | - |
| Reversal of provision for foreseeable losses for: | | | | |
| - development properties | (30) | (64) | - | - |
| - contract work in progress | - | (8,006) | - | - |
| Reversal of provision for diminution in value of investment in CRDS A | - | - | - | (2,975) |
| Impairment loss on | | | | |
| - other investment | 2,025 | 900 | 2,025 | 900 |
| - capital contribution on joint ventures | - | - | - | 6,240 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)** | | | | |
| Gain arising from partial disposal of equity in subsidiaries | (823) | - | (19,720) | - |
| Fair value gain on investment properties | (17,953) | - | - | - |
| Pre-operating expenses written off | 27 | - | - | - |
| Operating profit before working capital changes | 317,631 | 163,068 | 37,761 | 30,085 |
| Development expenditure | (9,415) | (23,194) | - | - |
| Related parties | 602 | (32,826) | (306,033) | (150,688) |
| Inventories | (65,305) | 4,490 | 1,982 | - |
| Receivables | (563,411) | (135,568) | ( 10,865) | (7,109) |
| Payables | 543,123 | 271,405 | (44,801) | 45,293 |
| Cash flows generated from/(used in) operations | 223,225 | 247,375 | (321,956) | (82,419) |
| Interest paid | (55,329) | (39,638) | (12,517) | (11,237) |
| Interest received | 17,909 | 13,610 | 7,394 | 5,812 |
| Taxation paid | (58,328) | (33,189) | (33,644) | (8,704) |
| Net cash generated from/(used in) operating activities | 127,477 | 188,158 | (360,723) | (96,548) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Dividend received | - | - | 113,580 | 25,030 |
| Dividends paid to minority shareholders in a subsidiary company | (3,360) | (3,071) | - | - |
| Purchase of property, plant and equipment | (159,450) | (267,325) | (2,008) | (81) |
| Acquisition of land | - | (48,500) | - | - |
| Proceeds from partial disposal of investment in subsidiaries | 30,329 | - | 30,329 | - |
| Proceeds from disposal of unquoted bonds | 1,575 | - | 1,575 | - |
| Investments in | | | | |
| - subsidiary companies | - | - | (1,014) | (20) |
| - associated companies | - | (3,650) | - | - |
| Capital contribution to an unincorporated joint venture | - | - | - | (6,240) |
| Investments in | | | | |
| - unquoted shares | - | (1,290) | - | - |
| Withdrawal/(placement) in: | | | | |
| - escrow account | 1,473 | (689) | - | - |
| - redemption account | 250 | (250) | - | - |
| - residual sales account | 10,107 | (65,225) | - | - |
| Proceeds from disposal of property, plant and equipment | 63,788 | 39,470 | 43 | - |
| Acquisition of a subsidiary, net of cash acquired | - | 5,852 | - | - |
| Payment of pre-operating expenses | (27) | - | - | - |
| Net cash (used in)/generated from investing activities | (55,315) | (344,678) | 142,505 | 18,689 |

# Cash Flow Statements

for the financial year ended 31 December 2007 (cont'd)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Dividends paid | (33,431) | (23,031) | (33,431) | (23,031) |
| Additional investment by minority interest in a subsidiary | 1,271 | - | - | - |
| Proceeds from bankers' acceptances and revolving credits | 192,844 | 111,294 | 104,887 | 103,684 |
| Proceeds from term loans | 128,608 | 84,568 | - | - |
| Proceeds from Islamic CP/MTN | 25,000 | - | 25,000 | - |
| Proceeds from share options exercised | 44,598 | 3,747 | 44,598 | 3,747 |
| Proceeds from issuance of ICPS | 151,398 | - | 151,398 | - |
| Repayment to hire purchase payables | (47,317) | (43,658) | (1,253) | (384) |
| Repayment of short term borrowings | (68,454) | - | - | - |
| Repayment of term loans | (198,190) | (18,378) | (45,000) | - |
| Net cash generated from financing activities | 196,327 | 114,542 | 246,199 | 84,016 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | 268,489 | (41,978) | 27,981 | 6,157 |
| **EXCHANGE DIFFERENCES** | 6,944 | 3,881 | - | - |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR** | 277,496 | 315,593 | 131,301 | 125,144 |
| **CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR** | 552,929 | 277,496 | 159,282 | 131,301 |

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Note | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Deposits with licensed discount houses | 14 | 141,157 | 117,960 | 138,355 | 112,470 |
| Deposits with licensed banks | 14 | 121,695 | 82,504 | 28,531 | 16,704 |
| Cash held under Housing Development Accounts | 15 | 83,746 | 51,549 | - | - |
| Cash and bank balances | 15 | 251,613 | 35,340 | 6,303 | 3,496 |
| Bank overdrafts | 20 | (45,282) | (9,857) | (13,907) | (1,369) |
| | | 552,929 | 277,496 | 159,282 | 131,301 |

The cash held under Housing Development Accounts are amounts held pursuant to section 7A of the Housing Development (Control and Licensing) Act 1966 and are therefore restricted from use in other operations.

Deposits in licensed bank of the Group and of the Company amounting to RM12,941,654 (2006: RM17,884,067) and RM12,941,654 (2006: RM16,703,861) respectively are pledged to banks to secure banking facilities.

## 1. CORPORATE INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia, whose shares are listed on the Main Board of the Bursa Malaysia Securities Berhad ("Bursa Securities"). The registered office of the Company is located at No. 12, Jalan Majistret U1/26, Seksyen U1, Lot 44, Hicom-Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan.

The principal activities of the Company are that of civil engineering works specialising in earthworks, highway construction and related infrastructure works, investment holding and trading in properties. The principal activities of the subsidiaries, associates and joint ventures are disclosed in Notes 6, 7 and 8 to the financial statements respectively.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

The financial statements were authorised for issue in accordance with a resolution of the Directors on 28 April 2008.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRS") in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRS which are mandatory for financial periods beginning on 1 January 2007 as described fully in Note 2.3.

These financial statements have been prepared on a historical basis, except for freehold land and buildings included within property, plant and equipment and investment properties, which are measured at their fair values.

The financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency. All values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

### 2.2 Summary of Significant Accounting Policies

#### (a) Subsidiaries and Basis of Consolidation

##### (i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### (a) Subsidiaries and Basis of Consolidation (cont'd)

##### (ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for similar transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

#### (b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### (b) Associates (cont'd)

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting polices are adopted for similar transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

#### (c) Jointly Controlled Entities

The Group has an interest in a joint venture which is a jointly controlled entity, whereby the ventures have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognises its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the parent company. Adjustments are made when necessary to bring the accounting policies into line with those of the Group.

Adjustments are made in the Group's financial statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

#### (d) Property, Plant and Equipment, and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### (d) Property, Plant and Equipment, and Depreciation (cont'd)

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses except for freehold land and buildings which is measured at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

Freehold land has an unlimited useful life and therefore is not depreciated. Buildings-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

| | |
|---|---|
| Buildings | 2% |
| Plant and machinery | 5% - 50% |
| Motor vehicles | 7% - 32% |
| Office equipment | 15% - 20% |
| Furniture and fittings | 15% - 20% |
| Marine plant, tug and barges | 20% |
| Renovations | 15% |

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

#### (e) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### (e) Investment Properties (cont'd)

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

#### (f) Land Held for Property Development and Property Development Cost

##### (i) Land Held for Property Development

Land held for development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

##### (ii) Property Development Costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### (g) Construction Contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

#### (h) Impairment of Non-Financial Assets

The carrying amounts of the Group's assets, other than investment properties, construction contract assets, property development costs, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### (i) Inventories

Inventories comprising properties held for sale and consumable stocks are stated at lower of cost and net realisable value.

Cost of property stocks is determined on the specific identification basis and comprises cost associated with the acquiring of land, direct construction cost and appropriate proportions of common cost.

Cost of consumable stocks is determined using the first in, first out method and comprises the cost of purchase plus the cost of bringing the goods to its present condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (j) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

##### (i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, and deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts, cash placements in Finance Service Reserve Account, escrow and redemption accounts.

##### (ii) Other non-current investments

Non-current investments other than investments in subsidiaries, associates and jointly controlled entities are stated at cost less impairment losses. Impairment losses are recognised for all decline in value other than temporary. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

##### (iii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

##### (iv) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### (j) Financial Instruments (cont'd)

##### (v) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

##### (vi) Convertible Redeemable Debt Securities ("CRDS")

The CRDS are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt securities. The difference between the proceeds of issue of the CRDS and the fair value assigned to the liability component, representing the conversion option is included in equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption, whilst the value of the equity component is not adjusted in subsequent periods. Attributable transaction costs are apportioned and deducted directly from the liability and equity components based on their carrying amounts at the date of issue.

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the market interest rate for a similar non-convertible debt securities to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible debt securities.

##### (vii) Equity instruments

**Ordinary shares**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

**Preference shares**

Preference shares are recorded at the amount of proceeds received, net of transaction cost. Preference shares are classified as equity if they are non-redeemable and dividends are discretionary at the option of the issuer. Preference shares are classifed as liability if they are redeemable on a specific date or at the option of the shareholders and dividends thereon are recognised in the income statement as interest expense. Preference shares that are compound instruments are split into liability and equity components. Each component is accounted for separately.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### (k) Leases

**Classification**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

~ Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.2(e)).

**(i) Finance lease - the Group as Lessee**

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting year.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(d).

**(ii) Operating lease - the Group as Lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

**(iii) Operating Leases - the Group as Lessor**

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2(r)(iv)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### (l) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### (m) Income Tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

#### (n) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### (o) Employee Benefits

##### (i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (ii) Defined Contribution Plans

The Group does not have any defined contribution plan except as required by law to make contributions to the Employee Provident Fund ("EPF").

##### (iii) Share-based Compensation

The WCT Engineering Berhad ("WCTE") and WCT Land Berhad ("WCTL") Employee Share Options Schemes ("ESOS"), equity-settled, share-based compensation plans, allow the Group's employees to acquire ordinary shares of the Company and its related corporation. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

#### (p) Bai Bithaman Ajil Islamic Debt Securities ("BAIDS")

The BAIDS are bonds issued in accordance with the Islamic finance concept of Bai Bithaman Ajil. In accordance with such concept, the Group and the Company sold certain assets to a trustee, and repurchased them at the same price together with an agreed profit margin. The payment of the purchase price is deferred in accordance with the maturities of the BAIDS, whilst the profit element is paid half-yearly. BAIDS are initially recognised at cost, being the fair value of the consideration received.

After initial recognition, the profit element attributable to the BAIDS in each period is recognised as an expense at a constant rate to the maturity of each series respectively. Further details of the BAIDS in issue are disclosed in Note 25.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### (q) Foreign Currencies

**Functional and Presentation Currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

**(i) Foreign Currency Transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

**(ii) Foreign Operations**

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### (q) Foreign Currencies (cont'd)

##### (ii) Foreign Operations (cont'd)

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

#### (r) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### (i) Sale of properties

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 2.2(f)(ii).

Revenue from sale of completed property units and land is recognised when the risk and rewards association to ownership have been transferred to purchasers with no substantial contractual acts to complete.

##### (ii) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.2(g).

##### (iii) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

##### (iv) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

##### (v) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

##### (vi) Hiring of machineries

Rental income from hiring of machineries is recognised on an accrual basis when the rights to receive payments are established.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### (r) Revenue Recognition (cont'd)

**(vii) Dividend Income**

Dividend income is recognised when the Group's right to receive payment is established.

**(viii) Management Fees**

Management fees are recognised when services are rendered.

**(ix) Car Park Income**

Car park income are recognised when services are rendered.

### 2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs

On 1 January 2007, the Group and the Company adopted the following revised FRSs and amendments to FRS:

FRS 6 Exploration for and evaluation of mineral resources
FRS 117 Leases
FRS 124 Related party disclosures
Amendment to FRS $119_{2004}$ Employee Benefits, Actuarial Gains and Losses, Group Plans and Disclosures

FRS 6 is not applicable to the Group.

The adoption of these FRS and Amendment to FRS did not result in significant changes in accounting policies of the Company other than additional disclosures pursuant to FRS 124.

At the date of authorisation of these financial statements, the following new and revised FRSs, amendment to FRS and Interpretations were in issue but not yet effective and have not been applied by the Company:

| Financial Reporting Standards<br>Amendments to FRS and Interpretations | Effective for financial periods<br>beginning on or after |
|---|---|
| FRS 107 - Cash Flow Statements | 1 July 2007 |
| FRS 111 - Construction Contracts | 1 July 2007 |
| FRS 112 - Income Taxes | 1 July 2007 |
| FRS 118 - Revenue | 1 July 2007 |
| FRS 120 - Accounting for Government Grants and Disclosure of Government Assistance | 1 July 2007 |
| FRS 126 - Accounting and Reporting by Retirement Benefit Plans | 1 July 2007 |
| FRS 129 - Financial Reporting in Hyperinflationary Economies | 1 July 2007 |
| FRS 134 - Interim Financial Reporting | 1 July 2007 |
| FRS 137 - Provisions, Contingent Liabilities and Contingent Assets | 1 July 2007 |
| FRS 139 - Financial Instruments: Recognition and Measurement | Deferred indefinitely |
| Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation | 1 July 2007 |

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (cont'd)

| Financial Reporting Standards Amendments to FRS and Interpretations | Effective for financial periods beginning on or after |
|---|---|
| IC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities | 1 July 2007 |
| IC Interpretation 2 - Members' Shares in Co-operative Entities and Similar Instruments | 1 July 2007 |
| IC Interpretation 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | 1 July 2007 |
| IC Interpretation 6 - Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | 1 July 2007 |
| IC Interpretation 7 - Applying the Restatement Approach under FRS 129[2004] - Financial Reporting in Hyperinflationary Economies | 1 July 2007 |
| IC Interpretation 8 - Scope of FRS 2 | 1 July 2007 |

The above new and revised FRSs, amendment to FRS and Interpretations are not expected to have any significant impact on the financial statements of the Company upon their initial application.

The Company is exempted from disclosing the possible impact, if any, to the financial statements upon the initial adoption of FRS 139.

### 2.4 Changes in Estimates

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 at each financial year end. The Group revised the residual values and the estimated useful lives of certain plant and machineries from three to ten years with effect from 1 January 2007. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group have reduced which resulted in an increase in the Group's profit for the financial year by RM5,898,055.

### 2.5 Significant Accounting Judgements, Estimates And Assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### (a) Critical Judgements Made in Applying Accounting Policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

##### (i) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 Significant Accounting Judgements, Estimates And Assumptions (cont'd)

#### (a) Critical Judgements Made in Applying Accounting Policies (cont'd)

**(i) Classification between investment properties and property, plant and equipment (cont'd)**

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

**(ii) Allowance for bad and doubtful debts**

The policy for allowance for bad and doubtful debts of the Group is based on management's judgement and the evaluation of collectibility and ageing analysis of the receivables inclusive of retention sum and advances to sub-contractors. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current credit-worthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, additional allowances may be required.

#### (b) Key Sources of Estimation and Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(i) Construction contracts and property development**

The Group recognises construction contracts and property development revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that construction contracts and property development costs incurred for work performed to date bear to the estimated total construction contracts and property development costs, respectively.

Significant judgement is required in determining the stage of completion, the extent of the construction contracts and property development costs incurred, the estimated total construction contracts and property development revenue and costs, as well as the recoverability of the construction contracts and development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 Significant Accounting Judgements, Estimates And Assumptions (cont'd)

#### (b) Key Sources of Estimation and Uncertainty (cont'd)

##### (ii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of unrecognised tax losses and capital allowances of the Group was RM122,000 (2006: RM44,000).

##### (iii) Impairment of investments

The management determines whether the carrying amounts of its investments are impaired at balance sheet date. This involves measuring the recoverable amounts which includes fair value less costs to sell and valuation techniques. Valuation techniques include amongst others, discounted cash flows analysis and in some cases, based on published analysts' reports and current market indicators and estimates that provide reasonable approximations to the detailed computation.

In performing discounted cash flow analysis, the discount rates and growth rates used reflect, amongst others, the maturity of the business development cycle as well as the industry growth potential. The discount rates applied to the respective cash flow projections range between 12% to 13% (2006: 12% to 13%). The growth rates used to forecast the projected cash flows for the following financial year approximate the perfomances of the respective investments based on the latest available management accounts.

Based on the opinion of the Directors, adequate impairment loss has been recognised in the income statement and the management's assessments have provided reasonable assumptions that the carrying amount of investments at the balance sheet date are not impaired.

##### (iv) Employee Share Options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the employee share options at the date at which they are granted. Judgement is required in determining the most appropriate valuation model for the share options granted, depending on the terms and conditions of the grant. Management is also required to use judgement in determining the most appropriate inputs to the valuation model including volatility and dividend yield. The assumptions and model used are disclosed in Note 26(b).

### 3. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Motor vehicles RM'000 | Renovations, Office equipment, Furniture and fittings RM'000 | Marine Plant, Tug and Barges RM'000 | Building Work In Progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | | |
| **As at 31 December 2007** | | | | | | | | |
| **Cost/Valuation** | | | | | | | | |
| At 1 January 2007 | 22,138 | 4,000 | 350,989 | 40,242 | 16,260 | 17,488 | 37,252 | 488,369 |
| Additions | 2,794 | - | 80,896 | 19,098 | 10,273 | - | 240,544 | 353,605 |
| Transferred to investment properties (Note 5) | - | - | - | - | - | - | (273,165) | ( 273,165) |
| Disposals | - | - | (94,883) | (3,888) | (75) | - | - | ( 98,846) |
| Written off | - | - | - | - | (7) | - | - | (7) |
| Downward revaluation recognised in profit or loss (Note 37(a)) | (450) | - | - | - | - | - | - | ( 450) |
| Exchange differences | (481) | - | (11,884) | (817) | (738) | (739) | - | (14,659) |
| At 31 December 2007 | 24,001 | 4,000 | 325,118 | 54,635 | 25,713 | 16,749 | 4,631 | 454,847 |
| **Accumulated depreciation and impairment** | | | | | | | | |
| At 1 January 2007 | - | - | 91,252 | 20,347 | 8,884 | 2,096 | - | 122,579 |
| Depreciation charge for the financial year | - | 80 | 41,724 | 4,119 | 3,431 | 2,506 | - | 51,860 |
| Disposals | - | - | (36,610) | ( 2,505) | (65) | - | - | (39,180) |
| Written off | - | - | - | - | (7) | - | - | (7) |
| Exchange differences | - | - | (1,779) | (143) | (134) | (82) | - | (2,138) |
| At 31 December 2007 | - | 80 | 94,587 | 21,818 | 12,109 | 4,520 | - | 133,114 |
| **Net carrying amount** | | | | | | | | |
| At 31 December 2007 | 24,001 | 3,920 | 230,531 | 32,817 | 13,604 | 12,229 | 4,631 | 321,733 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Freehold land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Motor vehicles RM'000 | Renovations, Office equipment, Furniture and fittings RM'000 | Marine Plant, Tug and Barges RM'000 | Building Work In Progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | | |
| **As at 31 December 2006** | | | | | | | | |
| **Cost/Valuation** | | | | | | | | |
| At 1 January 2006 | 10,725 | 4,155 | 188,519 | 26,945 | 9,218 | - | - | 239,562 |
| Acquisition of a subsidiary | - | - | 14,640 | 2,523 | 1,254 | - | - | 18,417 |
| Additions | 12,024 | - | 215,313 | 14,227 | 6,090 | 18,104 | 37,252 | 303,010 |
| Disposals | - | - | (59,665) | (1,600) | (4) | - | - | ( 61,269) |
| Written off | - | - | - | (1,323) | (17) | - | - | (1,340) |
| Downward revaluation recognised in profit or loss (Note 37(a)) | (200) | (155) | - | - | - | - | - | (355) |
| Exchange differences | (411) | - | (7,818) | (530) | (281) | (616) | - | (9,656) |
| At 31 December 2006 | 22,138 | 4,000 | 350,989 | 40,242 | 16,260 | 17,488 | 37,252 | 488,369 |
| **Accumulated depreciation and impairment** | | | | | | | | |
| At 1 January 2006 | - | - | 55,380 | 18,471 | 5,918 | - | - | 79,769 |
| Acquisition of a subsidiary | - | - | 9,953 | 1,418 | 1,232 | - | - | 12,603 |
| Depreciation charge for the financial year | - | - | 45,742 | 2,588 | 1,830 | 2,170 | - | 52,330 |
| Disposals | - | - | (18,662) | ( 702) | (1) | - | - | ( 19,365) |
| Written off | - | - | - | (1,317) | (10) | - | - | (1,327) |
| Exchange differences | - | - | (1,161) | (111) | (85) | (74) | - | (1,431) |
| At 31 December 2006 | - | - | 91,252 | 20,347 | 8,884 | 2,096 | - | 122,579 |
| **Net carrying amount** | | | | | | | | |
| At 31 December 2006 | 22,138 | 4,000 | 259,737 | 19,895 | 7,376 | 15,392 | 37,252 | 365,790 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Freehold land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Motor vehicles RM'000 | Renovations, Office equipment, Furniture and fittings RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **COMPANY** | | | | | | |
| **Cost / Valuation** | | | | | | |
| At 1 January 2007 | 3,000 | 4,000 | 197 | 4,643 | 2,349 | 14,189 |
| Additions | - | - | - | 1,447 | 1,866 | 3,313 |
| Disposals | - | - | - | (131) | (15) | (146) |
| At 31 December 2007 | 3,000 | 4,000 | 197 | 5,959 | 4,200 | 17,356 |
| **Accumulated depreciation and impairment** | | | | | | |
| At 1 January 2007 | - | - | 197 | 3,027 | 1,883 | 5,107 |
| Depreciation charge for the financial year | - | 80 | - | 263 | 405 | 748 |
| Disposals | - | - | - | (131) | (15) | (146) |
| At 31 December 2007 | - | 80 | 197 | 3 ,159 | 2,273 | 5,709 |
| **Net carrying amount** | | | | | | |
| At 31 December 2007 | 3,000 | 3,920 | - | 2,800 | 1,927 | 11,647 |
| **Cost / Valuation** | | | | | | |
| At 1 January 2006 | 3,000 | 4,155 | 197 | 4,877 | 2,185 | 14,414 |
| Additions | - | - | - | 1 ,078 | 164 | 1,242 |
| Written off | - | - | - | (1,312) | - | (1,312) |
| Downward revaluation recognised in profit or loss (Note 37(a)) | - | (155) | - | - | - | (155) |
| At 31 December 2006 | 3 ,000 | 4 ,000 | 197 | 4,643 | 2,349 | 14,189 |
| **Accumulated depreciation and impairment** | | | | | | |
| At 1 January 2006 | - | - | 197 | 4 ,120 | 1,685 | 6,002 |
| Depreciation charge for the financial year | - | - | - | 219 | 198 | 417 |
| Written off | - | - | - | (1,312) | - | (1,312) |
| At 31 December 2006 | - | - | 197 | 3,027 | 1,883 | 5,107 |
| **Net carrying amount** | | | | | | |
| At 31 December 2006 | 3,000 | 4,000 | - | 1,616 | 466 | 9,082 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Freehold land and buildings were revalued on 31 December 2007 by the Directors based on the valuation performed by Henry Butcher, Malaysia (SEL.) Sdn. Bhd., members of the Institution of Surveyors, Malaysia. Valuations were made using comparison method on the basis of open market value. Details of independent professional valuations of the freehold land and buildings of the Group and of the Company at 31 December 2007 are as follows:

| Year of Valuation | Description of Property | Amount RM'000 | Basis of Valuation |
|---|---|---|---|
| 2007 | Freehold land and building at<br>No. 12, Jalan Majistret U1/26<br>Seksyen U1<br>Lot 44, Hicom-Glenmarie Industrial Park<br>40150 Shah Alam<br>Selangor Darul Ehsan | 7,000 | Open market value |
| 2007 | Freehold land at<br>HS (D) 14948, 14949<br>PT 97 & 98<br>Pekan Teluk Kemang<br>Daerah Port Dickson<br>Negeri Sembilan | 3,200 | Open market value |

As at 31 December 2007, had the revalued freehold land and buildings been carried at cost, the carrying amount of the freehold land and buildings would have been as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Freehold land and buildings | 10,527 | 10,631 | 5,931 | 6,035 |

(a) Except for freehold land and buildings, which are revalued, all other assets are carried at cost. Analysis of cost and valuation of freehold land and buildings are as follows:

| | Freehold land | | Building | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| **GROUP** | | | | |
| Cost | 13,801 | 11,488 | - | - |
| Valuation | 10,200 | 10,650 | 4,000 | 4,000 |
| | 24,001 | 22,138 | 4,000 | 4,000 |
| Accumulated depreciation | - | - | ( 80) | - |
| | 24,001 | 22,138 | 3,920 | 4,000 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Freehold land | | Building | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| **COMPANY** | | | | |
| Valuation | 3,000 | 3,000 | 4,000 | 4,000 |
| Accumulated depreciation | - | - | (80) | - |
| | 3,000 | 3,000 | 3,920 | 4,000 |

(b) During the financial year, the Group and the Company acquired property, plant and equipment by way of the following:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Cash | 162,563 | 267,325 | 2,008 | 281 |
| Hire purchase | 16,142 | 20,685 | 1,305 | 961 |
| Term loans | 122,600 | 10,000 | - | - |
| Revolving credits | 52,300 | 5,000 | - | - |
| | 353,605 | 303,010 | 3,313 | 1,242 |

As at balance sheet date, the carrying amounts of property, plant and equipment of the Group and of the Company held under hire purchase arrangements and pledged as securities for bank borrowings arrangements were as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Building-in-progress | - | 37,049 | - | - |
| Machinery | 15,865 | 74,233 | - | - |
| Motor vehicles | 14,765 | 9,616 | 2,783 | 1,696 |
| | 30,630 | 120,898 | 2,783 | 1,696 |

(c) Finance costs capitalised during the financial year in building-in-progress of the Group amounted to RM3,113,366 (2006 : RM Nil) as disclosed in Note 36.

## 4. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

### (a) Land Held for Property Development

| | Freehold Land RM'000 | Leasehold Land RM'000 | Development Costs RM'000 | Total RM'000 |
|---|---|---|---|---|
| **GROUP** | | | | |
| Cost | | | | |
| At 1 January 2006 | 103,759 | 31,831 | 54,456 | 190,046 |
| Transferred to property development costs (Note 4(b)) | (12,988) | ( 23,343) | (20,067) | ( 56,398) |
| Additions | - | - | 15,987 | 15,987 |
| At 31 December 2006 | 90,771 | 8,488 | 50,376 | 149,635 |
| Transferred (to)/from property development costs (Note 4(b)) | (16,224) | 8,842 | (3,397) | ( 10,779) |
| Additions | 111 | - | 17,274 | 17,385 |
| At 31 December 2007 | 74,658 | 17,330 | 64,253 | 156,241 |

### (b) Property Development Costs

| | Freehold Land RM'000 | Leasehold Land RM'000 | Development Costs RM'000 | Total RM'000 |
|---|---|---|---|---|
| **GROUP** | | | | |
| **At 31 December 2007** | | | | |
| **Cumulative property development costs** | | | | |
| At 1 January 2007 | 144,252 | 83,880 | 177,836 | 405,968 |
| Cost incurred during the financial year | 52 | - | 171,614 | 171,666 |
| Transferred from/(to) land held for property development (Note 4(a)) | 16,224 | (8,842) | 3,397 | 10,779 |
| Reversal of completed projects | (34,729) | - | (116,318) | (151,047) |
| Transferred to investment properties (Note 5) | (8,020) | - | (9,014) | (17,034) |
| Unsold units transferred to inventories | (2,861) | - | (19,414) | (22,275) |
| At 31 December 2007 | 114,918 | 75,038 | 208,101 | 398,057 |

## 4. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

### (b) Property Development Costs (cont'd)

| | Freehold Land RM'000 | Leasehold Land RM'000 | Development Costs RM'000 | Total RM'000 |
|---|---|---|---|---|
| **GROUP** | | | | |
| **At 31 December 2007** | | | | |
| **Cumulative costs recognised in income statement** | | | | |
| At 1 January 2007 | (18,311) | - | (132,339) | (150,650) |
| Recognised during the financial year (Note 34) | (21,706) | - | (118,093) | (139,799) |
| Reversal of completed projects | 34,729 | - | 116,318 | 151,047 |
| At 31 December 2007 | (5,288) | - | (134,114) | (139,402) |
| **Property development costs** as at 31 December 2007 | 109,630 | 75,038 | 73,987 | 258,655 |

| | Freehold Land RM'000 | Leasehold Land RM'000 | Development Costs RM'000 | Total RM'000 |
|---|---|---|---|---|
| **GROUP** | | | | |
| **At 31 December 2006** | | | | |
| **Cumulative property development costs** | | | | |
| At 1 January 2006 | 138,515 | 3,537 | 72,852 | 214,904 |
| Cost incurred during the financial year | 625 | - | 162,215 | 162,840 |
| Transferred from land held for property development (Note 4(a)) | 12,988 | 23,343 | 20,067 | 56,398 |
| Acquisition of land | - | 57,000 | - | 57,000 |
| Reversal of completed projects | (7,876) | - | (77,298) | (85,174) |
| At 31 December 2006 | 144,252 | 83,880 | 177,836 | 405,968 |

## 4. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

### (b) Property Development Costs (cont'd)

| | Freehold Land RM'000 | Leasehold Land RM'000 | Development Costs RM'000 | Total RM'000 |
|---|---|---|---|---|
| **GROUP** | | | | |
| **Cumulative costs recognised in income statement** | | | | |
| At 1 January 2006 | (9,468) | - | (84,839) | (94,307) |
| Recognised during the financial year (Note 34) | (16,719) | - | (124,798) | (141,517) |
| Reversal of completed projects | 7,876 | - | 77,298 | 85,174 |
| At 31 December 2006 | (18,311) | - | (132,339) | (150,650) |
| **Property development costs** | | | | |
| as at 31 December 2006 | 125,941 | 83,880 | 45,497 | 255,318 |

Development costs are stated net of the following provision for foreseeable loss:

| | GROUP 2007 RM'000 | GROUP 2006 RM'000 |
|---|---|---|
| At 1 January | 34 | 98 |
| Reversal of provision for forseeable losses (Note 37(a)) | (30) | (64) |
| At 31 December | 4 | 34 |

Finance costs of RM17,532,310 (2006: RM14,051,834) were capitalised within development cost during the financial year (Note 36).

The freehold and leasehold land held for property development and property development costs with an aggregate carrying amounts of RM356,366,021 (2006: RM343,382,341) are pledged to a financial institution for term loan and bank guarantee facilities obtained.

The net proceeds from the sale of property development of a subsidiary as disclosed in Notes 14 and 15 are pledged as securities to the CRDS holders (Note 24).

## 5. INVESTMENT PROPERTIES

| | GROUP | |
|---|---|---|
| | 2007 RM'000 | 2006 RM'000 |
| Carrying amount | | |
| At 1 January | 95,402 | 96,389 |
| Transferred from property, plant and equipment (Note 3) | 273,165 | - |
| Transferred from development properties (Note 4(b)) | 17,034 | - |
| Effects of FRS 140 taken directly to retained profits | - | (987) |
| Net gain from fair value adjustment (Note 35) | 17,953 | - |
| At 31 December | 403,554 | 95,402 |

Investment properties with an aggregate carrying value of RM86,612,719 (2006: RM85,372,719) are held under lease terms.

Investment properties are stated at fair value, which has been determined based on valuations performed by Henry Butcher Lim & Long Sdn. Bhd., an accredited independent valuer, as at 31 December 2007 and 31 December 2006 for the current and previous years respectively. Henry Butcher Lim & Long Sdn. Bhd. is an industry specialist in valuing these investment properties. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards Committee standards.

Investment properties with an aggregate carrying value of RM356,437,368 (2006: RM47,108,719) are pledged as securities for borrowings as disclosed in Notes 21 and 22.

## 6. INVESTMENT IN SUBSIDIARIES

| | COMPANY | |
|---|---|---|
| | 2007 RM'000 | 2006 RM'000 |
| **At cost** | | |
| Unquoted shares | 2,360 | 1,356 |
| Quoted shares | 104,505 | 118,297 |
| | 106,865 | 119,653 |
| Quoted investment in 3% CRDS A | 59,501 | 59,501 |
| Unquoted investment in 3% CRDS B | 11,995 | 8,802 |
| | 178,361 | 187,956 |
| Arising from ESOS granted to subsidiaries' employees | 2,134 | 819 |
| | 180,495 | 188,775 |
| Market values as at 31 December: | | |
| - Quoted shares | 451,462 | 186,909 |
| - Quoted investment in 3% CRDS A | 226,124 | 68,426 |
| | 677,586 | 255,335 |

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

| Name of Company | Country of Incorporation | Principal Activities | Proportion of Ownership Interest 2007 (%) | 2006 (%) |
|---|---|---|---|---|
| WCT Construction Sdn. Bhd. | Malaysia | Civil engineering and construction works | 100 | 100 |
| WCT Land Berhad (Note b(ii)) | Malaysia | Investment holding | 64.5 | 73.5 |
| WCT Overseas Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 |
| WCT Equity Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |
| WCT Plantations Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |
| WCT (Bahrain) W.L.L. [2] | Kingdom of Bahrain | Dormant | 99 | 99 |
| Cebarco-WCT WLL [1] (Note b(i) and (c)) | Kingdom of Bahrain | Construction | 50 | 51 |
| WCT Offshore (L) Ltd | Malaysia | Investment holding | 100 | - |
| WCT Engineering Vietnam Company Limited [1] | Vietnam | Construction of civil engineering and industrial works | 100 | - |
| BSC-WCT Company Limited [1] | Vietnam | Investment development and property management | 67 | - |
| **Held by WCT Construction Sdn. Bhd.:** | | | | |
| WCT Machinery Sdn. Bhd. | Malaysia | Hiring and repair of machineries | 100 | 100 |
| WCT Products Sdn. Bhd. | Malaysia | Trading of building materials | 100 | 100 |
| Intraxis Engineering Sdn. Bhd. | Malaysia | Construction work | 60 | 60 |

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows (cont'd):

| Name of Company | Country of Incorporation | Principal Activities | Proportion of Ownership Interest 2007 (%) | 2006 (%) |
|---|---|---|---|---|
| **Held by WCT Land Berhad:** | | | | |
| Gemilang Waras Sdn. Bhd. | Malaysia | Property development | 100 | 100 |
| WCT Properties Sdn. Bhd. | Malaysia | Property investment and trading in properties | 100 | 100 |
| Gabungan Efektif Sdn. Bhd. | Malaysia | Property development | 100 | 100 |
| Labur Bina Sdn. Bhd. | Malaysia | Property development | 100 | 100 |
| Jelas Puri Sdn. Bhd. | Malaysia | Property investment and development | 100 | 100 |
| WCT Land Resources Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 |
| Camellia Tropicana Sdn. Bhd. | Malaysia | Property development | 100 | 100 |
| **Held by Labur Bina Sdn. Bhd.:** | | | | |
| Labur Bina Management Sdn. Bhd. | Malaysia | Maintenance and management services on developed property | 100 | 100 |
| **Held by WCT Land Resources Sdn. Bhd.:** | | | | |
| BBT Mall Sdn. Bhd. | Malaysia | Provision of building management services | 100 | 100 |
| Pantas Merdu Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 |
| BBT Hotel Sdn. Bhd. | Malaysia | Investment in hotel | 100 | 100 |

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows (cont'd):

| Name of Company | Country of Incorporation | Principal Activities | Proportion of Ownership Interest 2007 (%) | 2006 (%) |
|---|---|---|---|---|
| **Held by WCT Overseas Sdn. Bhd.:** | | | | |
| WCT (International) Private Limited | Republic of Mauritius | Investment holding | 100 | 100 |
| **Held by WCT (International) Private Limited:** | | | | |
| WCT (Offshore) Pte. Ltd. (2) | Republic of Mauritius | Investment holding | 100 | 100 |
| **Held by WCT (Offshore) Private Limited:** | | | | |
| IWM Constructions Pte. Ltd. (1) | India | Engineering, procurement and construction | 61.9 | 61.9 |
| WCT Infrastructure (India) Pte. Ltd. (1) | India | Investment holding | 99.9 | 99.9 |

Subsidiaries are audited by Ernst & Young Malaysia except for:

(1) Audited by firms other than Ernst & Young.

(2) Audited by member firms of Ernst & Young Global.

**(a) Incorporation of new subsidiaries**

(i) The Group incorporated a wholly-owned subsidiary, WCT Offshore (L) Ltd, a company incorporated in Labuan, Malaysia under the Offshore Companies Act, 1990, Labuan.

(ii) On 18 October 2007, the Company established a new wholly-owned subsidiary, WCT Engineering Vietnam Company Limited ("WCTV"), a corporation incorporated in Vietnam. The charter or paid-up capital of WCTV is VND4,800,000,000/- (or approximately RM1,014,339).

(iii) On 18 December 2007, the Company incorporated a new 67%-owned subsidiary, BSC-WCT Company Limited ("BSC-WCT"), a corporation incorporated in Vietnam. The charter or paid-up capital of BSC-WCT is VND192,000,000,000/- (or approximately RM39.6 million). The balance of the 33% equity of BSC-WCT is held by Minh Thien Construction and Trading Company Limited ("MTC"). The consideration for the share capital was paid subsequent to year end and no liabilities were assumed by the Company arising from this transaction.

The incorporations of these new subsidiaries have no material effect on the financial position of the Company.

**(b) Dilution of subsidiaries**

(i) On 26 April 2007, the Company transferred 25 units ordinary shares in Cebarco-WCT W.L.L. of BD100 each, with a carrying value of RM9,620 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.

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

### (b) Dilution of subsidiaries (cont'd)

(ii) The Company disposed of a total of 21,200,000 ordinary shares of RM0.50 each in WCTL during the year at prices ranging between RM1.38 and RM1.59. The Company has also swaped a total of 6,385,140 ordinary shares of RM0.50 each in WCTL for 3,192,570 CRDS B in WCTL pursuant to the Swap Option Agreement dated 26 November 2004 (Note 24).

On 12 March 2008, the Group announced the privatisation of WCTL. The privatisation is detailed in Note 47(f).

### (c) Acquisition of additional paid-up share capital in a subsidiary in prior year

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. ("Cebarco-WCT") for a cash consideration of BD2,000 or approximately RM20,000. Cebarco-WCT is an unlisted corporation incorporated in the Kingdom of Bahrain and is involved in construction activities. Consequent to the acquisition, the Company's equity interest in Cebarco-WCT increased from 49% to 51% resulting in Cebarco-WCT becoming a subsidiary of the Company. The cost of acquisition was satisfied by cash of RM20,000.

## 7. INVESTMENT IN ASSOCIATES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Unquoted shares, at cost | 68,856 | 68,856 | 520 | 520 |
| Group's share of post acquisition profit/(losses) and retained reserves | 3,181 | (6,623) | - | - |
| | 72,037 | 62,233 | 520 | 520 |
| Share application monies | 91,259 | 91,259 | - | - |
| Exchange difference | (22,297) | (13,315) | - | - |
| | 140,999 | 140,177 | 520 | 520 |
| Represented by: | | | | |
| Group's share of net identifiable assets | 140,999 | 140,177 | - | - |

Certain of the Group's investments in associates with an aggregate carrying amount of RM60,164,615 (2006: RM64,101,059) are pledged as securities for credit facilities granted to the associates and the respective subsidiaries of the associates.

## 7. INVESTMENT IN ASSOCIATES (CONT'D)

Details of the associates are as follows:

| Name of Company | Country of Incorporation | Principal Activities | Proportion of Ownership Interest 2007 (%) | 2006 (%) |
|---|---|---|---|---|
| Khalid Abdulrahim Group WCT W.L.L. | Bahrain | Construction | 50 | 50 |
| **Held by WCT (International) Private Limited:** | | | | |
| Gamuda-WCT (Offshore) Private Ltd. and its subsidiary | Republic of Mauritius | Investment holding | 30 | 30 |
| - Mapex Infrastructure | India | Highway concessionaire | 30 | 30 |
| Suria Holding (Offshore) Pvt. Ltd. and its subsidiary | Republic of Mauritius | Investment holding | 30 | 30 |
| - Emas Expressway Private Ltd. | India | Highway concessionaire | 30 | 30 |
| **Held by WCT (Offshore) Private Limited:** | | | | |
| Gamuda-WCT (India) Private Ltd. | India | Engineering, procurement and construction | 30 | 30 |
| Swarna Tollway Private Ltd. | India | Highway concessionaire | 21.6 | 21.6 |
| **Held by WCT Infrastructure (India) Private Limited:** | | | | |
| Perdana Highway Operations Private Ltd. | India | Investment holding | 50 | 50 |

The financial year end of the above associates is coterminous with that of the Group.

## 7. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of the associates is as follows:

| | 2007 RM'000 | 2006 RM'000 |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets | 319,381 | 309,472 |
| Non-current assets | 1,535,162 | 1,559,679 |
| Current liabilities | (184,115) | (201,697) |
| Non-current liabilities | (719,491) | (764,714) |
| Net Assets | 950,937 | 902,740 |
| **Results** | | |
| Revenue | 215,283 | 198,584 |
| Profit after taxation | 34,434 | 15,480 |

## 8. JOINTLY CONTROLLED ENTITIES

| | Company | |
|---|---|---|
| | 2007 RM'000 | 2006 RM'000 |
| Capital contribution | 15,246 | 15,246 |
| Impairment of capital contribution | (15,246) | (15,246) |
| | - | - |

Details of the unincorporated jointly controlled entities are as follows:

| Name of Jointly Controlled Entities | Country of Operation | Principal Activities | Proportion of Ownership Interest 2007 (%) | 2006 (%) |
|---|---|---|---|---|
| Malaysia-China Hydro Joint Venture | Malaysia | Construction | 7.7 | 7.7 |
| Gamuda Berhad - WCT Engineering Berhad Joint Venture | Qatar | Engineering and construction of a new highway from the town of Shahaniya to the existing Zekreet interchange near the Dukhan Industrial area in the state of Qatar | 49 | 49 |

## 8. JOINTLY CONTROLLED ENTITIES (CONT'D)

| Name of Jointly Controlled Entities | Country of Operation | Principal Activities | Interest 2007 (%) | 2006 (%) |
|---|---|---|---|---|
| Sinohydro Corporation - Gamuda Berhad - WCT Engineering Berhad Joint Venture | Qatar | Design and construction of the airfield facilities, tunnel, and detention pond of the New Doha International Airport in the state of Qatar | 49 | 49 |
| Gamuda-WCT (Bahrain) Joint Venture | Bahrain | Trading of building materials | 49 | 49 |
| AES-WCT Joint Venture | Emirate of Dubai | Engineering and construction of infrastructure works including sewerage, storm water and irrigation networks of the Dubai World Central International Airport in Emirate of Dubai | 50 | - |
| Arabtec Construction LLC - WCT Engineering Joint Venture | Emirate of Dubai | Construction of the main building works, external works and infrastructure works of the Nad Al Sheba Racecourse in Emirate of Dubai | 50 | - |

(i) On 26 March 2007, the Company entered into a joint venture agreement with Arabtec Engineering Services L.L.C. to form AES-WCT Joint Venture, to undertake the project known as Dubai World Central International Airport - Stormwater Drainage and Sewerage System in the Emirate of Dubai. The rights and liabilities of the joint venture are in the ratio of 50:50 respectively.

(ii) On 18 September 2007, the Company entered into a joint venture agreement with Arabtec Construction L.L.C. to form Arabtec Construction LLC-WCT Engineering Joint Venture, to undertake the project for the construction and completion of Nad Al Sheba Racecourse Project in the Emirate of Dubai. The rights and liabilities of the joint venture are in the ratio of 50:50 respectively.

## 8. JOINTLY CONTROLLED ENTITIES (CONT'D)

The Group's aggregate share of the current assets, non-current assets, current liabilities, non-current liabilities, income and expenses of the unincorporated jointly controlled entities are as follows:

| | 2007 RM'000 | 2006 RM'000 |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets | 556,195 | 223,055 |
| Non-current assets | 161,598 | 161,075 |
| | 717,793 | 384,130 |
| Current liabilities | (726,229) | (372,470) |
| | (8,436) | 11,660 |
| **Results** | | |
| Revenue | 754,276 | 365,499 |
| Expenses | 773,369 | 365,080 |
| Other income | 1,407 | 1,148 |
| (Loss)/profit before tax | (17,686) | 1,567 |
| Taxation | (45) | - |
| (Loss)/profit after tax | (17,731) | 1,567 |

Included in the loss after tax is losses of RM23,626,493 arising from the operations of Gamuda Berhad- WCT Engineering Berhad Joint Venture.

## 9. OTHER INVESTMENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| At cost | | | | |
| Unquoted ordinary shares (Note a) | 1,534 | 1,534 | - | - |
| Unquoted preference shares (Note b) | 8,964 | 8,964 | - | - |
| Unquoted bonds (Note c) | 5,000 | 9,500 | - | 4,500 |
| | 15,498 | 19,998 | - | 4,500 |
| Less: Impairment loss | - | (900) | - | (900) |
| | 15,498 | 19,098 | - | 3,600 |

(a) The Article of Association of this investee company restricts the shareholders from selling the share of the investee company in parts.

(b) Unquoted Redeemable Preference Shares of RM1.00 each ("RPS") with carrying amounts of RM8,963,719 (2006: RM8,963,719), of which the rights attached are as follows:

(i) The RPS shall not confer any right to receive any dividend or other income from the investee company unless otherwise recommended by the directors of the investee company;

## 9. OTHER INVESTMENTS (CONT'D)

(ii) The RPS shall rank in priority to the ordinary shares in the investee company with regards to return of capital;

(iii) The RPS shall confer rights of voting at general meetings of the investee company and receipt of notices of meetings of the investee company; and

(iv) The RPS shall at the option of the investee company be redeemed at the issue price at any time by notice in writing to the holders.

(c) Unquoted bonds with carrying amounts of RM5,000,000 and RMNil (2006: RM9,500,000 and RM4,500,000) were issued under the Primary Collateralised Loan Obligation as subscription for loan granted to the Group and to the Company, respectively, as stated in Note 22.

## 10. INVENTORIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Consumable stocks, at cost | 57,536 | 637 | - | - |
| Properties held for sale, at cost | 19,740 | 20,562 | 4,162 | 16,264 |
| Properties held for sale, at net realisable value | 16,326 | 10,271 | 9,894 | 1,960 |
| | 93,602 | 31,470 | 14,056 | 18,224 |

During the financial year, the Group and the Company wrote-down cost of properties of RM3,172,915 (2006: RM395,870) and RM 2,185,561 (2006: RMNil) respectively.

## 11. TRADE RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Trade receivables | 688,794 | 405,599 | 52,398 | 24,606 |
| Retention sums on contracts | 239,529 | 109,075 | 11,273 | 9,732 |
| Due from contract customers | 252,275 | 111,363 | 2,166 | 3,035 |
| | 1,180,598 | 626,037 | 65,837 | 37,373 |
| Less: Provision for doubtful debts | (2,710) | (130) | (16) | (16) |
| | 1,177,888 | 625,907 | 65,821 | 37,357 |

**Credit Risk**

The Group's primary exposure to credit risk arises through its trade receivables. The normal credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing. In view of the aforementioned and that the fact that the Group's and the Company's trade receivables relate to a large number of customers, there is no significant concentration of credit risk except in as discussed below:

## 11. TRADE RECEIVABLES (CONT'D)

As at 31 December 2007, debts which are outstanding for more than two years are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Trade receivable | 38,386 | 29,039 | 3,367 | 6,493 |
| Retention sum | 77,228 | 45,838 | 5,338 | 3,640 |
| | 115,614 | 74,877 | 8,705 | 10,133 |

The Directors, having considered all available information, are of the opinion that these debts are collectible in full and requires no provision for doubful debts. Included in the above is a debt of RM5,174,561 (2006: RM5,740,298) due from a particular debtor which recovery is currently being negotiated by way of contra against properties owned by the debtor.

**Due from contract customers**

Details of the amounts due from and due to contract customers are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Aggregate costs incurred to date | 8,500,813 | 5,880,193 | 1,857,843 | 1,515,753 |
| Add: Attributable profits | 599,945 | 418,454 | 154,036 | 124,432 |
| Less: Foreseeable losses | (34,485) | (4,533) | - | - |
| | 9,066,273 | 6,294,114 | 2,011,879 | 1,640,185 |
| Less: Progress billings | (9,103,130) | (6,328,665) | (2,023,794) | (1,665,428) |
| | (36,857) | (34,551) | (11,915) | (25,243) |
| Represented by:- | | | | |
| Due from contract customers | 252,275 | 111,363 | 2,166 | 3,035 |
| Due to contract customers (Note 16) | (289,132) | (145,914) | (14,081) | (28,278) |
| | (36,857) | (34,551) | (11,915) | (25,243) |
| Contract revenue recognised during the financial year (Note 33) | 2,438,185 | 1,117,021 | 358,377 | 120,113 |
| Contract cost recognised during the financial year (Note 34) | 2,236,460 | 992,902 | 330,091 | 87,440 |

## 11. TRADE RECEIVABLES (CONT'D)

The costs incurred to date on construction contracts include the following charges made during the financial year:

| | GROUP | |
|---|---|---|
| | 2007 RM'000 | 2006 RM'000 |
| Hiring of machineries | 18,377 | 29,789 |
| Rent of motor vehicle | 1,369 | 410 |
| Rent of premises | 1,459 | 3,232 |
| Finance costs | 12,189 | 5,758 |
| Depreciation of property, plant and equipment | 44,996 | 47,298 |

## 12. OTHER RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Sundry receivables | 37,986 | 14,459 | 4,187 | 4,613 |
| Deposits | 6,691 | 6,744 | 368 | 455 |
| Advances to project debtors | 600 | 900 | - | - |
| Advances to sub-contractors | 95,018 | 94,107 | - | 1 ,872 |
| Prepayments | 7,439 | 4,158 | 1 ,104 | - |
| | 147,734 | 120,368 | 5,659 | 6,940 |

As at balance sheet date, concentrations of credit risks in the form of advances to sub-contractors comprise 64% (2006: 78%) and Nil% (2006: 27%) of other receivables of the Group and of the Company respectively.

Outstanding advances to sub-contractors in excess of one year as at 31 December 2007 amounted to RM10,670,361 (2006: RM11,479,321). The Directors, having considered all available information, are of the opinion that these debts are collectible in full and requires no provision for doubtful debts. These advances will be recouped through deduction from work to be performed by sub-contractors.

## 13. DUE FROM/(TO) RELATED PARTIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Due from | | | | |
| Subsidiaries | | | | |
| - trade accounts | - | - | 3,191 | 8,136 |
| - current accounts | - | - | 269,425 | 180,070 |
| Associates | 14,047 | 18,877 | 580 | 536 |
| Jointly controlled entities | - | - | 452,239 | 237,857 |
| Advances to a joint venture partner of the unincorporated jointly controlled entities | 8,006 | - | 808 | - |
| Advance profit distribution to minority shareholder of a foreign subsidiary company (Note (a)) | 19,648 | 20,722 | - | - |
| | 41,701 | 39,599 | 726,243 | 426,599 |
| Less : provision for doubtful debts - jointly controlled entities | - | - | (33,288) | (10,073) |
| | 41,701 | 39,599 | 692,955 | 416,526 |
| Due to | | | | |
| Subsidiaries | | | | |
| - trade accounts | - | - | (2,998) | (2,813) |
| - current accounts | - | - | (40,290) | (50,103) |
| Associates | - | (5,335) | - | - |
| Jointly controlled entities | - | - | (3,501) | - |
| Advances from a minority shareholder of a subsidiary | (22,656) | (21,996) | - | - |
| Amount due to joint venture partners of the unincorporated jointly controlled entities | (7,638) | (259) | - | - |
| | (30,294) | (27,590) | (46,789) | (52,916) |

Further details on related party transactions and information on financial risks are disclosed in Notes 41 and 45 respectively.

Balance with related parties are unsecured, non interest bearing and have no fixed terms of repayment except for an amount of RM194,819,693 (2006: RM124,080,046) due from jointly controlled entities of the Company which bore interest at 6% (2006: 6.08%) per annum. All settlement are to be made in cash.

(a) As allowed by the laws of the foreign country, the foreign subsidiary has paid advance profit distribution which will be set-off against dividends to be declared in the future.

## 14. DEPOSITS

| | Note | GROUP 2007 RM'000 | GROUP 2006 RM'000 | COMPANY 2007 RM'000 | COMPANY 2006 RM'000 |
|---|---|---|---|---|---|
| With licensed discount houses | | 141,157 | 117,960 | 138,355 | 112,470 |
| With licensed banks | | 121,695 | 82,504 | 28,531 | 16,704 |
| With a licensed bank held under Finance Service Reserve Account | (a) | 3,323 | 3,323 | 3,323 | 3,323 |
| With a licensed bank held under Redemption Account | (b) | - | 250 | - | - |
| With a licensed bank held under Residual Sales Account | (c) | 108,100 | 117,920 | - | - |
| | | 374,275 | 321,957 | 170,209 | 132,497 |

Deposits with licensed banks of the Group and of the Company amounting to RM12,941,654 (2006: RM17,884,067) and RM12,941,654 (2006: RM16,703,861) respectively are pledged to secure banking facilities.

(a) Designated for the payment of profit element of the unsecured BAIDS as detailed in Note 25.

(b) Designated for the repayment of Term Loan VIII as detailed in Note 22.

(c) Pledged as securities to the CRDS holders as detailed in Notes 4 and 24.

## 15. CASH AND BANK BALANCES

| | Note | GROUP 2007 RM'000 | GROUP 2006 RM'000 | COMPANY 2007 RM'000 | COMPANY 2006 RM'000 |
|---|---|---|---|---|---|
| Cash held under Housing Development Accounts | | 83,746 | 51,549 | - | - |
| Cash and bank balances | | 251,613 | 35,340 | 6,303 | 3,496 |
| Escrow account | (a) | 717 | 2,190 | - | - |
| Residual Sales Account | (b) | 266 | 553 | - | - |
| | | 336,342 | 89,632 | 6,303 | 3,496 |

The cash held under Housing Development Accounts are amounts held pursuant to Section 7A of the Housing Developers (Control and Licensing) Act 1966 and are therefore restricted from use in other operations.

(a) Designated for the repayment of Term Loan III as detailed in Note 22.

(b) Pledged as securities to the CRDS holders as detailed in Notes 4 and 24.

Other information on financial risks of cash and bank balances are disclosed in Note 45.

## 16. TRADE PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Trade payables | 494,288 | 214,847 | 3,339 | 5,199 |
| Retention sum | 131,344 | 68,490 | 2,225 | 2,181 |
| Due to contract customers (Note 11) | 289,132 | 145,914 | 14,081 | 28,278 |
| | 914,764 | 429,251 | 19,645 | 35,658 |

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2006: 30 to 90 days).

## 17. OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Sundry payables | 35,415 | 16,630 | 685 | 247 |
| Share application monies | 1,922 | 1,828 | - | - |
| Accruals | 86,449 | 28,021 | 4,522 | 4,086 |
| Advances received from customers on contracts | 274,240 | 293,999 | 42,690 | 72,352 |
| Others | 12,793 | 3,546 | - | - |
| | 410,819 | 344,024 | 47,897 | 76,685 |

All amounts due under other payables are unsecured, non-interest bearing and are repayable on demand. All amounts are to be settled in cash except for the advances on contracts which will be set off against progress billings to customers.

## 18. BORROWINGS

| | Note | GROUP 2007 RM'000 | GROUP 2006 RM'000 | COMPANY 2007 RM'000 | COMPANY 2006 RM'000 |
|---|---|---|---|---|---|
| **Short term borrowings** | | | | | |
| Secured: | | | | | |
| Hire purchase payables | 19 | 10,111 | 33,728 | 607 | 542 |
| Bank overdrafts | 20 | 8,580 | 1,324 | 8,580 | 1,324 |
| Revolving credits | 21 | 131,033 | 56,891 | 73,733 | 51,891 |
| Term loans | 22 | 77,860 | 26,176 | - | - |
| Islamic Commercial Paper/ Medium Term Notes | 23 | 25,000 | - | 25,000 | - |
| Convertible redeemable debt securities | 24 | 55,381 | - | - | - |
| | | 307,965 | 118,119 | 107,920 | 53,757 |
| Unsecured: | | | | | |
| Bank overdrafts | 20 | 36,702 | 8,533 | 5,327 | 45 |
| Bankers' acceptances | 21 | 34,610 | 26,878 | 18,097 | 9,904 |
| Revolving credits | 21 | 206,190 | 111,374 | 193,790 | 91,674 |
| Term loans | 22 | - | 45,000 | - | 45,000 |
| | | 277,502 | 191,785 | 217,214 | 146,623 |
| | | 585,467 | 309,904 | 325,134 | 200,380 |
| **Long term borrowings** | | | | | |
| Secured: | | | | | |
| Hire purchase payables | 19 | 8,988 | 16,546 | 615 | 628 |
| Term loans | 22 | 198,342 | 152,008 | - | - |
| Convertible redeemable debt securities | 24 | - | 54,139 | - | - |
| | | 207,330 | 222,693 | 615 | 628 |
| Unsecured: | | | | | |
| Term loans | 22 | 50,000 | 50,000 | - | - |
| Bai Bithaman Ajil Islamic Debt Securities ("BAIDS") | 25 | 100,000 | 100,000 | 100,000 | 100,000 |
| | | 150,000 | 150,000 | 100,000 | 100,000 |
| | | 357,330 | 372,693 | 100,615 | 100,628 |

## 18. BORROWINGS (CONT'D)

| | GROUP 2007 RM'000 | GROUP 2006 RM'000 | COMPANY 2007 RM'000 | COMPANY 2006 RM'000 |
|---|---|---|---|---|
| **Total borrowings** | | | | |
| Hire purchase payables | 19,099 | 50,274 | 1,222 | 1,170 |
| Bank overdrafts | 45,282 | 9,857 | 13,907 | 1,369 |
| Bankers' acceptances | 34,610 | 26,878 | 18,097 | 9,904 |
| Revolving credits | 337,223 | 168,265 | 267,523 | 143,565 |
| Term loans | 326,202 | 273,184 | - | 45,000 |
| Islamic Commercial Paper/ Medium Term Notes | 25,000 | - | 25,000 | - |
| Convertible redeemable debt securities | 55,381 | 54,139 | - | - |
| Bai Bithaman Ajil Islamic Debt Securities ("BAIDS") | 100,000 | 100,000 | 100,000 | 100,000 |
| | 942,797 | 682,597 | 425,749 | 301,008 |

Other information on financial risk of borrowings are disclosed in Note 45.

## 19. HIRE PURCHASE PAYABLES

| | GROUP 2007 RM'000 | GROUP 2006 RM'000 | COMPANY 2007 RM'000 | COMPANY 2006 RM'000 |
|---|---|---|---|---|
| **Future minimum lease payments:** | | | | |
| Not later than 1 year | 10,890 | 35,575 | 650 | 584 |
| Later than 1 year and not later than 2 years | 7,999 | 13,538 | 579 | 379 |
| Later than 2 years and not later than 5 years | 1,290 | 3,727 | 53 | 276 |
| Total future minimum lease payments | 20,179 | 52,840 | 1,282 | 1,239 |
| Less : Future finance charges | (1,080) | (2,566) | (60) | (69) |
| Present value of finance lease liabilities | 19,099 | 50,274 | 1,222 | 1,170 |
| **Analysis of present value of hire purchase payables:** | | | | |
| Not later than 1 year | 10,111 | 33,728 | 607 | 542 |
| Later than 1 year and not later than 2 years | 7,521 | 12,982 | 563 | 358 |
| Later than 2 years and not later than 5 years | 1,467 | 3,564 | 52 | 270 |
| | 19,099 | 50,274 | 1,222 | 1,170 |
| Less : Amount due within 12 months | (10,111) | (33,728) | (607) | (542) |
| Amount due after 12 months | 8,988 | 16,546 | 615 | 628 |

## 20. BANK OVERDRAFTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Secured | 8,580 | 1,324 | 8,580 | 1,324 |
| Unsecured | 36,702 | 8,533 | 5,327 | 45 |
| | 45,282 | 9,857 | 13,907 | 1,369 |

The bank overdrafts are secured by fixed deposits with licensed banks as detailed in Note 14. The unsecured overdrafts are guaranteed by the Company.

## 21. REVOLVING CREDITS AND BANKERS' ACCEPTANCES

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Note | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| **Secured** | | | | | |
| Revolving credit I | (a) | 48,733 | 51,891 | 48,733 | 51,891 |
| Revolving credit II | (b) | 57,300 | 5,000 | - | - |
| Revolving credit III | (c) | 25,000 | - | 25,000 | - |
| | | 131,033 | 56,891 | 73,733 | 51,891 |
| **Unsecured** | | | | | |
| Bankers' acceptances | | 34,610 | 26,878 | 18,097 | 9,904 |
| Revolving credits | | 206,190 | 111,374 | 193,790 | 91,674 |
| | | 240,800 | 138,252 | 211,887 | 101,578 |
| | | 371,833 | 195,143 | 285,620 | 153,469 |

The revolving credits of the Group and of the Company amounting to RM247,522,911 (2006: RM143,565,100) are subject to certain financial covenants, including a requirement to maintain a gearing ratio and net worth of less than 1.75 times and RM400 million respectively. Salient terms of the revolving credits are as follows:

(a) These are denominated in USD and secured by way of the assignment of contract proceeds of a project undertaken in Qatar.

(b) These revolving credits are secured together with Term Loan IX as mentioned in Note 22.

(c) These revolving credits are secured by a charge over a bank account receiving all contract proceeds of a project undertaken by the Company.

The unsecured revolving credits and bankers' acceptances are secured by corporate guarantees provided by the Company.

## 22. TERM LOANS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Unsecured | | | | |
| Term loan I | - | 45,000 | - | 45,000 |
| Term loan II | 50,000 | 50,000 | - | - |
| | 50,000 | 95,000 | - | 45,000 |
| Secured | | | | |
| Term loan III | 27,000 | 47,000 | - | - |
| Term loan IV | 54,375 | 58,000 | - | - |
| Term loan V | - | 1,552 | - | - |
| Term loan VI | - | 617 | - | - |
| Term loan VII | 33,500 | 33,500 | - | - |
| Term loan VIII | 29,197 | 27,515 | - | - |
| Term loan IX | 132,130 | 10,000 | - | - |
| | 276,202 | 178,184 | - | - |
| Total term loans | 326,202 | 273,184 | - | 45,000 |
| The term loans are repayable as follows: | | | | |
| Not later than 1 year | 77,860 | 71,176 | - | 45,000 |
| Later than 1 year and not later than 2 years | 49,546 | 78,866 | - | - |
| Later than 2 years and not later than 5 years | 198,796 | 123,142 | - | - |
| | 326,202 | 273,184 | - | 45,000 |
| Less : Amount due within 12 months | (77,860) | (71,176) | - | (45,000) |
| Amount due after 12 months | 248,342 | 202,008 | - | - |

Term loan I was an unsecured loan which was fully repaid during the financial year. As a condition of the loan, the Company subscribed for pro-rata shares of Subordinated Bonds issued under a Primary Collateralised Loan Obligations Transaction subject to a limit of 10% of the loan principal amount as stated in Note 9(c).

Term loan II is an unsecured loan which is repayable in a lump sum on August 2010. As a condition of the loan, the subsidiary subscribed for pro-rata shares of Subordinated Bonds issued under a Primary Collateralised Loan Obligations Transaction subject to a limit of 10% of the loan principal amount as stated in Note 9(c).

Term loan III is secured by way of a second fixed charge over land held for development and development properties whereby the charge ranks pari passu with the first legal charge. The term loan is repayable in 11 quarterly instalments commencing from March 2006 and interest is charged at 3% per annum over the yield to maturity of Malaysian Government Securities. The cash held under escrow account as detailed in Note 15 is designated for the repayment of this term loan.

Term loan IV is secured by way of a fixed charge over land held for development and certain investment properties as disclosed in Notes 4 and 5. The term loan is repayable in 16 quarterly instalments commencing from December 2007.

## 22. TERM LOANS (CONT'D)

Term loan V was secured by way of a charge over certain machineries and is repayable by 24 equal monthly principal payment of RM310,500 each commencing 12 months after the date of first drawdown in June 2004. The purpose of the term loan was to finance the purchase of equipment for Bakun Hydroelectric Project CW2-main Civil Works (Package 1B). This term loan was fully repaid during the financial year.

Term loan VI was secured by way of a charge over certain machineries and repayable by 24 equal monthly principal payment of RM44,063 each commencing on March 2006. The purpose of this term loan is same as term loan V. This term loan was fully repaid during the financial year.

Term loan VII is secured by way of fixed charge over leasehold land of a subsidiary company as disclosed in Note 4. The term loan is repayable through a redemption of the individual units of the residential development project on the land, or by 4 equal quarterly principal payment of RM8,375,000 each commencing 30 June 2008 whichever is earlier.

Term loan VIII is secured by way of a third fixed charge over all the undertakings and assets of a subsidiary excluding land held for development. The term loan is repayable in 8 equal quarterly instalments commencing from September 2008 and interest is charged at 1.25% per annum over cost of funds. The cash held under redemption account as detailed in Note 14 is designated for the repayment of this term loan.

Term loan IX together with the revolving credits as mentioned in Note 21(b) is secured by way of fixed charge over the freehold land belonging to a subsidiary company and third party debenture on the investment property owned by a subsidiary (the "Mall") as disclosed in Notes 4 and 5. The term loan is also secured by third party legal assignment of all the rights, title and benefits of the agreement to lease and the lease agreement of the Mall by the owner of the Mall which is a subsidiary company and legal assignment of the lease payment received account and operating account of the Mall and car park collection.The subsidiary company must maintain a minimum security cover ratio of 1.43 times of the market value of the freehold land and the Mall. The term loan is repayable in monthly instalments over ten years based on scheduled repayment commencing from the month after completion of the building in November 2007.

## 23. ISLAMIC COMMERCIAL PAPERS/MEDIUM TERM NOTES ("CP/MTN")

| | GROUP/COMPANY | |
|---|---|---|
| | 2007 RM'000 | 2006 RM'000 |
| Islamic CPs | 25,000 | - |

The CP/MTN are constituted by a Trust Deed dated 11 August 2005.

The issuance of the islamic CPs and/or the islamic MTNs under the Syariah principles of Murabahah and/or Ijarah of which the outstanding CPs and Primary MTNs shall not exceed at any time the sum of RM100 million.

The CPs have selective maturity days of one (1), three (3), six (6), nine (9) or twelve (12) months whilst the MTNs have maturity days for a period of one (1) year or more and up to seven (7) years.

The CPs bears no profit payment and will be issued at a discount. The MTNs profit is payable semi annually in arrears and shall commence six (6) months from the date of issue of the Islamic MTN.

## 23. ISLAMIC COMMERCIAL PAPERS/MEDIUM TERM NOTES ("CP/MTN") (CONT'D)

The terms of the CP/MTN contain various covenants, including the following:

(i) The Company must maintain a Finance Service Reserve Account ("FSRA") at any time during the tenure of the CP/MTN which is equivalent to the minimum required balance as follows:

(a) in respect of CP which are maturing within the next one month and are not capable of being refinanced via new issue of CP;

(b) in respect of MTN which the profit payment due in the next 6 months commencing from the issuance date; and

(c) an amount equivalent to 50% and 100% of the principal amount due not later than 3 months and 1 month respectively from the respective due dates.

(ii) The Company must maintain a Maintenance Reserve Account ("MRA") for an amount equivalent to 50% of the principal amount no later than three (3) months prior to the respective due dates and an amount equivalent to 100% of the principal amount due no later than one (1) month from the respective due dates.

The terms of the Trust Deed prescribe that in the event of default, the outstanding amount of the CP/MTN and the profit element next due will become immediately due and payable.

As at 31 December 2007, the Company has not utilised the Islamic MTN.

## 24. CONVERTIBLE REDEEMABLE DEBT SECURITIES ("CRDS")

| | 3% CRDS A RM'000 | 3% CRDS B RM'000 | Total RM'000 |
|---|---|---|---|
| **GROUP** | | | |
| **Liability component of CRDS** | | | |
| At 1 January 2006 | 45,994 | 2,798 | 48,792 |
| Accredited during the financial year | 5,245 | 102 | 5,347 |
| At 31 December 2006 | 51,239 | 2,900 | 54,139 |
| Arising from share swap | - | (3,193) | (3,193) |
| Accredited during the financial year | 4,137 | 298 | 4,435 |
| At 31 December 2007 | 55,376 | 5 | 55,381 |

In 2004, WCT Land Berhad ("WCTL") issued RM132,000,000 nominal value of 5-year 3% CRDS comprising RM120,000,000 nominal value of CRDS A and RM12,000,000 nominal value of CRDS B to the Company as part settlement of the debt due to the Company.

## 24. CONVERTIBLE REDEEMABLE DEBT SECURITIES ("CRDS") (CONT'D)

RM12,000,000 nominal value of CRDS B was utilised by the Company for the settlement of the debts owing to the creditors of Bescorp Industries Berhad ("BIB") through the Special Administrators or Creditors' Agent. In conjunction with the settlement of the debts owing to the creditors of BIB, the Company granted the Special Administrators and/or the Creditors' Agent, a swap option to enable the Special Administrators and/or the Creditors' Agent to exchange the CRDS B held by them, wholly or partially, for the WCTL Shares held by the Company on a swap ratio of every RM1.00 nominal value of CRDS B for 2 WCTL Shares. As at 31 December 2004, the Special Administrators and/or the Creditors' Agent had exercised the swap option to exchange 8,802,360 CRDS B for 17,604,720 WCTL Shares.

The CRDS A and CRDS B of the Group have been split between the liability component and equity component attributable to the minority interest based on the effective yield basis by applying the coupon interest rate of 7% for an equivalent non-convertible debt securities.

The CRDS is subject to certain financial covenant which if defaulted would make the full amount due together with accrued interest be immediately due and payable. The CRDS will expire on 1 August 2009.

On 30 November 2007, the Company announced the privatisation of WCTL. Consequent to the privatisation, on 30 January 2008 and 4 February 2008, all the CRDS A and CRDS B were either converted to new ordinary shares or redeemed.

The salient terms of CRDS A and CRDS B are as follows:

**CRDS A**

(a) CRDS A will be issued in registered form and denominated in multiples of RM1.00.

(b) CRDS A will have a tenure of 5 years from and including the date of issuance.

(c) CRDS A bears interest at 3% (gross) per annum payable semi-annually in arrears from the date of issuance.

(d) WCTL has the option to exercise an early redemption of the CRDS A (in part or in whole) on a date falling 3.5 years from the issue date ("Early Redemption Option"). CRDS A shall be redeemed at 100% of the nominal value of RM1.00 each.

(e) Unless CRDS A are redeemed or converted pursuant to an Early Redemption Option, the coupon of 3% per annum will be payable to CRDS A holders until the maturity date.

(f) In the event WCTL exercises the Early Redemption Option, the coupon of 3% per annum will be payable to all CRDS A holders (inclusive of the WCTL CRDS A holders who wish to convert CRDS A held) until the Early Redemption Date.

(g) Conversion of CRDS A is at par. Every RM1.00 nominal value of CRDS A is convertible into 2 new WCTL Shares.

(h) Unless previously redeemed or converted pursuant to the Early Redemption Option, CRDS A may only be converted on the maturity date. All outstanding CRDS A (excluding CRDS A to be converted on the maturity date) will be automatically redeemed at par.

(i) The CRDS A was listed on Bursa Securities on 2 December 2004.

**CRDS B**

The salient terms of CRDS B are similar to CRDS A except for the following:

(a) CRDS B which have been converted on a date prior to the coupon payment date would not be entitled to any coupon/ interest payments accrued from the last coupon payment date till the date of conversion.

## 24. CONVERTIBLE REDEEMABLE DEBT SECURITIES ("CRDS") (CONT'D)

**CRDS B (cont'd)**

(b) WCTL has the option to exercise an early redemption of the WCTL CRDS B (in whole) on the date falling 3.5 years from the issue date. CRDS B shall be redeemed at 100% of the nominal value of RM1.00 each.

(c) Unless previously redeemed or converted CRDS B may be converted by the holders at any time from the issue date. All outstanding CRDS B (excluding CRDS B to be converted on the maturity date) will be automatically redeemed at par.

(d) CRDS B is not listed on Bursa Securities.

## 25. BAI BITHAMAN AJIL ISLAMIC DEBT SECURITIES ("BAIDS")

| | GROUP/COMPANY | |
|---|---|---|
| | 2007<br>RM'000 | 2006<br>RM'000 |
| The BAIDS are repayable as follows: | | |
| Later than 2 years and not later than 5 years | 100,000 | 60,000 |
| Later than 5 years | - | 40,000 |
| | 100,000 | 100,000 |

The BAIDS are constituted by a Trust Deed dated 11 August 2005 made by the Company and the Trustee for the holders of the BAIDS.

The Company issued RM100 million of BAIDS on 29 August 2005. The BAIDS are negotiable non-interest bearing secured Primary Bonds together with non-detachable Secondary Bonds. The Primary Bonds were issued in 3 series, with maturities commencing from 2010 to 2012.

Each series of the BAIDS is divided into a specific number of Primary Bonds on face value of RM1,000 each to which shall be attached an appropriate number of Secondary Bonds, the face value of which represents the semi-annual profit of the bonds. The Secondary Bonds are redeemable every six months commencing six months after the issue date. The face value of the Secondary Bonds are computed based on the profit rates specified for each series of the Primary Bonds, i.e. from 6.30% to 6.90% per annum.

The terms of the BAIDS contain various covenants, including the following:

(i) The Company must maintain a Finance Service Reserve Account ("FSRA") at any time during the tenure of the BAIDS which has a minimum balance equivalent to the next 6 months' finance service due under the BAIDS. The amount therein may be withdrawn to meet any payment under the BAIDS, provided always that the Company shall transfer monies into such account within 14 days from such withdrawal to maintain the minimum balance described above; and

(ii) The Company must maintain a Maintenance Reserve Account ("MRA") for an amount equivalent to 50% of the principal amount no later than three (3) months prior to the respective due dates and an amount equivalent to 100% of the principal amount due no later than one (1) month from the respective due dates.

The terms of the Trust Deed prescribed that in the event of default, the outstanding amount of the Primary Bonds and the profit element next due will become immediately due and payable.

## 26. SHARE CAPITAL

| | GROUP AND COMPANY | | | |
|---|---|---|---|---|
| | Number of Ordinary Shares of RM1 Each | | Amount | |
| | 2007 '000 | 2006 '000 | 2007 RM'000 | 2006 RM'000 |
| **Authorised:** | | | | |
| At 1 January | 500,000 | 500,000 | 500,000 | 500,000 |
| Created during the year | 200,000 | - | 200,000 | - |
| At 31 December | 700,000 | 500,000 | 700,000 | 500,000 |
| **Issued and fully paid:** | | | | |
| At 1 January | 214,250 | 212,606 | 214,250 | 212,606 |
| Share options exercised | 15,119 | 1,644 | 15,119 | 1,644 |
| Bonus issue | 75,698 | - | 75,698 | - |
| Conversion of ICPS (Note 27) | 33,899 | - | 33,899 | - |
| At 31 December | 338,966 | 214,250 | 338,966 | 214,250 |

The Company increased its authorised share capital to RM800,000,000 comprising 700,000,000 ordinary shares of RM1.00 each and 1,000,000,000 preference shares of RM0.10 each (Note 27) by the creation of an additional 200,000,000 ordinary shares of RM1.00 each and 1,000,000,000 preference shares of RM0.10 each respectively.

### (a) Issue of shares

During the year, the Company increased its issued and paid-up ordinary share capital from RM214,249,507 to RM338,966,148 by way of:

(i) Issuance of 15,119,118 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Options Scheme at exercise price ranging from RM1.45 to RM6.57 per ordinary share;

(ii) Allotment of 75,698,635 ordinary shares of RM1.00 each on 10 July 2007 credited as fully paid pursuant to the bonus issue on the basis of one (1) new ordinary share for every three (3) existing ordinary shares held in the Company. The bonus issue was undertaken through the capitalisation of RM25,000,000 and RM50,698,635 from share premium account and retained profits respectively; and

(iii) Issuance of 33,898,888 ordinary shares of RM1.00 each for cash pursuant to the conversion of ICPS of RM0.10 which was satisfied by surrendering 10 ICPS for each new ordinary share.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares.

## 26. SHARE CAPITAL (CONT'D)

### (b) Employee Share Options Scheme ("ESOS")

The Company's ESOS is governed by the By-Laws which was approved by the shareholders at the Extraordinary General Meeting held on 13 March 2002.

The proposed amendments to the By-Laws of existing ESOS was approved by the shareholders at the Extraordinary General Meeting held on 19 October 2005.

The main salient features of the ESOS are as follows:-

(i) Subject to the ESOS By-Laws, the maximum number of options granted under the ESOS shall not exceed 15% of the total issued and paid-up share capital comprising ordinary shares of the Company at any time throughout the duration of the scheme which shall be in force for a period of ten years commencing from 12 April 2002 ("ESOS Option Period").

(ii) Any employee (including Directors) of the Group shall be eligible to participate in the ESOS if, as at the date of the ESOS offer, the employee:

(aa) has attained the age of 18 years;

(bb) is employed by and on the payroll of a company within the Group; and

(cc) has been in the employment of the Group for a period of at least one year of continuous service prior to and up to the offer date, including service during the probation period, and is confirmed in service.

The Options Committee may with its power under the ESOS By-Laws, nominate any employee (including Executive Directors) of the Group to be an Eligible Employee notwithstanding that the eligibility criteria as stated in (b) (ii) (cc) above is not met.

Subject to the fulfillment of additional eligibility criteria under the ESOS By-Laws, no employee shall participate at anytime in more than one (1) employee share options scheme implemented by any company within the Group.

(iii) Not more than 50% of the Options available under the ESOS shall be allocated, in aggregate, to Directors and Senior Management of the Group.

(iv) Not more than 10% of the Options available under the ESOS shall be allocated, to any individual Directors or eligible employees who, either individually or collectively through persons connected with the Directors or employee, holds 20% or more in the issued and paid-up share capital of the Company.

(v) The option price for subscription of each share shall be at a discount of not more than 10% from the weighted average market price of the Company's shares traded on Bursa Malaysia Securities Berhad for the five market days preceding the date of offer, or the par value of the shares of the Company of RM1.00, whichever is the higher.

(vi) Subject to any adjustments that may be made under the ESOS By-Laws, no options shall be granted for less than 1,000 shares of the Company but not more than the maximum allowable allotment as set out in the ESOS By-Laws.

## 26. SHARE CAPITAL (CONT'D)

### (b) Employee Share Options Scheme ("ESOS") (cont'd)

(vii) Subject to the ESOS By-Laws, the Options Committee may with its power under the ESOS By-Laws, at any time and from time to time, before or after an ESOS Option is granted, limit the exercise of the ESOS Option to a maximum number of new shares of the Company and/or such percentage of the total new shares of the Company comprised in the ESOS Option during such periods within the ESOS Option Period and impose any other terms and/or conditions deemed appropriate by the Options Committee in its sole discretion including amending/varying any terms and conditions imposed earlier.

(viii) An ESOS offer may be made upon such terms and conditions as the Options Committee may decide from time to time. Each ESOS offer shall be made in writing and is personal to the eligible employees and cannot be assigned, transferred, encumbered or otherwise disposed of in any manner whatsoever.

(ix) Subject to the ESOS By-Laws, an ESOS Option can be exercised by the Grantee, by notice in writing to the Company in the form prescribed by the Options Committee during the ESOS Option Period in respect of all or any part of the new shares in the ESOS Option.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the financial year:

| | | Number of Share Options | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | * Exercise Price RM | Outstanding at 1 January '000 | ← Movement During the Year → Granted '000 | Exercised '000 | Forfeited '000 | *Adjustment '000 | Outstanding at 31 December '000 | Exercisable at 31 December '000 |
| **2007** | | | | | | | | |
| 12 April 2002 | 2.48 | 9,173 | - | (8,509) | (22) | 478 | 1,120 | 637 |
| 30 June 2004 | 2.50 | 1,751 | - | (1,561) | (18) | 204 | 376 | 108 |
| 13 June 2005 | 1.45 | 5,266 | - | (2,931) | (98) | 865 | 3,102 | 401 |
| 6 March 2006 | 1.76 | 2,190 | - | (1,056) | (42) | 437 | 1,529 | 143 |
| 6 March 2007 | 3.46 | - | 2,770 | (950) | (126) | 805 | 2,499 | 357 |
| 11 June 2007 | 4.93 | - | 560 | (112) | - | 149 | 597 | 30 |
| | | 18,380 | 3,330 | (15,119) | (306) | 2,938 | 9,223 | 1,676 |
| WAEP | | 2.80 | 4.94 | 2.95 | 2.59 | (0.82) | 2.44 | 2.42 |
| **2006** | | | | | | | | |
| 12 April 2002 | 3.30 | 9,582 | - | (324) | (85) | - | 9,173 | 8,013 |
| 30 June 2004 | 3.33 | 1,963 | - | (40) | (172) | - | 1,751 | 1,113 |
| 13 June 2005 | 1.93 | 6,469 | - | (1,103) | (100) | - | 5,266 | 1,595 |
| 6 March 2006 | 2.35 | - | 2,405 | (177) | (38) | - | 2,190 | 399 |
| | | 18,014 | 2,405 | (1,644) | (395) | - | 18,380 | 11,120 |
| WAEP | | 2.81 | 2.35 | 2.28 | 2.88 | - | 2.80 | 3.07 |

* Adjustments were made to the outstanding unexercised options on 9 July 2007 following the bonus issue of one (1) new ordinary share for every three (3) existing ordinary shares held.

## 26. SHARE CAPITAL (CONT'D)

### (b) Employee Share Options Scheme ("ESOS") (cont'd)

#### (i) Details of share options outstanding at the end of the financial year:

| | WAEP RM | Exercised Period |
|---|---|---|
| **2007** | | |
| **Date Granted** | | |
| 12 April 2002 | 2.48 | 12.04.2002 - 11.04.2012 |
| 30 June 2004 | 2.50 | 30.06.2004 - 11.04.2012 |
| 13 June 2005 | 1.45 | 13.06.2005 - 11.04.2012 |
| 6 March 2006 | 1.77 | 06.03.2006 - 11.04.2012 |
| 6 March 2007 | 3.46 | 06.03.2007 - 11.04.2012 |
| 11 June 2007 | 4.93 | 11.06.2007 - 11.04.2012 |
| **2006** | | |
| **Date Granted** | | |
| 12 April 2002 | 3.30 | 12.04.2002 - 11.04.2012 |
| 30 June 2004 | 3.33 | 30.06.2004 - 11.04.2012 |
| 13 June 2005 | 1.93 | 13.06.2005 - 11.04.2012 |
| 6 March 2006 | 2.35 | 06.03.2006 - 11.04.2012 |

At 31 December 2007, there are 1,675,992 options exercisable at the WAEP at RM2.42. The exercise period is from 12 April 2002 to 11 April 2012. The remaining 7,546,902 options will vest from 1 January 2008 to 11 April 2012 as follows:

| Vested in the financial year | Number of options |
|---|---|
| 31 December 2008 | 3,020,351 |
| 31 December 2009 | 1,938,909 |
| 31 December 2010 | 1,256,992 |
| 31 December 2011 | 1,025,653 |
| 31 December 2012 | 304,997 |
| | 7,546,902 |

#### (ii) Share options exercised during the financial year

As disclosed in (a), options exercised during the financial year resulted in the issuance of 15,119,118 (2006: 1,644,000) ordinary shares at an exercise price of between RM1.45 to RM6.57 (2006: RM1.93 to RM3.33) each. The related weighted average share price at the date of exercise was RM4.80 (2006: RM3.66).

## 26. SHARE CAPITAL (CONT'D)

### (b) Employee Share Options Scheme ("ESOS") (cont'd)

#### (iii) Fair value of share options granted during the financial year

The fair value of share options granted during the year was estimated using a binomial model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

| | 11 June 2007 | 6 March 2007 | 6 March 2006 | 13 June 2005 |
|---|---|---|---|---|
| Fair value of share options granted (RM) | 3.42 | 1.90 | 2.79 | 2.14 |
| Weighted average share price (RM) | 5.55 | 3.68 | 3.17 | 3.43 |
| Weighted average exercise price (RM) | 4.93 | 3.46 | 2.35 | 1.93 |
| Expected volatility (%) | 52.51% | 52.51% | 24.86% | 24.86% |
| Expected life (years) | 4.84 | 5.10 | 6.10 | 6.82 |
| Risk free rate (%) | 3.37% | 3.44% | 3.67% | 3.87% |
| Expected dividend yield (%) | 1.47% | 3.50% | 3.80% | 4.92% |

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the option was incorporated into the measurement of fair value.

## 27. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

| | GROUP/COMPANY | |
|---|---|---|
| | Number of Preference Shares of RM0.10 Each '000 | Amount RM'000 |
| **Authorised:** | | |
| At 1 January 2007 | - | - |
| Created during the year | 1,000,000 | 100,000 |
| At 31 December 2007 | 1,000,000 | 100,000 |
| **Issued and fully paid:** | | |
| At 1 January 2007 | - | - |
| Issued during the year | 504,658 | 50,466 |
| Converted to ordinary shares (Note 26) | (338,989) | (33,899) |
| At 31 December 2007 | 165,669 | 16,567 |

## 27. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS") (CONT'D)

A total of 504,657,950 five (5)-year 13.5% non-cumulative ICPS of RM0.10 each at an issue price of RM0.30 per ICPS have been issued and listed on Bursa Securities on 9 August 2007.

The main features of the ICPS are as follows:

(a) ICPS will be issued in registered form and denominated in multiples of RM0.10;

(b) ICPS will have a tenure of 5 years commencing from and inclusive of the date of issue;

(c) ICPS carry non-cumulative preferential dividend rate of 13.5% per annum calculated based on the nominal value of RM0.10 per ICPS. Payment of dividend is at the option of the Company;

(d) ICPS dividend is payable on the market day immediately before the ICPS anniversary date and if such anniversary date falls on a date which is not a market day, then the next market day. Market day is defined as any day on which Bursa Securities are open for trading of securities.

(e) The registered holder of the ICPS has the right to convert the ICPS at the conversion price into new ordinary shares of the Company at any time from the date of listing up to and including the maturity date of the ICPS.

(f) The conversion price shall be satisfied by surrendering ten (10) ICPS for each new ordinary shares of the Company.

(g) The ICPS are unsecured and shall rank pari passu amongst all ICPS in all respects and without discrimination or preference. The ICPS shall rank in priority to the ordinary shares of the Company in the event of the winding up/liquidation of the Company of which each ICPS confers upon its holders upon a winding up/liquidation:

    (i) the right to payment in cash of the capital then paid up on it, in priority to any other class of shares in the capital of the Company; and

    (ii) the right (in priority to payment of any dividend to any other class of shares in the capital of the Company) to any declared and unpaid dividend in respect of the ICPS prior to the issue of a court order to wind up the Company.

(h) ICPS shall carry no right to vote at any general meeting of the Company except for the following matters:

    (i) reducing the Company's share capital;

    (ii) winding up the Company or during the winding up of the Company; or

    (iii) sanctioning a disposal of the whole of the Company's property, business and undertaking; or

    (iv) where any resolution to be submitted to the meeting directly affects their rights and privileges; or

    (v) when the dividend or part of the dividend on the ICPS is in arrears for more than six (6) months.

(i) Not redeemable for cash. Unless previously converted, all ICPS will be mandatorily converted by the Company into new ordinary shares of the Company at the conversion price on the Maturity Date of the ICPS.

(j) The new ordinary shares to be issued upon conversion of the ICPS will upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of the Company.

The Directors do not recommend any payment of dividend on the ICPS in respect of the current financial year.

## 28. SHARE PREMIUM

| | GROUP/COMPANY | |
|---|---|---|
| | 2007 | 2006 |
| | RM'000 | RM'000 |
| **Non-distributable** | | |
| At 1 January | 32,848 | 30,280 |
| Arising from share options exercised | 29,479 | 2,103 |
| Arising from issuance of ICPS | 100,932 | - |
| Bonus issue | (25,000) | - |
| Transfer within reserve arising from ESOS exercised | 2,683 | 465 |
| At 31 December | 140,942 | 32,848 |

## 29. RESERVES

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **Non-distributable** | | | | | |
| Revaluation reserve | (a) | 861 | 861 | 861 | 861 |
| Other reserve | (b) | 750 | 1,454 | - | - |
| Capital reserve | (c) | 2,846 | 1,400 | - | - |
| Equity compensation reserve | (d) | 1,365 | 1,295 | 1,365 | 1,295 |
| Exchange reserve | (e) | (27,156) | (15,394) | - | - |
| | | (21,334) | (10,384) | 2,226 | 2,156 |
| **Distributable** | | | | | |
| General reserve | (f) | 2,616 | 1,493 | - | - |
| Retained profits | (g) | 411,045 | 354,864 | 104,452 | 101,695 |
| | | 413,661 | 356,357 | 104,452 | 101,695 |
| | | 392,327 | 345,973 | 106,678 | 103,851 |

The nature and purpose of each category of reserves are as follows:

(a) Revaluation reserve

The revaluation reserve of the Group and of the Company is used to record changes in fair values of certain freehold land and buildings.

**29. RESERVES (CONT'D)**

(b) Other reserve

Other reserve relates to the fair value adjustment on the Group's 50% interest in Labur Bina Sdn. Bhd. ("LBSB") arising from the Group's post acquisition investment in LBSB.

The reserve is recognised directly to retained profit in proportion of the sales value of development properties sold over the expected sales of the development of the subsidiary acquired.

(c) Capital reserve

Capital reserve of the Group arose from bonus issue of subsidiaries.

(d) Equity compensation reserve

The equity compensation reserve of the Group and of the Company represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

(e) Exchange reserve

The exchange reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(f) General reserve

(i) Under the provisions of the Bahrain Commercial Companies Law, a statutory reserve equivalent to 10% of the subsidiary's net profit before appropriations is required to be transferred to a non-distributable reserve account until no less than 50% of the share capital.

(ii) Under the provisions of the India Companies Act, 1956, a statutory reserve equivalent to a certain percentage of the subsidiary's net profit before appropriation is required to be transferred to a non-distributable reserve account before any dividend can be declared or paid.

| ***Proposed Dividend*** | ***Amount to be transferred to Statutory Reserve*** |
|---|---|
| ~ Exceeds 10% but less than 12.5% of paid up capital | Not less than 2.5% of current profits |
| ~ Exceeds 12.5% but less than 15% of paid up capital | Not less than 5% of current profits |
| ~ Exceeds 15% but less than 20% of paid up capital | Not less than 7.5% of current profits |
| ~ Exceeds 20% of paid up capital | Not less than 10% of current profits |

## 29. RESERVES (CONT'D)

(g) Retained profits

Prior to 1 January 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there will be a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company can utilise the credit in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2007.

## 30. MINORITY INTERESTS

| | GROUP | |
|---|---|---|
| | **2007 RM'000** | **2006 RM'000** |
| At 1 January | 163,102 | 102,367 |
| Share of profit for the financial year | 81,264 | 27,124 |
| Arising from acquisition of subsidiaries | - | 38,448 |
| Dividends paid to minority shareholders | (3,360) | (3,071) |
| Arising from dilution of subsidiaries | 39,657 | 9 |
| Arising from share options granted under ESOS of a subsidiary | 1,164 | 621 |
| Effect of adopting FRS 140 | - | (261) |
| Exchange differences | (2,797) | (2,135) |
| At 31 December | 279,030 | 163,102 |

## 31. LONG TERM PAYABLES

| | GROUP | |
|---|---|---|
| | **2007 RM'000** | **2006 RM'000** |
| Acquisition of land (Note a) | - | 8,500 |
| Employees' terminal benefits (Note b) | - | 578 |
| | - | 9,078 |

## 31. LONG TERM PAYABLES (CONT'D)

(a) The amount payable was in respect of the purchase of land by a subsidiary, Camellia Tropicana Sdn. Bhd. and is secured by way of bank guarantees of RM8,500,000 and was fully repaid during the financial year.

(b) The expatriate employees of a foreign subsidiary are paid indemnity upon leaving the foreign subsidiary in accordance with the provisions of the Bahrain Labour Law. The Group accrues for its liability in this respect on an annual basis.

## 32. DEFERRED TAXATION

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| At 1 January | 1,852 | 1,966 | (194) | (185) |
| Effect of adopting FRS 140 | - | (31) | - | - |
| Recognised in the income statement (Note 38) | (3,952) | (83) | (1,149) | (9) |
| At 31 December | (2,100) | 1,852 | (1,343) | (194) |
| **Presented after appropriate offsetting as follows:** | | | | |
| Deferred tax assets | (7,542) | (5,887) | (1,343) | (194) |
| Deferred tax liabilities | 5,442 | 7,739 | - | - |
| | (2,100) | 1,852 | (1,343) | (194) |

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

**Deferred tax liabilities of the Group:**

| | CRDS RM'000 | Development properties and inventory RM'000 | Revaluation of freehold land RM'000 | Accelerated capital allowances RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| At 1 January 2006 | 2,225 | 5,779 | 198 | (224) | 7,978 |
| Recognised in the income statement | (475) | - | (60) | 1,435 | 900 |
| Effect of adopting FRS 140 | - | - | (31) | - | (31) |
| At 31 December 2006 | 1,750 | 5,779 | 107 | 1,211 | 8,847 |
| Recognised in the income statement | (442) | - | - | (196) | (638) |
| At 31 December 2007 | 1,308 | 5,779 | 107 | 1,015 | 8,209 |

## 32. DEFERRED TAXATION (CONT'D)

**Deferred tax assets of the Group:**

| | Property, plant and equipment RM'000 | Interest capitalised RM'000 | Land held for property development and property development costs RM'000 | Provision for foreseeable losses RM'000 | Other payables RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| At 1 January 2006 | - | 54 | (5,005) | (438) | (623) | (6,012) |
| Recognised in the income statement | (301) | (1,361) | 189 | 403 | 87 | (983) |
| At 31 December 2006 | (301) | (1,307) | (4,816) | (35) | (536) | (6,995) |
| Recognised in the income statement | (1,544) | 643 | (48) | (105) | (2,260) | (3,314) |
| At 31 December 2007 | (1,845) | (664) | (4,864) | (140) | (2,796) | (10,309) |

**Deferred tax liabilities of the Company:**

| | Revaluation of freehold land RM'000 | Accelerated capital allowances RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 January 2006 | 60 | (245) | (185) |
| Recognised in the income statement | (60) | 324 | 264 |
| At 31 December 2006 | - | 79 | 79 |
| Recognised in the income statement | - | 101 | 101 |
| At 31 December 2007 | - | 180 | 180 |

**Deferred tax assets of the Company:**

| | Other payables RM'000 |
|---|---|
| At 1 January 2006 | - |
| Recognised in the income statement | (273) |
| At 31 December 2006 | (273) |
| Recognised in the income statement | (1,250) |
| At 31 December 2007 | (1,523) |

## 32. DEFERRED TAXATION (CONT'D)

**Deferred tax assets have not been recognised in respect of the following items:**

| | GROUP | |
|---|---|---|
| | 2007 RM'000 | 2006 RM'000 |
| Unutilised tax losses | 105 | 44 |
| Unabsorbed capital allowances | 17 | - |
| | 122 | 44 |
| Potential deferred tax benefit at 26% (2006: 27%) | 32 | 12 |

The availability of the unutilised tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries are subject to no substantial changes in shareholdings of the respective subsidiaries under Section 44(5A) and 5(B) of Income Tax Act, 1967.

## 33. REVENUE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Contract revenue on civil engineering and road construction works (Note 11) | 2,438,185 | 1,117,021 | 358,377 | 120,113 |
| Sale of development properties | 232,182 | 221,227 | - | - |
| Sale of goods | 86,734 | 51,564 | - | - |
| Sale of properties held for sale | 18,995 | 7,771 | - | - |
| Rental income | 5,278 | 2,791 | - | - |
| Car park income | 327 | - | - | - |
| | 2,781,701 | 1,400,374 | 358,377 | 120,113 |

## 34. COST OF SALES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Construction contract costs (Note 11) | 2,236,460 | 992,902 | 330,091 | 87,440 |
| Cost of development properties sold (Note 4(b)) | 139,799 | 141,517 | - | - |
| Cost of goods | 85,768 | 48,933 | - | - |
| Cost of properties held for sale | 11,916 | 5,465 | - | - |
| Cost of services provided | 3,158 | 326 | - | - |
| Cost incurred on car park operation | 30 | - | - | - |
| | 2,477,131 | 1,189,143 | 330,091 | 87,440 |

## 35. OTHER OPERATING INCOME

| | GROUP 2007 RM'000 | GROUP 2006 RM'000 | COMPANY 2007 RM'000 | COMPANY 2006 RM'000 |
|---|---|---|---|---|
| Interest | 17,909 | 13,610 | 7,394 | 5,812 |
| Rental | 1,134 | 745 | - | - |
| Dividend from subsidiaries | - | - | 113,580 | 25,030 |
| Gain on disposal of property, plant and equipment | 4,122 | 1,209 | 43 | 200 |
| Gain arising from partial disposal of equity in subsidiaries | 823 | - | 19,720 | - |
| Realised gain on foreign exchange | 958 | 1,402 | 198 | 1,080 |
| Unrealised gain on foreign exchange | 18,785 | 1,287 | 16,318 | - |
| Management fees | - | - | 25,078 | 4,861 |
| Fair value gain on investment properties (Note 5) | 17,953 | - | - | - |
| Performance bonus received in respect of progress ahead of the scheduled timetable | 15,725 | - | - | - |
| Sale of scaffolding | 7,489 | - | - | - |
| Negative goodwill | - | 775 | - | - |
| Others | 3,442 | 3,731 | 298 | 1,392 |
| | 88,340 | 22,759 | 182,629 | 38,375 |

## 36. FINANCE COSTS

| | GROUP 2007 RM'000 | GROUP 2006 RM'000 | COMPANY 2007 RM'000 | COMPANY 2006 RM'000 |
|---|---|---|---|---|
| Interest expense | | | | |
| - CRDS | 9,219 | 6,815 | - | - |
| - term loans | 18,622 | 14,609 | 2,661 | 2,925 |
| - revolving credits | 12,189 | 5,758 | - | - |
| - less: amount capitalised under property development costs | (17,532) | (14,052) | - | - |
| - less: amount capitalised under construction contracts | (12,189) | (5,758) | - | - |
| - less: amount capitalised under building-in-progress | (3,113) | - | - | - |
| | 7,196 | 7,372 | 2,661 | 2,925 |
| - profit rates on BAIDS | 6,645 | 6,677 | 6,645 | 6,677 |
| - bank overdrafts | 1,852 | 1,247 | 1,416 | 826 |
| - bankers' acceptances | 1,861 | 591 | - | 118 |
| - revolving credits | 3,182 | 2,034 | 1,084 | 655 |
| - hire purchase | 2,594 | 5,676 | 104 | 36 |
| - others | 3,600 | 3,748 | 607 | - |
| | 26,930 | 27,345 | 12,517 | 11,237 |

## 37. PROFIT BEFORE TAXATION

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| (a) The following amounts have been included in arriving at profit before taxation: | | | | |
| Auditors' remuneration | | | | |
| - statutory | 282 | 320 | 45 | 40 |
| - underprovision in prior years | (8) | 9 | 5 | - |
| - special | 350 | - | 350 | - |
| - others | 8 | 13 | 8 | 8 |
| Depreciation of property, plant and equipment | 6,864 | 5,032 | 748 | 417 |
| Bad debts written off | - | 2 | - | - |
| Provision for doubtful debts | | | | |
| - third parties | 2,580 | 114 | - | - |
| - jointly controlled entities | - | - | 23,477 | 10,073 |
| Loss on disposal of property, plant and equipment | - | 3,643 | - | - |
| Property, plant and equipment written off | - | 13 | - | - |
| Downward revaluation of property, plant and equipment | 450 | 355 | - | 155 |
| Write down in value of property stocks | 3,173 | 396 | 2,186 | - |
| Impairment loss on | | | | |
| - other investment | 2,025 | 900 | 2,025 | 900 |
| - capital contribution on joint ventures | - | - | - | 6,240 |
| Realised loss on foreign exchange | 1,435 | 10 | 351 | 10 |
| Unrealised loss on foreign exchange | 27,502 | 3,008 | 27,264 | 1,059 |
| Reversal of provision for diminution in value of investment in CRDS A | - | - | - | (2,975) |
| Direct expenses (including repair and maintenance) attributable to | | | | |
| - income generating investment properties | 3,039 | - | - | - |
| - non-income generating investment properties | 149 | 326 | - | - |
| Pre-operating expenses written off | 27 | - | - | - |
| Provision for foreseeable losses for contract work in progress | 29,952 | - | - | - |
| Management fees | 322 | 323 | - | - |
| Project management fees | 895 | 13,257 | - | - |
| Provision for building maintenance | 107 | 130 | - | - |
| Reversal of provision for foreseeable losses for (Note 4(b)): | | | | |
| - development properties | (30) | (64) | - | - |
| - contract work in progress | - | (8,006) | - | - |

## 37. PROFIT BEFORE TAXATION (CONT'D)

| | GROUP 2007 RM'000 | GROUP 2006 RM'000 | COMPANY 2007 RM'000 | COMPANY 2006 RM'000 |
|---|---|---|---|---|
| (b) Employee benefits expense | | | | |
| Staff costs (excluding Directors) | | | | |
| - wages and salaries | | | | |
| - direct | 125,660 | 54,596 | 1,523 | 1,438 |
| - seconded | 13,341 | 17,638 | - | - |
| Social security costs | 1,083 | 189 | 12 | 11 |
| Employees' Provident Fund | 2,382 | 2,318 | 654 | 566 |
| Bonus and ex-gratia | 2,669 | 2,674 | 791 | 711 |
| ESOS expenses | 3,917 | 1,522 | 1,438 | 554 |
| Other staff related expenses | 22,574 | 6,732 | 1,043 | 1,156 |
| | 171,626 | 85,669 | 5,461 | 4,436 |
| (c) Directors' remuneration | | | | |
| In respect of Company's Directors: | | | | |
| *Executive* | | | | |
| Salaries and other emoluments | 2,931 | 2,700 | 2,931 | 2,700 |
| Fees | 132 | 126 | 72 | 66 |
| Bonus | 740 | 529 | 740 | 529 |
| Employees' Provident Fund | 440 | 379 | 440 | 379 |
| Prequisite ESOS | 1,552 | - | 1,552 | - |
| Benefits-in-kind | 223 | 172 | 223 | 172 |
| | 6,018 | 3,906 | 5,958 | 3,846 |
| *Non-executive* | | | | |
| Salaries and other emoluments | 428 | 760 | 8 | 7 |
| Fees | 204 | 204 | 192 | 192 |
| Bonus | 105 | 88 | - | - |
| Employees' Provident Fund | 63 | 61 | - | - |
| Prequisite ESOS | 246 | - | 214 | - |
| Benefits-in-kind | 62 | 52 | 30 | 21 |
| | 1,108 | 1,165 | 444 | 220 |
| Total | 7,126 | 5,071 | 6,402 | 4,066 |

Included in non-executive Directors' emoluments are emoluments paid to an executive Director of a subsidiary who is a non-executive Director of the Company.

## 37. PROFIT BEFORE TAXATION (CONT'D)

| | GROUP | |
|---|---|---|
| | 2007 RM'000 | 2006 RM'000 |
| (c) Directors' remuneration (cont'd) | | |
| In In respect of subsidiaries' directors: | | |
| *Executive* | | |
| Salaries and other emoluments | 1,710 | 1,001 |
| Fees | 60 | 48 |
| Bonus | 269 | 137 |
| Employees' Provident Fund | 237 | 136 |
| Prequisite ESOS | 560 | - |
| Benefits-in-kind | 97 | 49 |
| | 2,933 | 1,371 |
| *Non-executive* | | |
| Fees | 8 | 12 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Analysis of Company's Directors' remuneration excluding benefits-in-kind: | | | | |
| Executive Directors' remuneration | 4,843 | 4,648 | 4,183 | 3,674 |
| Non-executive Directors' remuneration | 200 | 199 | 200 | 199 |
| Total Directors' remuneration | 5,043 | 4,847 | 4,383 | 3,873 |

## 37. PROFIT BEFORE TAXATION (CONT'D)

(c) Directors' remuneration (cont'd)

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | Executive Directors | Non-executive Directors | Executive Directors | Non-executive Directors |
| **31 December 2007** | | | | |
| RM50,001 - RM100,000 | - | 2 | - | 2 |
| RM100,001 - RM150,000 | - | - | - | 1 |
| RM150,001 - RM200,000 | - | 1 | - | 1 |
| RM650,001 - RM700,000 | 1 | - | 1 | - |
| RM700,001 - RM750,000 | - | 1 | - | - |
| RM750,001 - RM800,000 | 1 | - | 1 | - |
| RM800,001 - RM850,000 | 1 | - | 1 | - |
| RM900,001 - RM950,000 | 1 | - | 1 | - |
| RM1,150,001 - RM1,200,000 | 1 | - | 1 | - |
| RM1,300,001 - RM1,350,000 | - | - | 1 | - |
| RM1,400,001 - RM1,450,000 | 1 | - | - | - |
| | 6 | 4 | 6 | 4 |
| **31 December 2006** | | | | |
| RM0 - RM50,000 | - | 2 | - | 2 |
| RM100,001 - RM150,000 | - | 1 | - | 2 |
| RM350,001 - RM400,000 | 2 | - | 2 | - |
| RM550,001 - RM600,000 | 2 | - | 2 | - |
| RM750,001 - RM800,000 | 1 | - | 1 | - |
| RM900,001 - RM950,000 | - | 1 | - | - |
| RM950,001 - RM1,000,000 | - | - | 1 | - |
| RM1,000,001 - RM1,050,000 | 1 | - | - | - |
| | 6 | 4 | 6 | 4 |

## 38. TAXATION

| | GROUP 2007 RM'000 | GROUP 2006 RM'000 | COMPANY 2007 RM'000 | COMPANY 2006 RM'000 |
|---|---|---|---|---|
| Tax expense for the year: | | | | |
| Malaysian income tax | 60,605 | 37,604 | 41,046 | 11,346 |
| Foreign tax | 45 | 221 | - | - |
| | 60,650 | 37,825 | 41,046 | 11,346 |
| Overprovided in prior years: | | | | |
| Malaysian income tax | (2,294) | (3,134) | (1,622) | (2,860) |
| | 58,356 | 34,691 | 39,424 | 8,486 |
| Deferred taxation (Note 32) | | | | |
| Relating to origination and reversal of temporary differences | (5,528) | (401) | (124) | (48) |
| Relating to changes in tax rates | (4) | (24) | 99 | 7 |
| Under/(over) provided in prior years | 1,580 | 342 | (1,124) | 32 |
| | (3,952) | (83) | (1,149) | (9) |
| | 54,404 | 34,608 | 38,275 | 8,477 |

Domestic current income tax is calculated at the statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the financial year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% in subsequent years of assessment. The computation of deferred tax as at 31 December 2007 has reflected these changes.

The corporate tax for year of assessment 2007/2006 for subsidiary companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for the said year of assessment are as follows:

| Chargeable income | Rate 2007 | Rate 2006 |
|---|---|---|
| First RM500,000 | 20% | 20% |
| Amount exceeding RM500,000 (2006: RM500,000) | 27% | 28% |

Taxation expenses for other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

## 38. TAXATION (CONT'D)

A reconciliation of income tax expenses applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company respectively are as follows:

| | 2007 RM'000 | 2006 RM'000 |
|---|---|---|
| **GROUP** | | |
| Profit before taxation | 283,530 | 149,812 |
| Taxation at Malaysian statutory tax rate of 27% (2006: 28%) | 76,553 | 41,947 |
| Effect of changes in tax rate on opening tax rates on opening balance of deferred tax | (182) | (24) |
| Effect of different tax rates in other countries | (50) | (5,181) |
| Effect of zero tax rates in foreign countries | (33,427) | (8,806) |
| Effect of different tax rates for small and medium scale companies | (140) | (161) |
| Effect of share of results of associates | (2,647) | (1,190) |
| Income not subject to tax | (2,245) | (514) |
| Expenses not deductible for tax purposes | 17,233 | 16,439 |
| Deferred tax assets recognised during the year | - | (1,554) |
| Utilisation of previously unrecognised deferred tax asset | - | (189) |
| Deferred tax assets not recognised during the year | 23 | - |
| Underprovision of deferred tax in prior years | 1,580 | 342 |
| Overprovision of income tax in prior years | (2,294) | (3,134) |
| Utilisation of previously unrecognised tax losses and unabsorbed capital allowances | - | (3,367) |
| Tax expense for the financial year | 54,404 | 34,608 |

| | 2007 RM'000 | 2006 RM'000 |
|---|---|---|
| **COMPANY** | | |
| Profit before taxation | 125,161 | 33,467 |
| Taxation at Malaysian statutory tax rate of 27% (2006: 28%) | 33,793 | 9,371 |
| Deferred tax recognised at different tax rates | 99 | (7) |
| Income not subject to tax | (2,335) | - |
| Expenses not deductible for tax purposes | 9,464 | 5,308 |
| Utilisation of previously unrecognised tax losses and unabsorbed capital allowances | - | (3,367) |
| (Over)/underprovision of deferred tax in prior years | (1,124) | 32 |
| Overprovision of income tax in prior years | (1,622) | (2,860) |
| Tax expense for the financial year | 38,275 | 8,477 |

## 39. EARNINGS PER SHARE

### (i) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

| | GROUP 2007 RM'000 | GROUP 2006 RM'000 |
|---|---|---|
| Profit attributable to ordinary equity holders of the Company | 147,862 | 88,080 |
| Weighted average number of ordinary shares in issue | 641,779 | 568,441 |
| Basic earnings per share (sen) | 23.04 | 15.50 |

### (ii) Diluted

For the purpose of calculating diluted earnings per share, the profit for the financial year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of the share options granted to employees.

| | GROUP 2007 RM'000 | GROUP 2006 RM'000 |
|---|---|---|
| Profit attributable to ordinary equity holders of the Company | 147,862 | 88,080 |
| Weighted average number of shares in issue and issuable | 641,779 | 568,441 |
| Effect of dilution: | | |
| Shares options | 17,035 | 7,798 |
| Adjusted weighted average number of ordinary shares in issue and issuable | 658,814 | 576,239 |
| Diluted earnings per share (sen) | 22.44 | 15.29 |

The weighted average number of shares for basic earnings per share of the Group for 2007 has been arrived at based on the assumption that mandatorily convertible instruments are included in the calculation of basic earnings per share from the date of issuance of ICPS.

The weighted average number of shares for basic and diluted earnings per share of the Group for 2007 and 2006 has been arrived at based on the assumptions that the share split involving the subdivision of each existing ordinary shares of RM1.00 each in the Company into two (2) ordinary shares of RM0.50 each in the Company which was completed on 11 February 2008 is included in the calculation of basic and diluted earnings per share.

The comparative basic and fully diluted earnings per share have been restated to take into account of the bonus issue during the financial year.

## 40. DIVIDENDS

| | ← Dividends in respect of Year → | | | Dividends Recognised in Year | |
|---|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2005 RM'000 | 2007 RM'000 | 2006 RM'000 |
| **Recognised during the year:** | | | | | |
| Interim dividend of 7.5 sen per share less 28% tax, on 151,853,077 ordinary shares of RM1.00 each (5.4 sen per ordinary share), paid on 3 October 2005 | - | - | 8,200 | - | - |
| Final dividend of 7.5 sen per share less 28% tax, on 212,984,167 ordinary shares of RM1.00 each (5.4 sen per ordinary share), paid on 15 June 2006 | - | - | 11,501 | - | 11,501 |
| Interim dividend of 7.5 sen per share less 28% tax, on 213,515,907 ordinary shares of RM1.00 each (5.4 sen per ordinary share), paid on 29 September 2006 | - | 11,530 | - | - | 11,530 |
| Final dividend of 7.5 sen per share less 27% tax, on 302,794,542 ordinary shares of RM1.00 each (5.475 sen per ordinary share), paid on 23 July 2007 | - | 16,578 | - | 16,578 | - |
| Interim dividend of 7.5 sen per share less 27% tax, on 307,816,234 ordinary shares of RM1.00 each (5.475 sen per ordinary share), paid on 3 October 2007 | 16,853 | - | - | 16,853 | - |
| **Proposed for approval at AGM (not recognised as at 31 December):** | | | | | |
| Final dividend for 2007: 4.5 sen per share less 26% tax, on 677,932,296 ordinary shares of RM0.50 each (3.33 sen per ordinary share) | 22,575 | - | - | - | - |
| | 39,428 | 28,108 | 19,701 | 33,431 | 23,031 |

## 40. DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2007 of 4.5 sen per share less tax of 26% (3.33 sen net per ordinary share) on 677,932,296 ordinary shares of RM0.50 each amounting to a dividend of RM22,575,146 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2008.

## 41. RELATED PARTY DISCLOSURES

(a) The Group and the Company had the following transactions with related parties during the financial year:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Contract revenue from a subsidiary | - | - | 251 | 1,079 |
| Contract cost payable to a subsidiary | - | - | 340,971 | 110,390 |
| Purchase of property, plant and equipment from an associated company | - | 6,708 | - | - |
| Rent expense payable to a company related to a Director of the Company | 367 | 367 | - | - |
| Disposal of property, plant and equipment to shareholder of jointly controlled entities | - | 742 | - | - |
| Management fee receivable from subsidiaries | - | - | 16,430 | 4,861 |
| Gross dividend receivable from subsidiaries | - | - | 113,580 | 25,030 |
| Advances to jointly controlled entities | - | - | 210,881 | 196,565 |
| Advances to joint venture partner of a jointly controlled entities | 8,006 | 15,427 | 808 | - |
| Advances received from/(repayment to) a minority shareholder of a subsidiary | 660 | (4,897) | - | - |
| Advances from a joint venture partner of jointly controlled entities | 7,379 | 259 | - | - |

The above transactions were transacted at terms and conditions similar to those which were offered to/(by) unrelated parties except for management fees which were mutually agreed between the parties concerned. Balances due from/(to) these parties are detailed in Note 13.

(b) Compensation of key management personnel

The Company defines key management personnel as its Directors whose remunerations are detailed in Note 37(c).

## 42. OPERATING LEASE ARRANGEMENTS

### (a) The Group as lessee

The Group has entered into non-cancellable operating lease agreements for the use of land and buildings. These leases have an average life of between 1 and 3 years with no renewal or purchase option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities, are as follows:

| | GROUP | |
|---|---|---|
| | 2007 RM'000 | 2006 RM'000 |
| Future minimum rental payments: | | |
| Not later than 1 year | 2,402 | 1,478 |
| Later than 1 year and not later than 5 years | 465 | 413 |
| | 2,867 | 1,891 |

The lease payments and contingent rent capitalised under construction contracts during the financial year are disclosed in Note 11.

### (b) The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its investment properties portfolio. These leases have remaining non-cancellable lease terms of between 1 and 30 years. Certain leases have auto renewal option of 2 years included in the contracts.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as receivables, are as follows:

| | GROUP | |
|---|---|---|
| | 2007 RM'000 | 2006 RM'000 |
| Not later than 1 year | 27,336 | 2,871 |
| Later than 1 year and not later than 5 years | 98,937 | 1,184 |
| Later than 5 years | 118,877 | - |
| | 245,150 | 4,055 |

Investment properties rental income, including contingent rent, recognised in income statement during the financial year is disclosed in Notes 33 and 35.

## 43. COMMITMENT

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Capital expenditure approved and contracted for investments | 28,261 | - | 28,261 | - |
| Capital expenditure approved and contracted for property, plant and equipment | 5,807 | 234,869 | - | 1,238 |
| Capital expenditure approved but not contracted for property, plant and equipment | 25,911 | 7,662 | 497 | - |
| Share of capital commitment of jointly controlled entities | 12,784 | 16,050 | 12,312 | 12,312 |
| | 72,763 | 258,581 | 41,070 | 13,550 |

## 44. CONTINGENT LIABILITIES

| | COMPANY | |
|---|---|---|
| | 2007 RM'000 | 2006 RM'000 |
| (a) Corporate guarantees given to trade suppliers and financial institutions for credit facilities granted to subsidiaries: | | |
| - trade suppliers | 36,550 | 39,585 |
| - financial institutions | 1,133,075 | 651,448 |
| - others | 2,275,770 | 15,400 |
| | 3,445,395 | 706,433 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| (b) Performance, advance payment and tender guarantee granted to: | | | | |
| - clients | 485,812 | 354,270 | 54,850 | 139,125 |
| - clients of subsidiaries | 188,506 | 198,163 | 188,506 | 198,163 |
| - clients of associates | - | 5,839 | - | 5,839 |
| - clients of unincorporated jointly controlled entities | 694,202 | 306,911 | 694,202 | 306,911 |
| | 1,368,520 | 865,183 | 937,558 | 650,038 |

## 44. CONTINGENT LIABILITIES (CONT'D)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| (c) Letters of credit utilised by | | | | |
| - subsidiaries | 17,505 | 116,742 | - | - |
| - unincorporated jointly controlled entities | 6,531 | 27,064 | 6,531 | 27,064 |
| | 24,036 | 143,806 | 6,531 | 27,064 |

(d) On 30 June 2005, Westbury Tubular (M) Sdn Bhd ("Plaintiff") filed an action against Ahmad Zaki Sdn Bhd (1st Defendant), Murray & Roberts (Malaysia) Sdn Bhd (2nd Defendant) and the Company (3rd Defendant) (1st Defendant, 2nd Defendant and 3rd Defendant collectively referred to as the "Defendants") claiming inter alia:

(i) an outstanding sum for the variation orders under the sub-contract works between the Plaintiff and Defendants for the project known as "Formula One Racing Circuit Facility and Associated Works" for an amount of RM14,776,522;

(ii) interest at the rate of 8% per annum on the RM14,776,522 calculated from the date of filing of the action until the date of full settlement;

(iii) costs; and

(iv) any other relief deemed 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 8 June 2007 with costs to be borne by the Plaintiff. The Court had on 27 March 2008 fixed the abovesaid action for further case management on 17 July 2008 to enable the Plaintiff to file an additional bundle of document.

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

## 45. FINANCIAL INSTRUMENTS

### (a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

### (b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

## 45. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Interest rate risk (cont'd)

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

The following tables set out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the balance sheet date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

| | Note | WAEIR % | Within 1 Year RM'000 | 1-2 Years RM'000 | 2-3 Years RM'000 | 3-4 Years RM'000 | 4-5 Years RM'000 | More than 5 Years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At 31 December 2007** | | | | | | | | | |
| **Group** | | | | | | | | | |
| **Fixed rate** | | | | | | | | | |
| Hire purchase creditors | 19 | 6.16 | (10,111) | (7,521) | (1,467) | - | - | - | (19,099) |
| Term loans | 22 | 6.84 | (33,047) | (6,671) | (57,296) | (8,453) | (8,720) | (94,943) | (209,130) |
| CRDS | 24 | 7.00 | (55,381) | - | - | - | - | - | (55,381) |
| BAIDS | 25 | 6.65 | - | - | (30,000) | (30,000) | (40,000) | - | (100,000) |
| **Floating rate** | | | | | | | | | |
| Deposits | 14 | 3.34 | 374,275 | - | - | - | - | - | 374,275 |
| Cash and bank balances | 15 | 2.19 | 83,830 | - | - | - | - | - | 83,830 |
| Bank overdrafts | 20 | 7.63 | (45,282) | - | - | - | - | - | (45,282) |
| Bankers' acceptance | 21 | 4.01 | (34,610) | - | - | - | - | - | (34,610) |
| Revolving credits | 21 | 5.64 | (337,223) | - | - | - | - | - | (337,223) |
| Term loans | 22 | 5.60 | (44,813) | (42,875) | (29,384) | - | - | - | (117,072) |
| Islamic CP/MTN | 23 | 3.87 | (25,000) | - | - | - | - | - | (25,000) |
| **At 31 December 2007** | | | | | | | | | |
| **Company** | | | | | | | | | |
| **Fixed rate** | | | | | | | | | |
| Investment in subsidiaries | 6 | 7.00 | 71,496 | - | - | - | - | - | 71,496 |
| Hire purchase creditors | 19 | 5.29 | (607) | (563) | (52) | - | - | - | (1,222) |
| BAIDS | 25 | 6.65 | - | - | (30,000) | (30,000) | (40,000) | - | (100,000) |
| **Floating rate** | | | | | | | | | |
| Deposits | 14 | 3.36 | 170,209 | - | - | - | - | - | 170,209 |
| Bank overdrafts | 20 | 7.75 | (13,907) | - | - | - | - | - | (13,907) |
| Bankers' acceptance | 21 | 4.20 | (18,097) | - | - | - | - | - | (18,097) |
| Revolving credits | 21 | 4.87 | (267,523) | - | - | - | - | - | (267,523) |
| Islamic CP/MTN | 23 | 3.87 | (25,000) | - | - | - | - | - | (25,000) |

## 45. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Interest rate risk (cont'd)

| | Note | WAEIR % | Within 1 Year RM'000 | 1-2 Years RM'000 | 2-3 Years RM'000 | 3-4 Years RM'000 | 4-5 Years RM'000 | More than 5 Years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At 31 December 2006** | | | | | | | | | |
| **Group** | | | | | | | | | |
| **Fixed rate** | | | | | | | | | |
| Hire purchase creditors | 19 | 7.79 | (33,728) | (12,982) | (3,564) | - | - | - | (50,274) |
| Term loans | 22 | 6.80 | (67,551) | (32,775) | (3,843) | (50,000) | - | - | (154,169) |
| CRDS | 24 | 7.00 | - | - | (54,139) | - | - | - | (54,139) |
| BAIDS | 25 | 6.65 | - | - | - | (30,000) | (30,000) | (40,000) | (100,000) |
| **Floating rate** | | | | | | | | | |
| Deposits | 14 | 3.16 | 321,957 | - | - | - | - | - | 321,957 |
| Cash and bank balances | 15 | 1.82 | 52,102 | - | - | - | - | - | 52,102 |
| Bank overdrafts | 20 | 7.63 | (9,857) | - | - | - | - | - | (9,857) |
| Bankers' acceptance | 21 | 4.13 | (26,878) | - | - | - | - | - | (26,878) |
| Revolving credits | 21 | 5.79 | (168,265) | - | - | - | - | - | (168,265) |
| Term loans | 22 | 5.57 | (3,625) | (58,000) | (32,015) | (14,500) | (10,875) | - | (119,015) |
| **At 31 December 2006** | | | | | | | | | |
| **Company** | | | | | | | | | |
| **Fixed rate** | | | | | | | | | |
| Investment in subsidiaries | 6 | 7.00 | - | - | 68,303 | - | - | - | 68,303 |
| Amount due from unincorporated jointly controlled entities | 13 | 6.08 | 227,784 | - | - | - | - | - | 227,784 |
| Hire purchase creditors | 19 | 5.68 | (542) | (358) | (270) | - | - | - | (1,170) |
| Term loans | 22 | 6.50 | (45,000) | - | - | - | - | - | (45,000) |
| BAIDS | 25 | 6.65 | - | - | - | (30,000) | (30,000) | (40,000) | (100,000) |
| **Floating rate** | | | | | | | | | |
| Deposits | 14 | 2.97 | 132,497 | - | - | - | - | - | 132,497 |
| Bank overdrafts | 20 | 7.63 | (1,369) | - | - | - | - | - | (1,369) |
| Bankers' acceptance | 21 | 4.44 | (9,904) | - | - | - | - | - | (9,904) |
| Revolving credits | 21 | 5.69 | (143,565) | - | - | - | - | - | (143,565) |

Interest on financial instruments at fixed rates are fixed until the maturity of the instrument. The other financial instruments of the Group and of the Company that are not included in the above tables are not subject to interest rate risks.

## 45. FINANCIAL INSTRUMENTS (CONT'D)

### (c) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars (USD), UAE Dirhams (AED), Bahrain Dinars (BHD), Qatari Riyals (QAR) and Indian Rupees (INR). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency which is pegged with the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The net unhedged financial assets and liabilities of the Group companies that are not denominated in their functional currencies are as follow:

| | Net Financial Assets/(Liabilities) Held in Non-Functional Currencies | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Ringgit Malaysia RM'000 | United States Dollars RM'000 | Bahrain Dinars RM'000 | Qatari Riyals RM'000 | Euro RM'000 | British Pound RM'000 | Japanese Yen RM'000 | UAE Dirhams RM'000 | Indian Rupees RM'000 | Total RM'000 |
| **Functional Currency of Group Companies** | | | | | | | | | | |
| **At 31 December 2007** | | | | | | | | | | |
| Ringgit Malaysia | - | (215,613) | 14,840 | 210 | - | - | - | - | - | (200,563) |
| Bahrain Dinars | (9,967) | (2,469) | - | (1,988) | (194) | - | - | (32,261) | - | (46,879) |
| Qatari Riyal | (127,939) | 544 | - | - | (172) | (24) | - | - | - | (127,591) |
| United States Dollars | - | - | - | - | - | - | - | - | 137,295 | 137,295 |
| UAE Dirhams | (160) | - | - | - | - | - | - | - | - | (160) |
| | (138,066) | (217,538) | 14,840 | (1,778) | (366) | (24) | - | (32,261) | 137,295 | (237,898) |
| **At 31 December 2006** | | | | | | | | | | |
| Ringgit Malaysia | - | (140,729) | 4,128 | - | - | - | - | - | - | (136,601) |
| Bahrain Dinars | 5 | 541 | - | (966) | - | - | - | (2,375) | - | (2,795) |
| Qatari Riyal | (21,821) | (88,751) | 140 | - | 523 | 5 | 97 | (247) | 15 | (110,039) |
| United States Dollars | - | - | - | - | - | - | - | - | 155,044 | 155,044 |
| | (21,816) | (228,939) | 4,268 | (966) | 523 | 5 | 97 | (2,622) | 155,059 | (94,391) |

### (d) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding as to achieve overall cost effectiveness.

## 45. FINANCIAL INSTRUMENTS (CONT'D)

### (e) Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group's significant concentrations of credit risk are disclosed in Notes 11 and 12.

### (f) Fair values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximate their fair values except for the followings:

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Note | Carrying Amount RM'000 | Fair Value RM'000 | Carrying Amount RM'000 | Fair Value RM'000 |
| **At 31 December 2007** | | | | | |
| **Financial Assets** | | | | | |
| Quoted investments in | | | | | |
| 3% CRDS A | 6 | - | - | 59,501 | 226,124 |
| Unquoted investments in | | | | | |
| 3% CRDS B | 6 | - | - | 11,995 | 11,312 |
| Non-current unquoted shares | 9 | 10,498 | * | - | - |
| Non-current unquoted bonds | 9 | 5,000 | 4,955 | - | - |
| | | 15,498 | 4,955 | 71,496 | 237,436 |
| **Financial Liabilities** | | | | | |
| Hire purchase payables | 19 | 19,099 | 18,286 | 1,222 | 1,174 |
| Term loans | 22 | 326,202 | 277,439 | - | - |
| 3% CRDS A | 24 | 55,376 | 57,056 | - | - |
| 3% CRDS B | 24 | 5 | 5 | - | - |
| BAIDS | 25 | 100,000 | 98,563 | 100,000 | 98,563 |
| | | 500,682 | 451,349 | 101,222 | 99,737 |

## 45. FINANCIAL INSTRUMENTS (CONT'D)

### (f) Fair values (cont'd)

| | Note | GROUP Carrying Amount RM'000 | GROUP Fair Value RM'000 | COMPANY Carrying Amount RM'000 | COMPANY Fair Value RM'000 |
|---|---|---|---|---|---|
| **At 31 December 2006** | | | | | |
| **Financial Assets** | | | | | |
| Quoted investments in | | | | | |
| 3% CRDS A | 6 | - | - | 59,501 | 68,426 |
| Unquoted investments in | | | | | |
| 3% CRDS B | 6 | - | - | 8,802 | 7,778 |
| Non-current unquoted shares | 9 | 10,498 | * | - | - |
| Non-current unquoted bonds | 9 | 8,600 | 8,540 | 3,600 | 3,600 |
| | | 19,098 | 8,540 | 71,903 | 79,804 |
| **Financial Liabilities** | | | | | |
| Hire purchase payables | 19 | 50,274 | 48,094 | 1,170 | 1,115 |
| Term loans | 22 | 273,184 | 272,585 | 45,000 | 45,000 |
| 3% CRDS A | 24 | 51,239 | 55,483 | - | - |
| 3% CRDS B | 24 | 2,900 | 2,933 | - | - |
| BAIDS | 25 | 100,000 | 98,260 | 100,000 | 98,260 |
| | | 477,597 | 477,355 | 146,170 | 144,375 |

* It is not practicable to estimate the fair value of the Group's and the Company's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate the fair value without incurring excessive costs.

** It is also not practical to estimate the fair values of amounts due from/(to) subsidiaries, associates and jointly controlled entities due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The methods and assumptions used by management to determine fair value of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

#### (i) Non-current unquoted bonds

Fair value of these unquoted bonds have been estimated using a valuation technique based on assumptions of certain dividend yield and discount rate that are not supported by observable market prices or rates. Management believes the estimated fair values resulting from the valuation technique are reasonable and the most appropriate at the balance sheet date.

## 45. FINANCIAL INSTRUMENTS (CONT'D)

### (f) Fair values (cont'd)

#### (ii) Borrowings

Fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of borrowing arrangements.
In respect of BAIDS, fair values is estimated by discounting the expected future cash flows using the indicative market rates available for each of the series.

## 46. SIGNIFICANT EVENTS

During the year:

(a) On 7 March 2007, the Company announced the issuance of up to USD75,000,000 (approximately RM238,700,000) nominal value five (5)-year unsecured convertible bonds. However, the proposal was subsequently aborted and replaced with RM300 million Sukuk with warrants (Note 47(d)).

(b) the Group incorporated a wholly-owned subsidiary, WCT Offshore (L) Ltd, a company incorporated in Labuan, Malaysia under the Offshore Companies Act, 1990, Labuan as detailed in Note 6(a)(i);

(c) the Company transferred 25 units ordinary shares in Cebarco-WCT W.L.L. of BD100 each to Cebarco Bahrain S.P.C., as detailed in Note 6(b)(i);

(d) the Company disposed of a total of 21,200,000 ordinary shares of RM0.50 each in WCTL as detailed in Note 6(b)(ii);

(e) the Company increased its authorised share capital to RM800,000,000 comprising 700,000,000 ordinary shares of RM1.00 each and 1,000,000,000 preference shares of RM0.10 each by the creation of an additional 200,000,000 ordinary shares of RM1.00 each and 1,000,000,000 preference shares of RM0.10 each respectively as detailed in Note 26 and 27;

(f) the Company alloted 75,698,635 new ordinary shares of RM1.00 each credited as fully paid pursuant to the bonus issue on the basis of one (1) bonus share for every three (3) existing ordinary shares of RM1.00 each held in the Company as detailed in Note 26;

(g) the Company issued a renounceable rights issue of 504,657,950 five (5)-year 13.5% non-cumulative irredeemable convertible preference shares ("ICPS") at an issue price of RM0.30 each on the basis of every 10 units of ICPS of RM0.10 each convertible into 1 new ordinary share of RM1.00 each in the Company as detailed in Note 27;

(h) the Company established a new wholly-owned subsidiary, WCT Engineering Vietnam Company Limited ("WCTV"), a corporation incorporated in Vietnam as detailed in Note 6(a)(ii);

(i) Gemilang Waras Sdn. Bhd. ("GWSB"), a wholly-owned subsidiary of WCTL entered into an Agreement to Lease with AEON Co. (M) Bhd. ("AEON" or "Lessee") for a lease of a shopping centre located at Bandar Bukit Tinggi 2 ("BBT2"), along Jalan Langat in Klang, Selangor. The complex is leased to the Lesse for an initial term of ten (10) years, commencing from 24 November 2007 with an option to renew the lease for a further three (3) terms of five (5) years each.

(j) the Company incorporated a new 67%-owned subsidiary, BSC-WCT Company Limited ("BSC-WCT"), a corporation incorporated in Vietnam as detailed in Note 6(a)(iii).

## 46. SIGNIFICANT EVENTS (CONT'D)

(k) the Company entered into joint venture agreements with Arabtec Engineering Services LLC and Arabtec Construction LLC to undertake the Dubai World Central International Airport- Stormwater Drainage and Sewerage System and the Nad Al Sheba Racecourse project respectively, both located in the Emirate of Dubai as detailed in Note 8(i) and (ii) respectively.

## 47. SUBSEQUENT EVENTS

(a) On 11 February 2008, the Company completed a share split exercise involving the subdivision of each of the existing ordinary share of RM1.00 each in the Company into two (2) new ordinary shares of RM0.50 in the Company.

Following the share split, commencing 12 February 2008, five (5) ICPS of RM0.10 each is convertible into one (1) ordinary share of RM0.50 each in the Company.

(b) On 28 February 2008, the Company incorporated a new wholly-owned subsidiary, WCT (S) Pte. Ltd.("WCTS"), a corporation incorporated in Singapore. WCTS has an issued and paid-up capital of S$1.00 (or approximately RM2.30).

(c) On 8 March 2008, the Company established a new 70%-owned subsidiary, Allied WCT LLC ("AWCT"), a corporation incorporated in the Sultanate of Oman. AWCT has an issued and paid-up capital of Omani Riyal 250,000.00 (or approximately RM2.47 million) divided into 250,000 ordinary shares of OR1.00 each. The Company has subscribed and paid for its portion of the initial capital of OR175,000 (or approximately RM1.73 million).

(d) On 26 March 2008, the Company issued a Serial Redeemable Sukuk which comprises the issuance of RM300 million in nominal value of redeemable Serial Redeemable Sukuk, together with detachable Warrants Rights. Upon issuance, the Primary Subscriber detached the Warrants Rights and placed out only the Serial Redeemable Sukuk to secondary investors. The Primary Subscriber or the Offeror offered the Warrants Rights for sale to the Entitled Shareholders of the Company on the basis of one (1) provisional right to allotment of one (1) Warrant for every five (5) Entitled Shares held on the Entitlement Date and at an offer price of RM0.25 per Warrant.

The Serial Redeemable Sukuk was issued under the Islamic financing principle of Musyarakah in three (3) series and have tenures of three (3), four (4) and five (5) years respectively from their issue date.

The Sukuk with Warrants was structured on a bought-deal basis and was issued initially to the Primary Subscriber who immediately offered the Warrants Rights to Entitled Shareholders of the Company under the Offer for Sale. At issuance, the Primary Subscriber after detaching the Warrants Rights, placed the Serial Redeemable Sukuk to financial institutions and/or investors.

The Serial Redeemable Sukuk are not convertible and will not be listed on Bursa Securities or any other stock exchange.

The salient features of Sukuk are as follows:

(i) the profit will be paid semi-annually in arrears commencing six (6) months after the Issue date.

(ii) the Serial Redeemable Sukuk constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and at all times rank at least pari passu, without discrimination, preference or priority amongst themselves with all other present and future unsecured and unsubordinated obligations of the Issuer, subject to those preferred by law.

**47. SUBSEQUENT EVENTS (CONT'D)**

(iii) the Serial Redeemable Sukuk are to be redeemed at their full nominal value upon the respective maturity dates / tenures.

(iv) the Sukuk may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to purchase the Sukuk would fall within Schedule 6 or Section 229(1)(b) and Schedule 9 or Section 257 (3) of the Capital Market And Service Act 2007.

(v) the detachable provisional rights to allotment of warrants were issued together with the Sukuk under the proposed Sukuk with Warrants to the Primary Subscriber who immediately detach the provisional rights to allotment of the warrants from the Sukuk and offer the provisional rights to allotment of the warrants to entitled shareholders of the Company.

(e) Pursuant to the issuance of the Sukuk, 145,902,376 warrants were offerred to shareholders of the Company on 28 March 2008 by Aseambankers at an offer price of RM0.25 per warrant on a renounceable rights basis of one (1) warrant for every five (5) existing ordinary shares of RM0.50 each of the Company.

The salient features of the Warrants are as follows:-

(i) the Warrants will be issued in registered form and constituted by a Deed Poll. For the purpose of trading of the Warrants on Bursa Securities, a board lot of Warrants shall be 100 Warrants carrying the right to subscribe for 100 ordinary shares of RM0.50 of the Company;

(ii) the exercise price is RM3.00 per ordinary share of RM0.50 of the Company and each Warrant will entitle the registered holder to subscribe for 1 new ordinary share of the Company during the exercise period;

(iii) the exercise period is for a period of 5 years commencing on and including the date of allotment of the Warrants. Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid;

(iv) the new ordinary shares to be issued pursuant to the exercise of the Warrants will, upon allotment and issue, rank pari passu in all respects with the then existing ordinary shares of the Company, save and except that the holders of the new ordinary shares of the Company shall not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is on or before the date of allotment of the ordinary shares of the Company pursuant to the exercise of the Warrants;

(v) the Warrants are constituted under a Deed Poll;

(vi) in the case of a members' voluntarily winding up, or a compromise or arrangement between the Company and its members or any class of them (whether or not in connection with a scheme for reconstruction or amalgamation), every Warrant holder as evidenced in the Record of Depositors shall be treated as having the right to subscribe for new ordinary shares of the Company in accordance with the terms and conditions of the Deed Poll, at any time within six (6) weeks after passing of such resolution for a members' voluntarily winding up of the Company, or within six (6) weeks after the granting of the court order in respect of the compromise or arrangement; and

(vii) the Warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such Warrant holders exercise their Warrants for new ordinary shares of the Company.

## 47. SUBSEQUENT EVENTS (CONT'D)

(f) On 30 November 2007, the Company extended a voluntary take-over offer to the Board of Directors of WCTL, a 64.83% owned subsidiary of the Company.

On 30 January 2008 and 4 February 2008, all the CRDS A and CRDS B were fully repaid respectively.

On 12 March 2008, WCTL was delisted from the Official List of Bursa Securities.

On 26 March 2008, the Company invoked Section 34 of the Securities Commission Act, 1993 to compulsorily acquire the remaining shares which acceptances were not received.

On 28 March 2008, WCTL become a wholly-owned subsidiary of the Company pursuant to the completion of the compulsory acquisition.

On 18 April 2008, WCTL has changed its name from WCT Land Berhad to WCT Land Sdn. Bhd..

(g) Up to 21 April 2008, the issued and paid up share capital of the Company has increased from RM338,966,148 to RM382,095,582 through the following:

(i) issuance of 2,539,010 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Options Scheme at exercise price ranging from RM1.45 to RM4.93 per ordinary share.

(ii) issuance of 1,959,504 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.

(iii) issuance of 343,464,662 ordinary shares pursuant to the share split exercise involving the subdivision of each of the existing ordinary share of RM1.00 each in the Company into two (2) new ordinary shares of RM0.50 in the Company.

(iv) issuance of 62,825,489 ordinary shares of RM0.50 each pursuant to the voluntary take-over offer of WCTL as disclosed above.

(v) issuance of 2,857,052 ordinary shares of RM0.50 each for cash pursuant to the Company's Employee Share Options Scheme at exercise price ranging from RM0.73 to RM2.47 per ordinary share.

(vi) issuance of 11,579,298 ordinary shares of RM0.50 each pursuant to the conversion of ICPS of RM0.10 which was satisfied by surrendering 5 ICPS for each new ordinary share.

## 48. SEGMENT INFORMATION

### (a) Reporting Format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

## 48. SEGMENT INFORMATION (CONT'D)

### (b) Business segments

The following are the main business segments:

(i) civil engineering and construction - civil engineering works specialising in earthworks, highway construction and related infrastructure works;

(ii) property development - the development of residential and commercial properties;

(iii) property and investment holding - property investment and trading in property; and

(iv) trading - trading of building materials.

### (c) Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. The Group's business segments operate in four main geographical areas:

(i) Malaysia - the operations in this area are principally civil engineering and constructions, property development, trading, property investment and investment holding;

(ii) Middle East - the operations in this area are principally through the construction of Bahrain City Centre in Kingdom of Bahrain, construction and design of highway and airport in Qatar, construction of sewerage and racecourse in Dubai and the construction of F1 International Circuit in Abu Dhabi;

(iii) Mauritius - the operations in this area are principally investment holding for the three concession companies in India; and

(iv) India - the operations in this area are principally the construction of highway and concessionaires.

### (d) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Segment revenue, expenses and results include transfers betweeen business segments. These transfers are eliminated on consolidation.

## 48. SEGMENT INFORMATION (CONT'D)

### Business Segments

The following table provides an analysis of the Group's revenue, results, assets liabilities and other information by business segment:

| | Civil engineering and construction RM'000 | Trading RM'000 | Property development RM'000 | Property and investment holding RM'000 | Interest income RM'000 | Concession RM'000 | Unallocated RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **31 December 2007** | | | | | | | | | |
| **Revenue** | | | | | | | | | |
| Revenue from external customers | 2,438,185 | 86,734 | 253,993 | 2,789 | - | - | - | - | 2,781,701 |
| Inter-segment revenue | 557,779 | 65,652 | - | 41,999 | - | - | - | (665,430) | - |
| Total revenue | 2,995,964 | 152,386 | 253,993 | 44,788 | - | - | - | (665,430) | 2,781,701 |
| **Result** | | | | | | | | | |
| Profit from operations | 189,627 | 900 | 93,304 | 3,975 | 12,850 | - | - | - | 300,656 |
| Finance costs | (17,881) | (947) | (1,314) | (6,788) | - | - | - | - | (26,930) |
| Share of profit of associates | 498 | - | - | 23 | - | 9,283 | - | - | 9,804 |
| Taxation | | | | | | | | | (54,404) |
| Profit after taxation | | | | | | | | | 229,126 |
| **Assets** | | | | | | | | | |
| Segment assets | 1,902,968 | 20,823 | 948,831 | 96,206 | 374,275 | - | 138 | - | 3,343,241 |
| Investment in associates | 140,999 | - | - | - | - | - | - | - | 140,999 |
| Consolidated total assets | | | | | | | | | 3,484,240 |
| **Liabilities** | | | | | | | | | |
| Segment liabilities | 1,678,582 | 45,314 | 286,274 | 306,213 | - | - | - | - | 2,316,383 |
| Unallocated liabilities | - | - | - | - | - | - | 25 | - | 25 |
| | | | | | | | | | 2,316,408 |
| **Other Information** | | | | | | | | | |
| Capital expenditure | 110,550 | - | 239,329 | 3,726 | - | - | - | - | 353,605 |
| Depreciation | 48,368 | 2,509 | 982 | 1 | - | - | - | - | 51,860 |
| Non-cash expenses other than depreciation | 43,254 | 30 | 1,139 | (16,430) | - | - | - | - | 27,993 |

## 48. SEGMENT INFORMATION (CONT'D)

### Business Segments (cont'd)

| | Civil engineering and construction RM'000 | Trading RM'000 | Property development RM'000 | Property and investment holding RM'000 | Interest income RM'000 | Concession RM'000 | Unallocated RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **31 December 2006** | | | | | | | | | |
| **Revenue** | | | | | | | | | |
| Revenue from external customers | 1,117,021 | 51,564 | 228,998 | 2,791 | - | - | - | - | 1,400,374 |
| Inter-segment revenue | 163,200 | 34,346 | - | 38,152 | - | - | - | (235,698) | - |
| Total revenue | 1,280,221 | 85,910 | 228,998 | 40,943 | - | - | - | (235,698) | 1,400,374 |
| **Result** | | | | | | | | | |
| Profit from operations | 88,615 | 3,661 | 68,376 | (1,326) | 13,578 | - | - | - | 172,904 |
| Finance costs | (19,348) | (609) | (143) | (7,245) | - | - | - | - | (27,345) |
| Share of profit of associates | 622 | - | - | (24) | - | 3,655 | - | - | 4,253 |
| Taxation | | | | | | | | | (34,608) |
| Profit after taxation | | | | | | | | | 115,204 |
| **Assets** | | | | | | | | | |
| Segment assets | 1,107,181 | 30,392 | 612,776 | 98,636 | 276,914 | - | 88 | - | 2,125,987 |
| Investment in associates | 140,177 | - | - | - | - | - | - | - | 140,177 |
| Consolidated total assets | | | | | | | | | 2,266,164 |
| **Liabilities** | | | | | | | | | |
| Segment liabilities | 1,136,772 | 25,033 | 220,539 | 126,142 | - | - | - | - | 1,508,486 |
| Unallocated liabilities | - | - | - | - | - | - | 1,505 | - | 1,505 |
| | | | | | | | | | 1,509,991 |
| **Other Information** | | | | | | | | | |
| Capital expenditure | 246,720 | 18,106 | 37,981 | 203 | - | - | - | - | 303,010 |
| Depreciation | 51,625 | 4 | 700 | 1 | - | - | - | - | 52,330 |
| Non-cash expenses other than depreciation | (2,664) | - | 59 | 1,217 | - | - | - | - | (1,388) |

## 48. SEGMENT INFORMATION (CONT'D)

### Geographical Segments

The following table provides an analysis of the Group's revenue,  assets and capital expenditure, analysed by geographical segment:

| | Total Revenue from External Customers | | Segment Assets | | Capital Expenditure | |
|---|---|---|---|---|---|---|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Malaysia | 1,139,569 | 778,941 | 1,917,108 | 1,428,826 | 267,255 | 55,839 |
| Middle East | 1,642,132 | 620,821 | 1,418,950 | 676,177 | 86,350 | 246,305 |
| Mauritius | - | - | 336 | 120 | - | - |
| India | - | 612 | 147,846 | 161,041 | - | 866 |
| Consolidated | 2,781,701 | 1,400,374 | 3,484,240 | 2,266,164 | 353,605 | 303,010 |

# List Of Properties

| Title/Address | Description | Land/ Built-up area under valuation (sf) | Tenure/ Age of building (years) | Existing use | No Of Units | Market value by Valuer/ Date of valuation RM | Acquisition price/ date of acquisition RM | NBV as at 31 December 2007 RM |
|---|---|---|---|---|---|---|---|---|
| No 12, Jalan Majistret, U1/26, Seksyen U1, Lot 44, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor | 4 Storey Warehouse & Office Building | 45,740 | Freehold/ 11 | Owner occupied as corporate office | 1 | 7,362,774/ 13 February 2004 | -/- | 7,000,000 |
| Title No. H.S. (M) 6049 Lot No. P.T. 891 Mukim of Damansara District of Petaling State of Selangor/ Lot 891, Jalan Subang 9 Taman Perindustrian Subang 47630 Subang Jaya Selangor Darul Ehsan | A factory complex which accommodates 3 units of single storey factory buildings | 119,790/ 56,589 | Leasehold interest 99 years expiring on 20 October 2065/ 16 | Tenanted to manufacturing concern | 1 | 6,700,000/ December 2007 | 6,000,000/ 27 December 2002 | 6,700,000 |
| Title No. H.S. (D) 30978 Lot No. P.T. 17408 Mukim of Kapar District of Klang State of Selangor/ Lot 23, Lorong Keluli 1C Bukit Raja Prime Industrial Park 41050 Klang Selangor Darul Ehsan | A factory complex which accommodates a 3-storey office building with an annexed single storey factory | 108,904/ 72,302 | Freehold/ 13 | Tenanted to manufacturing concern | 1 | 7,400,000/ December 2007 | 7,490,072/ 27 December 2002 | 7,400,000 |
| Mukim of Ampang District of Hulu Langat State of Selangor/ Block B, Menara Pandan MPAJ Square Jalan Pandan Utama Pandan Indah 55100 Kuala Lumpur | 10 storey of office suites and 2 levels of carpark space | 435,600/ Office space=20,989 Car parks=32,455 and 57,155 Total = 299,500 | Title has not been issued by the State Authority/ 9 | Levels 9 to 14 tenanted to colleges | 10 | 29,200,000/ December 2007 | 35,000,000/ 27 December 2002 | 29,200,000 |

| Title/Address | Description | Land/ Built-up area under valuation (sf) | Tenure/ Age of building (years) | Existing use | No Of Units | Market value by Valuer/ Date of valuation RM | Acquisition price/ date of acquisition RM | NBV as at 31 December 2007 RM |
|---|---|---|---|---|---|---|---|---|
| HS(M) 12614, PT 643 & HS(M) 12615, PT 644, Bandar Ulu Kelang, Tempat Batu 7 Ulu Kelang (Ukay Perdana) Daerah Gombak, Negeri Selangor Ukay Perdana Single Storey Shop SB-0108, 0109, 0110, SC-SG17, 18, 19, 20, 21, 22, 24, 25, 26, 27 & 28 | Single Storey Shop, Ground & First Floor 12 Storey Retail Outlet / Service Apartment | -/ 904 to 1,266 Total = 14,386 | Leasehold interest 99 years expiring on 04 October 2100 / 0 Vacant Possession yet to be issued | Vacant | 14 | - | 257,000 to 388,800 Total = 3,857,500 / 15 April 2005 | 3,857,500 |
| Formerly held under Master Title Nos. C.T. 26265 & C.T. 26266, Master Lot Nos. 7725 & 7726 respectively Mukim and District of Klang State of Selangor/ Bandar Bukit Tinggi, Klang, Selangor Darul Ehsan | An on-going mixed development township | 346.93 acres/ - | Master title: Freehold/ - | Property Development Project | - | 53,160,000/ February 2004 | - | 62,236,576 |
| Unsold units - Inventory Bandar Bukit Tinggi I | Shop Apartment | -/ 1,173 to 1,630 Total = 5,861 | Freehold/ 8 | Vacant | 4 | - | Total = 332,351 / - | 332,351 |
| | Shop office | -/ 110 to 705 Total = 6,120 | Freehold/ 9 | Vacant | 34 | - | Total = 295,425 / - | 295,425 |
| | | | | | | | | 62,864,352 |

# List Of Properties (cont'd)

| Title/Address | Description | Land/ Built-up area under valuation (sf) | Tenure/ Age of building (years) | Existing use | No Of Units | Market value by Valuer/ Date of valuation RM | Acquisition price/date of acquisition RM | NBV as at 31 December 2007 RM |
|---|---|---|---|---|---|---|---|---|
| Master Title Nos. Geran 50553 & Geran 24133, Master Lot Nos. 6677 & 46 respectively Mukim and District of Klang State of Selangor/ Bandar Bukit Tinggi 2, Klang, Selangor Darul Ehsan | An on-going mixed development township | 561.75 acres/ - | Master title: Freehold/ - | Property Development Project | - | 190,000,000/ October 2002 | - | 44,544,633 |
| Investment property Shopping mall Bandar Bukit Tinggi II | A 6-Storey Shopping mall | 12.169 acres/ - | Freehold/ 1 | Lease to AEON | 1 | 309,328,649/ December 2007 | 295,821,813/ - | 309,328,649 |
| Investment property Commercial land Bandar Bukit Tinggi II | A piece of petrol kiosk land | 1.08 acres/ - | Freehold/ 1 | Lease to ESSO | 1 | 4,704,480/ December 2007 | 1,388,575/ - | 4,704,480 |
| Unsold units – Inventory Bandar Bukit Tinggi II | Double Storey Terrace House | 1,796 to 2,380 Total = 38,454/ - | Freehold/ 1-4 | Vacant | 19 | - | Total =4,638,905/ - | 4,638,905 |
| | 21/2 Storey Terrace House | 3,241 to 3,248 Total = 9,737/ - | Freehold/ 1 | Vacant | 3 | - | Total=1,243,058/ - | 1,243,058 |
| | Low Cost Apartment | -/ 650 each Total = 18,850 | Freehold/ 4 | Vacant | 29 | - | Total=1,102,000/ - | 1,102,000 |
| | | | | | | | | 365,561,725 |

# List Of Properties (cont'd)

| Title/Address | Description | Land/ Built-up area under valuation (sf) | Tenure/ Age of building (years) | Existing use | No Of Units | Market value by Valuer/ Date of valuation RM | Acquisition price/date of acquisition RM | NBV as at 31 December 2007 RM |
|---|---|---|---|---|---|---|---|---|
| Master Title Nos. Geran 43530 & Geran 53052, Master Lot Nos. 77975 & 67694 respectively Mukim and District of Klang State of Selangor Bandar Parklands Klang, Selangor Darul Ehsan | An on-going mixed development township | 426.5715 Acres / - | Master title : Freehold/ - | Property Development Project | - | 102,400,000/ 31 October 2002 | - | 163,286,570 |
| Unsold units – Inventory Bandar Bukit Tinggi III | Double Storey Terrace House | 1,771 to 2,233 Total = 45,489 | Freehold/ 1 | Vacant | 22 | - | Total=6,118,423/ - | 6,118,423 |
| | | | | | | | | 169,404,993 |
| Master Title Nos. 112947, 112948, 112949, 112950, Master Lot Nos. 11, 12, 13 & 15 respectively Bandar Petaling Jaya State of Selangor / NA | 4 parcels of potential development land | 12.408 Acres / - | Master title : Leasehold interest 99 years expiring on 14 July 2096/ - | Property Development Project | - | 83,000,000/ March 2005 | - | 106,747,866 |
| Part of the land held under Title No. Town Lease 017544866, District of Kota Kinabalu, Locality of Sembulan, State of Sabah / NA | An on-going mixed development township | 21.5 Acres / - | Master title : Leasehold interest 99 years expiring on 31 December 2091/ - | Property Development Project | - | - | 57,000,000/ February 2006 | 60,201,579 |

# Analysis of Shareholdings
## As at 31 March 2008

| | | |
|---|---|---|
| Authorised Share Capital | : | RM800,000,000-00 divided into 1,400,000,000 ordinary shares of RM0.50 each and 1,000,000,000 preference shares of RM0.10 each |
| Total Issued Ordinary Shares | : | 762,262,766 Ordinary Shares of RM0.50 each |
| Total Outstanding Preference Shares | : | 97,269,532 Irredeemable Convertible Preference Shares of RM0.10 each |
| Total Issued & Paid-up Share Capital | : | RM390,858,336.50 |

### (A) ORDINARY SHARES

| | | |
|---|---|---|
| Total Issued Ordinary Shares | : | 762,262,766 Ordinary Shares of RM0.50 each |
| Voting rights | : | One (1) vote per ordinary share of RM0.50 each |

### (1) Analysis by size of Shareholdings as at 31 March 2008

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| Less than 100 | 1,777 | 21.47 | 88,513 | 0.01 |
| 100 -1,000 | 2,067 | 24.97 | 831,064 | 0.11 |
| 1,001 -10,000 | 2,754 | 33.27 | 10,503,617 | 1.38 |
| 10,001 and 100,000 | 1,191 | 14.39 | 37,320,130 | 4.90 |
| 100,001 to less than 5% of issued shares | 486 | 5.87 | 530,168,872 | 69.55 |
| 5% and above of issued shares | 2 | 0.03 | 183,350,570 | 24.05 |
| Total | **8,277** | **100.00** | **762,262,766** | **100.00** |

### (2) Thirty Largest Shareholders as at 31 March 2008

| No | Names | NRIC/Reg. No. | No. of Shares | % |
|---|---|---|---|---|
| 1 | WCT Capital Sdn Bhd | 219912A | 122,433,796 | 16.06 |
| 2 | Employees Provident Fund Board | EPFACT1991 | 60,916,774 | 7.99 |
| 3 | AllianceGroup Nominees (Tempatan) Sdn Bhd *(Pheim Asset Management Sdn Bhd For Employees Provident Fund)* | 42234H | 20,501,123 | 2.69 |
| 4 | AMMB Nominees (Tempatan) Sdn Bhd *(A/c For WCT Capital Sdn Bhd)* | 51181W | 18,666,666 | 2.45 |
| 5 | HSBC Nominees (Asing) Sdn Bhd *(BBH And Co-Boston For GMO Emerging Markets Fund)* | 4381U | 18,444,532 | 2.42 |
| 6 | HSBC Nominees (Asing) Sdn Bhd *(Exempt An For J.P.Morgan Bank Luxembourg S.A)* | 4381U | 16,418,732 | 2.15 |
| 7 | HSBC Nominees (Asing) Sdn Bhd *(Exempt AN For The Hong Kong And Shanghai Banking Corporation Limited)* | 4381U | 15,984,264 | 2.10 |
| 8 | Cartaban Nominees (Asing) Sdn Bhd *(SSBT Fund KG33 For Aim Asia Pacific Growth Fund)* | 263367W | 15,784,866 | 2.07 |
| 9 | Amanah Raya Nominees (Tempatan) Sdn Bhd *(A/c For Amanah Saham Malaysia)* | 434217U | 14,346,356 | 1.88 |
| 10 | Malaysia Nominees (Tempatan) Sdn Bhd *(A/c For WCT Capital Sdn Bhd)* | 6193K | 11,200,000 | 1.47 |

| No | Names | NRIC/Reg. No. | No. of Shares | % |
|---|---|---|---|---|
| 11 | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>*(A/c For Amanah Saham Wawasan 2020)* | 434217U | 10,155,754 | 1.33 |
| 12 | HSBC Nominees (Asing) Sdn Bhd<br>*(Exempt An For Morgan Stanley & Co Incorporated)* | 4381U | 9,844,032 | 1.29 |
| 13 | Valuecap Sdn Bhd | 595989V | 9,750,400 | 1.28 |
| 14 | Amsec Nominees (Tempatan) Sdn Bhd<br>*(AmBank (M) Berhad For WCT Capital Sdn Bhd)* | 102918T | 9,333,332 | 1.22 |
| 15 | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>*(A/c For Sekim Amanah Saham Nasional)* | 434217U | 8,806,020 | 1.16 |
| 16 | HSBC Nominees (Asing) Sdn Bhd<br>*(BBH And Co Boston For GMO Emerging Illiquid Fund L.P.)* | 4381U | 8,287,531 | 1.09 |
| 17 | HSBC Nominees (Asing) Sdn Bhd<br>*(Exempt An For J.P Morgan Chase National Association U.K.)* | 4381U | 7,078,600 | 0.93 |
| 18 | Citigroup Nominees (Tempatan) Sdn Bhd<br>*(CMS Asset Management Sdn Bhd For Employees Provident Fund)* | 267011M | 6,000,000 | 0.79 |
| 19 | HSBC Nominees (Asing) Sdn Bhd<br>*(Exempt An For J.P Morgan Bank Ireland Public Ltd Co)* | 4381U | 6,000,000 | 0.79 |
| 20. | Amsec Nominees (Tempatan) Sdn Bhd<br>*(AmTrustee Berhad For CIMB Islamic Dali Equity Growth Fund)* | 102918T | 4,913,988 | 0.64 |
| 21 | HSBC Nominees (Asing) Sdn Bhd<br>*(BNY Brussels For CJ Invesco Asia Infra Equity Master Investment Trust)* | 4381U | 4,367,377 | 0.57 |
| 22 | Goh Chin Liong | 590829-10-6169 | 4,106,701 | 0.54 |
| 23 | HSBC Nominees (Asing) Sdn Bhd<br>*(BNY Brussels For AXP Variable Portfolio-Emerging Market Fund)* | 4381U | 4,072,800 | 0.53 |
| 24 | EB Nominees (Tempatan) Sdn Bhd<br>*(A/c For Ara Holdings Sdn Bhd)* | 43785M | 4,014,320 | 0.53 |
| 25 | Mayban Nominees (Tempatan) Sdn Bhd<br>*(Mayban Investment Management Sdn Bhd For Kumpulan Wang Simpanan Pekerja)* | 258939H | 4,000,000 | 0.52 |
| 26 | Citigroup Nominees (Tempatan) Sdn Bhd<br>*(A/c For ING Insurance Berhad)* | 267011M | 3,996,633 | 0.52 |
| 27 | TM Asia Life Malaysia Bhd<br>*(As Beneficial Owner-PF)* | 457556X | 3,766,322 | 0.49 |
| 28 | Malaysia Nominees (Asing) Sdn Bhd<br>*(British and Malayan Trustees Limited For Lion Capital Singapore/Malaysia Fund)* | 258892H | 3,697,332 | 0.49 |
| 29 | Jerneh Insurance Bhd | 9827A | 3,450,504 | 0.45 |
| 30 | HSBC Nominees (Asing) Sdn Bhd<br>*(Master Trust For Fullerton V-Asean Mother Fund)* | 4381U | 3,210,000 | 0.42 |
| | | | **433,548,755** | **56.86** |

**(3) Substantial Shareholders as at 31 March 2008**
(In accordance with the Register maintained pursuant to Section 69L of the Companies Act, 1965)

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| **Name** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Taing Kim Hwa | 4,850,245 | 0.64 | 161,633,794[1] | 21.20 |
| Wong Sewe Wing | 827,289 | 0.11 | 161,633,794[1] | 21.20 |
| | | | 38,604[3] | 0.005 |
| WCT Capital Sdn Bhd | 161,633,794 | 21.20 | - | - |
| Cash Carat Sdn Bhd | - | - | 161,633,794[2] | 21.20 |
| Employees Provident Fund Board | 89,569,918 | 11.75 | - | - |
| Invesco Hong Kong Limited | 46,042,890 | 6.04 | - | - |

Notes to interest in shares:-

*1 Deemed interested by virtue of his 50% interest in Cash Carat Sdn Bhd.*
*2 Deemed interested by virtue of its 100% interest in WCT Capital Sdn Bhd.*
*3 Deemed interested through his child's direct interest in the Company.*

**(B) IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")**

| | | |
|---|---|---|
| Outstanding ICPS | : | 97,269,532 ICPS of RM0.10 each |
| Issue Price | : | RM0.30 each |
| Conversion Price | : | RM0.50 per ordinary share |
| Conversion Ratio | : | Five (5) units of ICPS are convertible into one (1) new Ordinary Share |
| Coupon Rate | : | 13.5% per annum |
| Maturity Date | : | 6 August 2012 |
| Voting rights | : | One (1) vote per ICPS of RM0.10 each |

**(1) Analysis by size of ICPS Holdings as at 31 March 2008**

| Size of ICPS Holdings | No. of ICPS Holders | % | No. of Outstanding ICPS | % |
|---|---|---|---|---|
| Less than 100 | 35 | 2.97 | 1,197 | 0.01 |
| 100 -1,000 | 64 | 5.43 | 41,134 | 0.03 |
| 1,001 -10,000 | 668 | 56.66 | 3,322,355 | 3.41 |
| 10,001 and 100,000 | 353 | 29.94 | 9,333,641 | 9.60 |
| 100,001 to less than 5% of outstanding ICPS | 55 | 4.66 | 39,928,053 | 41.05 |
| 5% and above of outstanding ICPS | 4 | 0.34 | 44,643,152 | 45.90 |
| Total | **1,179** | **100.00** | **97,269,532** | **100.00** |

**(2) Thirty Largest ICPS Holders as at 31 March 2008**

| No | Names | NRIC/Reg. No. | No. of ICPS | % |
|---|---|---|---|---|
| 1 | HSBC Nominees (Asing) Sdn Bhd *(Exempt An For The Hong Kong And Shanghai Banking Corporation)* | 4381U | 15,628,266 | 16.07 |
| 2 | HSBC Nominees (Asing) Sdn Bhd *(BBH And Co Boston For GMO Emerging Markets Fund)* | 4381U | 15,370,443 | 15.80 |
| 3 | HSBC Nominees (Asing) Sdn Bhd *(Exempt An For J.P.Morgan Bank Luxemburg S.A)* | 4381U | 7,444,443 | 7.65 |

# Analysis of Shareholdings
As at 31 March 2008 (cont'd)

| No | Names | NRIC/Reg. No. | No. of ICPS | % |
|---|---|---|---|---|
| 4 | Valuecap Sdn Bhd | 595989V | 6,200,000 | 6.37 |
| 5 | TM Asia Life Malaysia Bhd<br>*(As Beneficial Owner PF)* | 457556X | 4,000,777 | 4.11 |
| 6 | Mayban Nominees (Tempatan) Sdn Bhd<br>*(A/c For Etiqa Insurance Berhad - Life Par Fund)* | 258939H | 2,612,977 | 2.69 |
| 7 | HSBC Nominees (Asing) Sdn Bhd<br>*(BBH And Co Boston For GMO Emerging Illiquid Fund, L.P)* | 4381U | 2,364,443 | 2.43 |
| 8 | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>*(A/c For Kumpulan Wang Bersama)* | 434217U | 2,111,110 | 2.17 |
| 9 | Citigroup Nominees (Asing) Sdn Bhd<br>*(Exempt An For Mellon Bank –Mellon)* | 263875D | 1,536,222 | 1.58 |
| 10 | Universal Trustee (Malaysia) Berhad<br>*(A/c For CIMB-Principal Small Cap Fund 2)* | 17540D | 1,466,666 | 1.51 |
| 11 | HSBC Nominees (Asing) Sdn Bhd<br>*(Exempt An For JPMorgan Chase Bank, National Association Invesco Sicav)* | 4381U | 1,355,555 | 1.39 |
| 12 | HSBC Nominees (Asing) Sdn Bhd<br>*(HSBC-FS For Fullerton Global Equities Fund-Fullerton Funds)* | 4381U | 1,277,777 | 1.31 |
| 13 | Cartaban Nominees (Asing) Sdn Bhd<br>*(State Street Australia Fund Sgad For Fullerton Private Limited)* | 263367W | 1,277,777 | 1.31 |
| 14 | Mayban Nominees (Tempatan) Sdn Bhd<br>*(A/c For Etiqa Insurance Berhad – General Fund)* | 258939H | 1,926,267 | 1.23 |
| 15 | HSBC Nominees (Asing) Sdn Bhd<br>*(TNTC For Teachers Retirement System of Illinois)* | 4381U | 1,136,888 | 1.17 |
| 16 | Cartaban Nominees (Asing) Sdn Bhd<br>*(State Street Australia Fund Q3VD For Fullerton Private Limited)* | 263367W | 1,111,110 | 1.14 |
| 17 | Mayban Nominees (Tempatan) Sdn Bhd<br>*(Avenue Invest Berhad For Kumpulan Wang Amanah Pencen)* | 258939H | 1,111,110 | 1.14 |
| 18 | Mayban Nominees (Tempatan) Sdn Bhd<br>*(A/c For Etiqa Insurance Berhad Life Non Par Fund)* | 258939H | 1,092,710 | 1.12 |
| 19 | Universal Trustee (Malaysia) Berhad<br>*(A/c For CIMB-Principal Equity Fund)* | 17540D | 1,038,888 | 1.07 |
| 20. | Mayban Nominees (Asing) Sdn Bhd<br>*(G.K.Goh Strategic Holdings Pte Ltd)* | 258956H | 1,000,000 | 1.03 |
| 21 | Mayban Nominees (Tempatan) Sdn Bhd<br>*(A/c For Etiqa Insurance Berhad Shareholders Fund)* | 258939H | 996,443 | 1.02 |
| 22 | HSBC Nominees (Asing) Sdn Bhd<br>*(Exempt An Morgan Stanley & Co International PLC)* | 4381U | 977,777 | 1.01 |
| 23 | HSBC Nominees (Asing) Sdn Bhd<br>*(Exempt An For The Hong Kong And Shanghai Banking Corporation Limited)* | 4381U | 887,110 | 0.91 |

# Analysis of Shareholdings
As at 31 March 2008 (cont'd)

| No | Names | NRIC/Reg. No. | No. of ICPS | % |
|---|---|---|---|---|
| 24 | HSBC Nominees (Asing) Sdn Bhd<br>*(Exempt An For JPMorgan Chase Bank, National Association Netherlands)* | 4381U | 880,222 | 0.90 |
| 25 | Mayban Nominees (Asing) Sdn Bhd<br>*(A/c For Alpha Securities Pte Ltd)* | 258956H | 777,777 | 0.80 |
| 26 | Citigroup Nominees (Asing) Sdn Bhd<br>*(A/c American Home Assurance Company)* | 263875D | 666,667 | 0.69 |
| 27 | Cartaban Nominees (Asing) Sdn Bhd<br>*(SSBT Fund SC7U For State of Connecticut Retirement Plans And Trust Funds)* | 263367W | 662,222 | 0.68 |
| 28 | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>*(A/c For ASM Premier Fund)* | 434217U | 616,667 | 0.63 |
| 29 | Citigroup Nominees (Asing) Sdn Bhd<br>*(GSCO For GMO Mean Reversion Fund Onshore)* | 263875D | 601,555 | 0.62 |
| 30 | HSBC Nominees (Asing) Sdn Bhd<br>*(HSBC Malaysia Trustee Berhad For Amanah Saham Sarawak)* | 4381U | 490,000 | 0.50 |
| | | | **78,619,869** | **80.05** |

## (C) STATEMENT OF DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AS AT 31 MARCH 2008

### (1) Directors' Ordinary Shareholdings

(In accordance with the Register maintained under Section 134 of the Companies Act, 1965)

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| **Director** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid | 1,169,958 | 0.15 | - | - |
| Taing Kim Hwa | 4,850,245 | 0.64 | 161,633,794[1] | 21.20 |
| Goh Chin Liong | 4,106,701 | 0.54 | - | - |
| Wong Sewe Wing | 827,289 | 0.11 | 161,633,794[1] | 21.20 |
| | | | 38,604[2] | 0.005 |
| Chua Siow Leng | 5,265,252 | 0.69 | 11,004[2] | 0.001 |
| Loh Siew Choh | 1,651,486 | 0.22 | 290,400[2] | 0.04 |
| Liang Kai Chong | 2,199,730 | 0.29 | 203,498[2] | 0.03 |
| Choe Kai Keong | 1,994,875 | 0.26 | - | - |
| Cheah Hon Kuen | 303,006 | 0.04 | - | - |
| Choo Tak Woh | 201,780 | 0.03 | - | - |

Note to interest in shares:-

1 *Deemed interested by virtue of his 50% direct interest in Cash Carat Sdn Bhd, the holding company of WCT Capital Sdn Bhd which in turn is a substantial shareholder in WCT Engineering Berhad.*

2 *Deemed interested through his spouse/child's direct interest in the Company.*

# Analysis of Shareholdings
As at 31 March 2008 (cont'd)

**(2) Directors' ICPS Holdings**
(In accordance with the Register maintained under Section 134 of the Companies Act, 1965)

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| **Director** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid | 22 | @ | - | - |
| Wong Sewe Wing | 260 | @ | - | - |
| Choe Kai Keong | 500 | @ | - | - |

*@ Negligible*

**(3) Directors' Interest in Options over Ordinary Shares**
(In accordance with the Register of Options granted pursuant to the Employees' Share Option Scheme)

| Director | No. of Options Outstanding |
|---|---|
| Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid | 254,332 |
| Taing Kim Hwa | 628,000 |
| Goh Chin Liong | 571,332 |
| Wong Sewe Wing | 342,000 |
| Chua Siow Leng | 342,000 |
| Loh Siew Choh | 1,220,666 |
| Liang Kai Chong | 930,664 |
| Choe Kai Keong | 291,332 |
| Cheah Hon Kuen | 126,666 |
| Choo Tak Woh | 156,332 |

# Notice Of Twenty-Seventh Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Seventh Annual General Meeting of WCT Engineering Berhad will be held at Ground Floor, No. 12, Jalan Majistret U1/26, Seksyen U1, Lot 44, Hicom-Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 3 June 2008 at 10.30 a.m. for the following purposes:-

**AGENDA**

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2007 and the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To declare a final dividend of 4.5 sen per ordinary share of RM0.50 each less Malaysian Income Tax of 26% for the year ended 31 December 2007. **Resolution 2**

3. To re-elect Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid who retires as a Director of the Company pursuant to Article 65 of the Company's Articles of Association. **Resolution 3**

4. To re-elect Mr. Taing Kim Hwa who retires as a Director of the Company pursuant to Article 65 of the Company's Articles of Association. **Resolution 4**

5. To re-elect Mr. Goh Chin Liong who retires as a Director of the Company pursuant to Article 65 of the Company's Articles of Association. **Resolution 5**

6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

7. As Special Business:-

   To consider and, if thought fit, pass the following Ordinary and Special Resolutions:-

   **Ordinary Resolutions**

   **(a) Authority to Allot Shares**

   "THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued share capital of the Company and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 7**

   **(b) Proposed Shareholders' Mandate for Recurrent Related Party Transactions**

   "THAT, subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and its subsidiaries ("WCT Group") to enter into recurrent related party transactions of a revenue or trading nature with related parties as specified in Section 2.3 of the Circular to Shareholders dated 12 May 2008 which are necessary for the day-to-day operations of WCT Group in the ordinary course of business on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and that such approval shall continue to be in force until:-

   (i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless renewed by a resolution passed at that meeting;

(ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders at a general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution." **Resolution 8**

**(c) Proposed Renewal of Authority for the Company to Purchase Its Own Shares**

"THAT, subject to the Companies Act, 1965 (the "Act"), rules, regulations and orders made pursuant to the Act (as may be amended, modified or re-enacted from time to time), the provisions of the Company's Memorandum and Articles of Association and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authority, the Company be and are hereby authorised to purchase such amount of ordinary shares of RM0.50 each in the Company's issued and paid-up share capital as may be determined by the Directors of the Company from time to time through Bursa Securities subject further to the following:-

(i) the number of ordinary shares of RM0.50 each in the Company ("Shares") which may be purchased or held by the Company shall not exceed 10 percent of the issued and paid-up share capital for the time being of the Company, subject to a restriction that the issued and paid-up share capital of the Company does not fall below the applicable minimum share capital requirements of the Listing Requirements of Bursa Securities;

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the total retained earnings and share premium account of the Company. The audited retained earnings and share premium account of the Company as at 31 December 2007 amounted to RM104,450,805/= and RM140,942,430/= respectively;

(iii) the authority conferred by this resolution will commence immediately upon the passing of this ordinary resolution and will continue to be in force until:-

   (a) the conclusion of the next AGM of the Company at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

   (b) the expiration of the period within which the next AGM is required by law to be held; or

   (c) revoked or varied by ordinary resolution passed by the shareholders in general meeting;

   whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities; and

(iv) upon completion of each purchase of Shares by the Company, the Directors of the Company be and are hereby authorised to cancel the Shares so purchased or to retain the Shares so purchased as treasury shares which may be distributed as dividend to shareholders or resold on Bursa Securities or subsequently cancelled or to retain part of the Shares so purchased as treasury shares and cancel the remainder and/ or to deal with the Shares in any other manner as may be allowed or prescribed by the Act or any other rules, regulations and/or orders made pursuant to the Act and the Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise or to effect the purchase(s) of Shares with full powers to assent to any conditions, modifications, resolutions, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company." **Resolution 9**

**Special Resolution**

**(d) Proposed Change Of Company's Name**

"THAT the name of the Company be changed from "WCT Engineering Berhad" to "WCT Berhad" with effect from the date of issue of the Certificate of Incorporation on Change of Name of Company by the Companies Commission of Malaysia.

THAT all references in the Company's Memorandum and Articles of Association to the name of "WCT Engineering Berhad" shall be substituted with the name "WCT Berhad".

THAT the Directors be and are hereby authorised to carry out all the necessary formalities in effecting the change of name." **Special Resolution**

**NOTICE OF DIVIDEND PAYMENT AND ENTITLEMENT DATE**

NOTICE IS ALSO HEREBY GIVEN that a final dividend of 4.5 sen per ordinary share less Malaysian Income Tax of 26% for the financial year ended 31 December 2007, if approved at the forthcoming Annual General Meeting, will be payable on 18 June 2008.

The entitlement date shall be fixed on 6 June 2008 and a Depositor shall qualify for entitlement only in respect of:

(a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 6 June 2008 in respect of ordinary transfers; and

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of The Board

**WONG POOI CHEONG**
**CHAI WAI TECK**
Secretaries

Selangor Darul Ehsan
12 May 2008

**NOTES:**

**A. APPOINTMENT OF PROXY**

1. A member entitled to attend and vote at the meeting may appoint one (1) proxy to attend and vote on his behalf. A proxy may but need not be a member of the Company and if not a member, he need not be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar.

2. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, may appoint one (1) proxy in respect of each securities account.

3. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointor or his attorney duly authorised in writing, and in the case of a corporation, the instrument appointing a proxy must be under seal or under the hand of a duly authorised officer or attorney.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 12, Jalan Majistret U1/26, Seksyen U1, Lot 44, Hicom-Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time for holding the meeting or any adjourned meeting thereof.

## B. NOTES ON RESOLUTIONS 3, 4 and 5

The particulars of the retiring Directors who are standing for re-election are set out in the relevant pages of the Annual Report as follows:-

| Name of Director | Directors' Profile | Directors' Shareholdings |
|---|---|---|
| 1. Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid | Page 12 | Page 162 & 163 |
| 2. Taing Kim Hwa | Page 12 | Page 162 & 163 |
| 3. Goh Chin Liong | Page 12 | Page 162 & 163 |

## C. EXPLANATORY NOTES ON SPECIAL BUSINESS

(1) **Resolution 7** is proposed pursuant to Section 132D of the Companies Act, 1965 and, if passed, will empower the Directors, from the date of the above Annual General Meeting, to issue and allot shares from the unissued share capital of the Company not exceeding 10% of the issued share capital of the Company, for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

(2) **Resolution 8** is in relation to the Proposed Shareholders' Mandate for Recurrent Related Party Transactions and if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions with related parties in the ordinary course of business based on commercial terms which are not more favourable to the related parties than those generally available to the public which are necessary for the Group's day-to-day operations.

(3) **Resolution 9** is in relation to the Proposed Share Buy-Back and if passed, will give the Directors of the Company the authority to purchase through Bursa Malaysia Securities Berhad up to 10% of the issued and paid-up share capital of the Company by utilising the funds allocated out of the retained earnings and/or the share premium account of the Company. This authority will be effective upon the passing of this Ordinary Resolution and, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

(4) The proposed name "WCT Berhad" has been approved for reservation by the Companies Commission of Malaysia on 29 April 2008. The **Special Resolution** to approve the Proposed Change of Company's Name, if passed, will result in the Company's name being changed from WCT Engineering Berhad to WCT Berhad. The rationale for the proposed change of name is to better reflect the growing reputation of the Group in the international arena, enhance the image of the Group and reflect the greater diversity in the Group's business. Your Directors are of the opinion that the Proposed Change of Company's Name is in the best interest of the Company and Shareholders and recommend that you vote in favour of the said Special Resolution.

Further information on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions and the Proposed Share Buy-Back is set out in the Circular to Shareholders dated 12 May 2008, despatched together with the Company's Annual Report 2007.

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# FORM OF PROXY

**WCT ENGINEERING BERHAD**
(Company Number 66538-K)
(Incorporated in Malaysia)

I/We ..........................................................................................................................................
(Name in full)

I.C. or Company No ........................................ CDS Account No. ..............................................
(I.C. or Company No.)

of ...............................................................................................................................................
(Full address)

being a member of WCT ENGINEERING BERHAD, hereby appoint ..............................................................

................................................ I.C. No. ..................................................................................
(Name in full)

of ...............................................................................................................................................
(Full Address)

or failing him, the Chairman of the meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Twenty-Seventh Annual General Meeting of the Company to be held at the Conference Room, Ground Floor, No. 12, Jalan Majistret U1/26, Seksyen U1, Lot 44, Hicom-Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 3 June 2008 at 10.30 a.m. or at any adjournment thereof.

This proxy is to vote on the resolutions set out in the Notice of Annual General Meeting as indicated with an "X" in the appropriate spaces provided. If this form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain from voting at his/her discretion.

| | ORDINARY RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| 1 | Adoption of Audited Financial Statements and Reports of the Directors and Auditors for the year ended 31 December 2007. | | |
| 2 | Declaration of a Final Dividend of 4.5 sen per ordinary share less Malaysian Income Tax of 26%. | | |
| 3 | Re-election of Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid as a Director of the Company. | | |
| 4 | Re-election of Mr. Taing Kim Hwa as a Director of the Company. | | |
| 5 | Re-election of Mr. Goh Chin Liong as a Director of the Company. | | |
| 6 | Re-appointment of Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. | | |
| 7 | Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965. | | |
| 8 | Proposed Shareholders' Mandate for Recurrent Related Party Transactions. | | |
| 9 | Proposed Renewal of Authority for the Company to Purchase Its Own Shares. | | |
| | **SPECIAL RESOLUTION** | | |
| | Proposed Change of Company's Name | | |

Dated this ________ day of ____________________ 2008

| No. of ordinary shares held |
|---|
| |

______________________________

Signature(s)/Common Seal of member(s)

**Notes:-**

1. A member entitled to attend and vote at the meeting may appoint one (1) proxy to attend and vote on his behalf. A proxy may but need not be a member of the Company and if not a member, he need not be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar.
2. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, may appoint one (1) proxy in respect of each securities account.
3. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointor or his attorney duly authorised in writing, and in the case of a corporation, the instrument appointing a proxy must be under seal or under the hand of a duly authorised officer or attorney.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 12, Jalan Majistret U1/26, Seksyen U1, Lot 44, Hicom-Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time for holding the meeting or any adjourned meeting thereof.

Lastly, fold this flap for sealing

Affix Stamp

THE COMPANY SECRETARY

**WCT ENGINEERING BERHAD**

No. 12, Jalan Majistret U1/26, Seksyen U1,
Lot 44, Hicom-Glenmarie Industrial Park,
40150 Shah Alam
Selangor Darul Ehsan
Malaysia

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# Directory


Engineering Berhad
Company No: 66538-K

**WCT ENGINEERING BERHAD** (66538-K)

**HEAD OFFICE**
No. 12, Jalan Majistret U1/26, Seksyen U1, Hicom-Glenmarie Industrial Park,
40150 Shah Alam, Selangor Darul Ehsan, Malaysia
Tel: +603 7805 2266 Fax: +603 7804 9877
Email: wctbhd@wcte.com.my
Website: www.wcte.com.my

## DIVISIONAL OFFICES

### ENGINEERING & CONSTRUCTION

**WCT ENGINEERING BERHAD** (66538-K)
No. 12, Jalan Majistret U1/26, Seksyen U1,
Hicom-Glenmarie Industrial Park,
40150 Shah Alam, Selangor Darul Ehsan, Malaysia
Tel: +603 7805 2266 Fax: +603 7804 9877
Email: wctbhd@wcte.com.my
Website: www.wcte.com.my

### PROPERTY DEVELOPMENT

**WCT LAND SDN BHD** (324888-H)
(formerly known as WCT Land Berhad)
No. 63, Lorong Batu Nilam 1A,
Bandar Bukit Tinggi, 41200 Klang,
Selangor Darul Ehsan, Malaysia
Tel: +603 3324 3255 Fax: +603 3324 3257
Email: wctl@wctland.com.my
Website: www.wctland.com.my

## REGISTERED OFFICE

No. 12, Jalan Majistret U1/26, Seksyen U1,
Lot 44, Hicom-Glenmarie Industrial Park,
40150 Shah Alam, Selangor Darul Ehsan, Malaysia
Tel: +603 7805 2266 Fax: +603 7805 3548
Email: wctbhd@wcte.com.my
Website: www.wcte.com.my

www.wcte.com.my


**WCT ENGINEERING BERHAD** (66538 K)

No. 12, Jalan Majistret U1/26, Seksyen U1
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Malaysia
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e-mail : wctbhd@wcte.com.my


QUALITY SYSTEM SIRIM
UKAS QUALITY MANAGEMENT 074
MS ISO 9001: 2000
REG. NO.: AR 2274

OHSAS SYSTEM SIRIM
OHSAS 18001: 1999
CERT. NO.: W012801085