

SO WHAT? THE BNP PARIBAS ANGLE

- Our 2008 earnings forecast is above consensus as the market has under estimated WCT's improving construction margins.

- Our target price is above consensus as we have assumed recurring income from its AEON Shopping Mall.

Net Profit 08 MYR155m

Diff from Consensus.. 15.7%
Consensus (mean) MYR134m
Consensus (momentum) ↑

Target Price MYR8.40

Diff from Consensus...23.0%
Consensus (median) MYR6.83
Consensus (momentum) ↑

Current Price.....MYR6.15
Upside/(Downside)..... 36.6%

BUY

Recs in the Market

Positive.....6
Neutral.....0
Negative0
Consensus (momentum) ↑

Sources: Thomson One Analytics; BNP Paribas estimates

WCT's excellent track record – including F-1 – provides a highly leveraged but reliable exposure to the boom in Middle East infrastructure and property, as well as Malaysia's pump priming. We initiate coverage with a BUY recommendation and RNAV-derived target price of MYR8.40/share. Sunny skies valuation implies fair value of MYR10.85/share.

In the fast lane

Worth MYR8.40/share on 12x construction P/E

WCT's valuation is cheap, trading at 2007 P/E of 14.0x and 2008 P/E of 9.7x, against a robust three-year EPS CAGR of 24.2% pa, or 0.6x PEG. This compares favourably with Gamuda's PEG of 0.9x and IJM's 1.4x.

Based on its current construction order book of MYR4b, which represents a significant 3.2x 2006 construction revenue, earnings visibility is high for 2007-09. With scope for upside revision in earnings, we envisage that WCT will be trading at even more attractive valuations. Assuming MYR2b of new construction orders (in line with management's guidance), our 2007-09 net earnings should be enhanced by 16.2-37.0%. Hence, WCT's P/E for 2009 could potentially fall almost a third to just 5.9x. The stock offers a decent 36.6% upside potential to our RNAV-derived target price of MYR8.40/share, based on only 12x 2008 construction earnings (despite being highly leveraged to the Middle East infrastructure boom) and 12x property division earnings. Our sunny skies valuation that assumes up to 16x construction and property division multiples suggests upside of up to MYR10.85/share (+76.4%). With a market capitalisation of only 18% the size of Gamuda despite a construction order book that is 42% of Gamuda's, we foresee the gap narrowing since its growth drivers are similar to Gamuda's – local construction order book expansion, exposure to the Middle East construction boom and potential property development in Vietnam.

Excellent growth prospects

WCT offers a highly leveraged but reliable exposure to both the infrastructure and property boom in the Middle East, as well as the Malaysian government's pump priming. Its excellent track record shows in it being one of the very few construction companies in Malaysia to have remained profitable in the Middle East. Expertise includes Formula 1 tracks (Sepang and Bahrain) as well as construction of the New Doha International Airport, Qatar and Kota Kinabalu International Airport.

Growing property and recurring earnings base

WCT's property division is poised for a 106% turnaround in 2008 EBIT, thanks to launches from several local property projects with outstanding GDV of more than MYR2.9b. Recurring income could potentially rise from almost zero in 2006 to 19.3% of 2008 group EBIT with rising retention of investment properties in prime locations and Indian tolls.

Please see the important notice on the inside back cover.

Mak Hoy Kit

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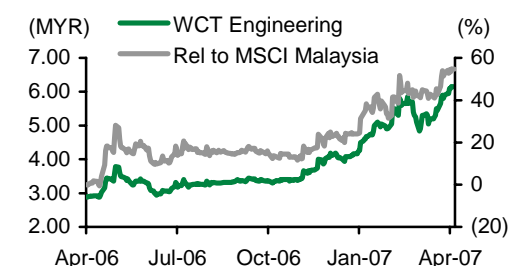
Earnings Estimates And Valuation Ratios

YE Dec (MYR m)	2006	2007E	2008E	2009E
Revenue	1,370	1,724	1,961	2,264
Reported net profit	88	106	155	188
Recurring net profit	88	106	155	188
Recurring EPS (MYR)	0.41	0.44	0.63	0.76
Rec EPS growth (%)	8.2	8.2	43.9	20.3
Recurring P/E (x)	15.1	14.0	9.7	8.1
Dividend yield (%)	1.7	1.9	2.0	2.1
EV/EBITDA (x)	7.9	6.6	4.9	4.3
Price/book (x)	2.2	1.9	1.5	1.3
ROE (%)	15.6	16.6	20.3	20.6
Net debt/equity (%)	37.1	35.7	30.3	23.0

Note: EPS is diluted for new shares arising from Redeemable Convertible Preference Shares

Sources: WCT Engineering; BNP Paribas estimates

Share Price Daily vs MSCI



Next results/event	May 2007
Market cap (USD m)	389
12m avg daily turnover (USD m)	0.7
Free float (%)	59
Major shareholder	WCT Capital (28%)
12m high/low (MYR)	6.15/2.88

Source: Datastream

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VALUATION

Worth MYR8.40/share on 12x construction P/E

In our view, WCT's valuation is cheap, trading at 2007 P/E of 14.0x and 2008 P/E of 9.7x, against robust three-year EPS CAGR of 24.2% pa. This compares favourably with its larger peers – Gamuda and IJM, as shown in Exhibit 1. WCT is trading at 2007 P/E of 14.0x against Gamuda's FY08 P/E of 20.2x and IJM's FY08 19.3x. Note that WCT's market capitalisation to order book is just 0.3x, compared to Gamuda's 0.7x and IJM's 0.9x. ROEs are also significantly higher at 15.6%, compared to Gamuda's 7.8% and IJM's 8.3%.

Attractive P/E of 9.7x 2008 against 2007-09 EPS CAGR of 24.2%

Exhibit 1: Valuation Matrix

	BBG code	Share price (MYR)	Mkt cap (USD m)	Avg daily turnover (USD m)	Current order book (MYR m)	Mkt cap/order book (x)	P/E			EPS CAGR '06-09E (%)	P/E to 3-year CAGR (x)	Div yield '06 (%)	ROE '06 (%)
							'06 (x)	'07E (x)	'08E (x)				
Gamuda	GAM MK	7.90	2,024	4.8	9,600	0.74	37.9	39.1	20.2	41.2	0.9	1.5	7.8
IJM	IJM MK	9.05	1,259	3.5	5,000	0.88	28.1	24.3	19.3	17.0	1.4	1.7	8.3
WCT Eng *	WCT MK	6.15	389	0.7	4,015	0.34	15.1	14.0	9.7	24.2	0.6	1.7	15.6

* WCT Engineering P/E is based on diluted EPS which is diluted for new shares arising from Redeemable Convertible Preference Shares
Source: BNP Paribas estimates

Based on its current construction order book of MYR4b, which represents a significant 3.2x 2006 construction revenue, earnings visibility is high for 2007-09. With scope for upside revision in earnings, we envisage that WCT will be trading at even more attractive valuations. Assuming WCT clinches MYR1b or new construction orders (against our MYR400m assumption), our net earnings for 2007-09 should rise by 8.4-12.3%. Assuming MYR2b of new construction orders (in line with management's guidance) of 50% from local contracts and 50% from the Middle East, our net earnings should be enhanced by 16.2-37.0%. Hence, WCT's P/E for 2009 could potentially fall to just 5.9x.

Our earnings sensitivity suggests that net earnings will be enhanced by 16.2-37.0% in 2007-09 if order book hits management's target of MYR2b for 2007

Exhibit 2: Sensitivity Analysis

Year-end 31 Dec	2007E	2008E	2009E
Base case (MYR400m new construction orders in 2007) @ 13% EBITDA margin			
Net profit (MYR m)	105.9	155.4	188.5
EPS – fully diluted (sen)	0.440	0.634	0.762
P/E (x)	14.0	9.7	8.1
Assuming MYR1b new construction orders in 2007 @ 13% EBITDA margin			
Net profit (MYR m)	115.4	169.9	212.5
EPS – fully diluted (sen)	0.4774	0.6901	0.8564
Change (%)	8.4	8.9	12.3
P/E (x)	12.9	8.9	7.2
Assuming MYR2b new construction orders in 2007 @ 13% EBITDA margin			
Net profit (MYR m)	134.4	198.8	260.7
EPS – fully diluted (sen)	0.5115	0.8028	1.0443
Change (%)	16.2	26.7	37.0
P/E (x)	12.0	7.7	5.9

Source: BNP Paribas estimates

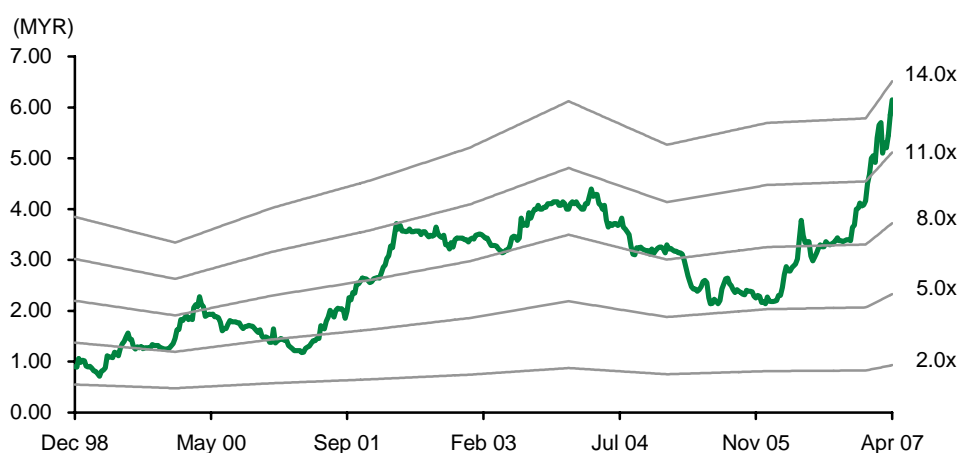
Sharp drop in P/E if management's target of MYR2b order book enhancement is met

Due to the lack of analyst coverage and lower liquidity, WCT's market capitalisation is only 18% the size of Gamuda's, despite its construction order book amounting to 42% of Gamuda's MYR9.6b (by far the largest in Malaysia). Structurally, we see WCT benefiting more from order flows from the government's pump priming as its focus is on mid-sized jobs of between MYR200-500m, compared to Gamuda's focus on mega projects, which we believe will be incrementally difficult for Gamuda to replicate as there is a finite number of mega projects in Malaysia. Hence, we believe that WCT is grossly undervalued, since its growth drivers are somewhat similar to Gamuda's – local construction order book expansion, exposure to Middle East construction boom and Vietnamese property development exposure.

WCT's market capitalisation is only 18% of Gamuda's despite having an order book of 42% of Gamuda's

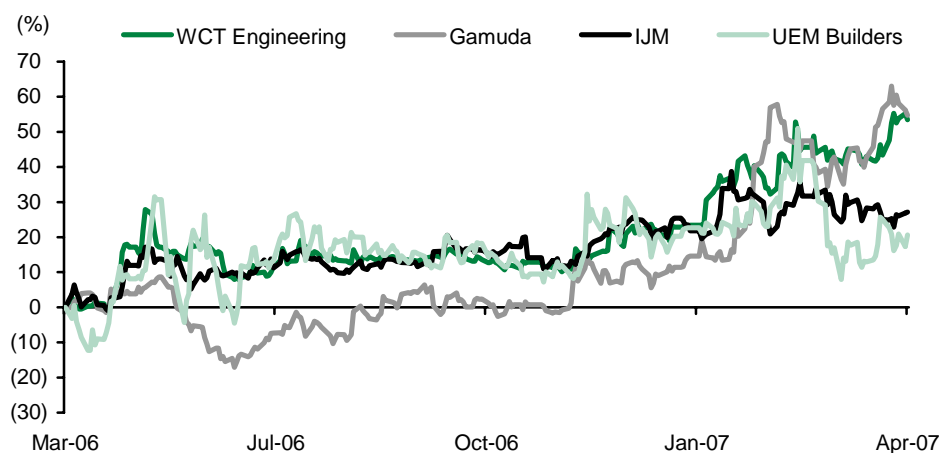
While WCT may be trading at the highest range of its P/E band, we believe that there should be upside scope for a P/E re-rating due to a structural shift in WCT's earnings quality coming from an expanded order book base from the Middle East, recovery in property earnings, as well as higher proportion of recurring earnings.

Exhibit 3: Construction Stocks' Relative Performance To KLCI



Sources: Bloomberg; BNP Paribas

Exhibit 4: Construction Stocks' Relative Performance To KLCI



Sources: Bloomberg; BNP Paribas

For WCT, the most appropriate valuation methodology in our view is RNAV based on sum-of-the-parts (SoTP) valuation. Our valuation is conservative as we are only ascribing 12x multiple to 2008 construction earnings (despite being highly leveraged to the Middle East infrastructure boom) and 12x multiple to property division earnings. That construction and property division represents 49.1% and 42.8% of RNAV. Our SoTP derived RNAV computation suggests a target price of MYR8.40/share, or a decent 36.6% upside.

Our sensitivity analysis, assuming a construction P/E range of 11-16x suggests fair value between MYR8.11-9.71 per share. Our sensitivity analysis, assuming a property P/E range of 11-16x, suggests fair value of between MYR8.11-9.71. In total, this may lead to RNAV enhancement of up to MYR10.85/share, based on 16x P/E for both the construction and property division.

Exhibit 5: RNAV Computation

2008E			
	Net profit (MYR m)	P/E (x)	Value (MYR m)
Construction	82.0	12	984.5
Property	71.5	12	858.3
Trading division	13.2	10	132.5
Toll concessions: Swarna Tollway			103.6
Durgapur			5.1
Panagarh-Palsit			11.2
AEON Shopping Mall lease			240.6
Net debt – 2007			(331.9)
RNAV			2,003.3
Issued shares (m)			213.82
RNAV/share (MYR m)			9.37
RNAV/share – fully diluted (MYR m)			8.40

Source: BNP Paribas estimates

Exhibit 6: RNAV Sensitivity To Construction Multiples

Construction division multiple assumption	RNAV/share (MYR)	Change (MYR)
11x	8.11	(0.29)
12x	8.43	0.03
13x	8.75	0.35
14x	9.07	0.67
15x	9.39	0.99
16x	9.71	1.31

Source: BNP Paribas estimates

Exhibit 7: RNAV Sensitivity To Property Multiples

Property division multiple assumption	RNAV/share (MYR)	Change (MYR)
11x	8.14	(0.26)
12x	8.43	0.03
13x	8.70	0.30
14x	8.98	0.58
15x	9.26	0.86
16x	9.54	1.14

Source: BNP Paribas estimates

We also have not included in our RNAV forecast recurring earnings from the investment properties at The Paradigm (a commercial development project in Kelana Jaya). Based on preliminary estimates, it should add MYR0.33 to our RNAV forecast. Also excluded from our estimates is the potential contribution from WCT's potential property project in Ho Chi Minh City, Vietnam.

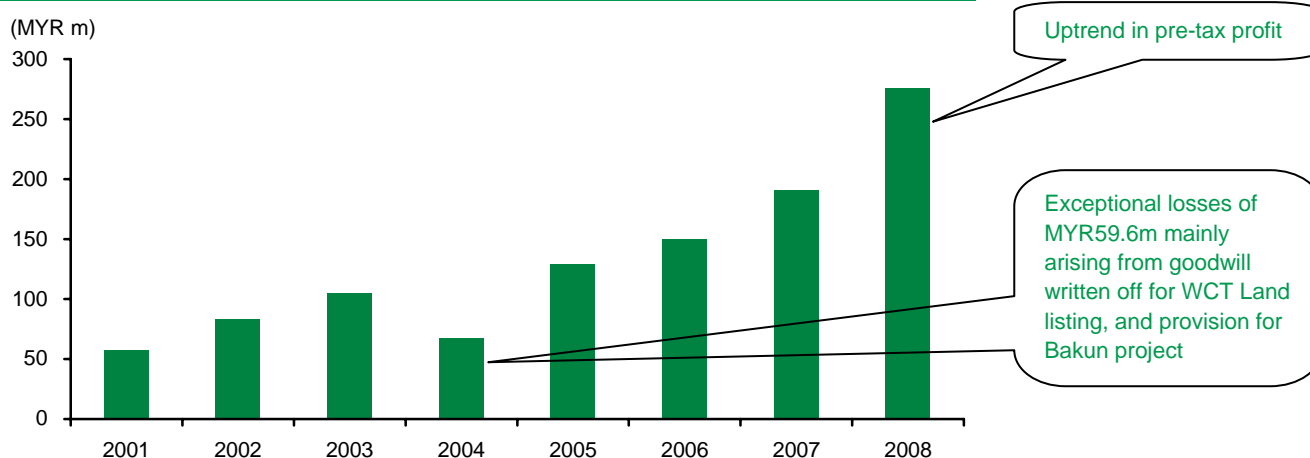
INDUSTRY OUTLOOK

Excellent growth prospects

WCT offers a highly leveraged but reliable exposure to both the infrastructure and property boom in the Middle East and Malaysia's pump priming that benefits the construction sector. Among the Malaysian construction players, WCT's strength lies in its excellent execution capabilities, its low cost structure that allows the company to be profitable even at the sub-contractor level (since 1998, WCT has moved beyond sub-contracting), as well as its first mover advantage (among Malaysian construction companies) and experience in executing projects in India since 1999 and the Middle East since 2002. Judging by the steady growth in profits as shown in Exhibit 8, and resilient construction EBIT margins of at least above 8% in 2002-06, this is testament to WCT's ability to execute despite the difficult operating conditions in the Middle East and in Malaysia in 2004-05 when construction jobs were difficult to come by.

Oligopolistic market and growing demand suggests price recovery is sustainable

Exhibit 8: Group Pre-tax Profit



Sources: WCT Engineering; BNP Paribas estimates

Exhibit 9: Construction EBIT Margins



Sources: WCT Engineering; BNP Paribas estimates

With locked-in construction orders of MYR4.0b, this provides earnings visibility through to FY09, of which WCT is leveraged to robust growth in the Middle East. Currently, WCT's jobs in the Middle East account for more than 47% projects, while the balance of 53% is from local construction jobs.

Management guidance is MYR2b of new construction orders for 2007, but we have conservatively assumed only MYR400m worth of new orders. WCT has secured MYR2.9b worth of construction orders in 2006, and with government pump priming accelerating in 2007, we believe that this should be easily surpassed.

The Kota Kinabalu International Airport project was the first project that was directly negotiated with the government, and enhances WCT's ability to clinch more projects under the 9th Malaysia Plan and other project under Private Finance Initiative (PFI).

Management guidance of MYR2b new construction order flows in 2007

Exhibit 10: Major Projects Secured In 2006

Project description	Contract value (MYR m)	Contract period (Months)	Completion date
AEON Shopping Centre (Jusco) – BBT, Klang	283	15	2007
Tijani 2 Kuala Lumpur - Luxury apartments	163	24	2008
Bahrain City Centre	653	28	2008
Kota Kinabalu International Airport – Package 1	720	36	2009
UiTM Campus	435	25	2009

Source: WCT Engineering

For 2008, our net profit forecast is 15.7% above the consensus, as the market may have underestimated the potential for margin enhancement from higher margin projects that were clinched in 2006, the bulk of which would be recognised in FY08. Among such higher margin jobs are Bahrain City Centre (estimated net margin of 10%, tax free, the Kota Kinabalu International Airport (estimated net margin of 11%), and the Dubai World Central Airport project (estimated at net margin of at least 10%), which add up to MYR1.4b or 35% of WCT's outstanding construction order book of MYR4.0b. Hence, there is scope for upward surprises in earnings. The strategy going forward is to be selective in bidding for jobs in the Middle East, with minimum pre-tax margins of 15%, and this should further support margin enhancements. Hence, we forecast overall group EBIT margins to rise from 12.3% in 2006 to 14.3% by 2009.

The market has underestimated WCT's margin expansion potential

We believe the key to WCT's success in the Middle East compared to other construction stocks in Malaysia lies in its first mover advantage since 2002. Successful execution also lies in its fleet of machinery, experienced Malaysian personnel on the ground, as well as smart partnerships with local contractors in the Middle East, e.g. Cebarco and Arabtech.

WCT has also carved a niche as a specialist in building Formula 1 racing circuits. It is the builder of two of the four new Formula 1 racing circuits. Among the completed projects include the Sepang F1 circuit and the Bahrain International Circuit, both completed in record time of within 14 and 16 months.

Niche in building Formula 1 circuit earns a respectable reputation

Leveraging upon this success, we believe WCT is a stronger contender to undertake construction works for the upcoming Formula 1 circuit in Abu Dhabi, targeted for completion by end-2008, with its maiden race commencing in 2009. The circuit was designed by renowned Formula One circuit designer Hermann Tilke, the same designer for the Bahrain F1 circuit and the Malaysian Sepang F1 circuit, both of which were WCT projects. Based on our research, the Abu Dhabi track is already under construction (Source: www.f1.com). However, this project is not in our forecast.

Strong contender for upcoming Abu Dhabi Formula 1 circuit

While there may not be much scope for further growth in terms of Formula 1 circuits, besides the proposed F1 track in Singapore, the Bahrain Formula 1 track experience has allowed WCT to gain prominence in the Middle East, particularly in the United Arab Emirates (UAE). Since 2004, WCT has successfully penetrated Bahrain, Qatar, and recently Dubai.

Based on our research, development expenditure in the UAE over the next five years is estimated to surpass USD350b, with Dubai continuing to lead in real estate and infrastructure development projects. Among the projects announced include the Dubai International Airport, Palm Deira, Dubai light rail transport project and Dubai World Central International Airport (WCT secured MYR486m under a 50:50 joint-venture). BNP Paribas' house view is that oil prices are expected to remain strong, at between USD57.40-63.60/barrel in 2007-08 (Brent oil prices), which will be supportive of both government and private investment in the UAE and other countries in the Middle East.

Development expenditure in UAE over the next five years to surpass USD350b

Based on our channel checks, we understand that there is very little spare contracting capacity in Dubai, suggesting that project margins going forward should be higher, with pretax margins in the region of 10-15%.

Exhibit 11: Major Developments To Be Delivered In The Next 5 Years

Development	Developer	Year of completion	Expected supply
Dubailand Phase 1	Dubai Properties	2008	3,400 apartments
Dubai Marina (six towers)	Emaar	2008	14,000 units
Jumeirah Palm Island	Nakheel	2006	4,900 units
Palm Deira	Nakheel	2009	8,000 units
Palm Jebel Ali	Nakheel	2008	6,400 units
Jumeirah Islands	Nakheel	2006	15,000 units
Jumeirah Lake Towers	Nakheel	2006	5,000 units
International City	Nakheel	2007-08	21,000 units
Gardens of Discovery	Nakheel	2008	25,412 units
Jumeirah village	Nakheel	2008	2,883 villas & 3,184 apartments
Green Community West	Union Properties	2007	580 villas & 270 apartments
Dubai Festival City	Futtaim Group	2012	21,000 units

Sources: Company websites; BNP Paribas estimates

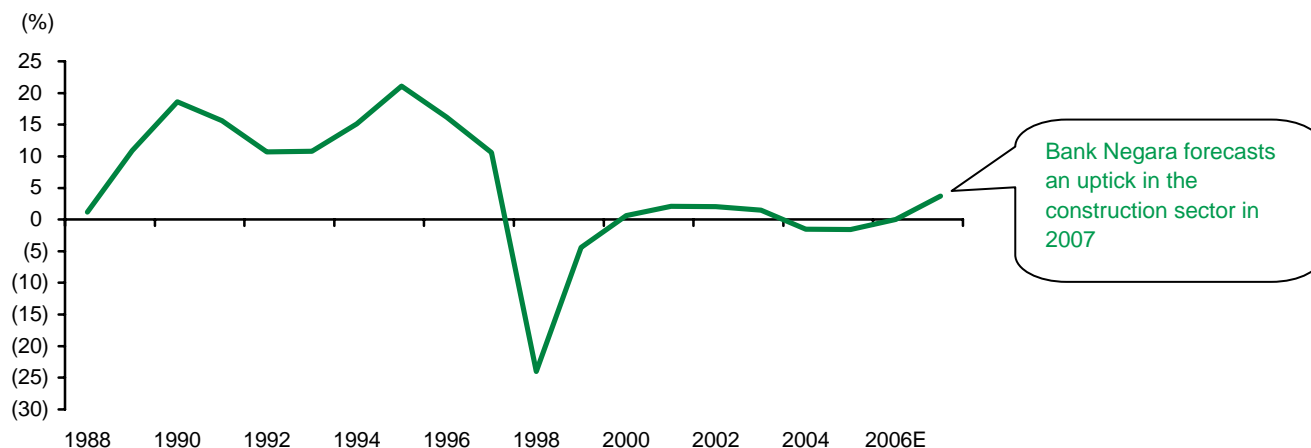
Exhibit 12: Oil Price Assumptions

(USD/barrel)	2005	2006	2007E	2008E
Brent (dated)	54.30	65.50	57.40	63.60
WTI	56.60	67.30	57.80	64.80

Source: BNP Paribas estimates

Meanwhile in Malaysia, being a mid-sized construction company WCT is poised to benefit from the government's pump priming activities. The rebound in the construction sector starting from 2007 will be favourable for WCT. Bank Negara forecasts construction sector growth of 0.7% y-y in 2006, after two years of negative growth of -1.5% in 2004 and -1.6% in 2005 (in real terms). Bank Negara forecasts stronger growth of 3.7% in 2007, marking an end to a period of contracting growth for the construction sector.

Highly leveraged to Malaysian government pump priming

Exhibit 13: Construction Sector Growth (Real Terms)

Source: Bank Negara Malaysia

The stronger growth will be achieved by the front-loading of development spending under the 9th Malaysia Plan, as evident in Appendix 4. As highlighted in Budget 2007, development expenditure by the government will be front-loaded, with an allocation of MYR44.5b (+24.3%) in 2007 out of total development expenditure of MYR200b under the 9th Malaysia Plan (2006-10). The figure excludes MYR20b in additional spending earmarked under the private finance initiative. The MYR44.5b allocation is higher than the total 2006 development spending forecast by Bank Negara at MYR35.8b.

MYR44.5b development expenditure in 2007

Based on our tracking of order flow for the construction sector to date, MYR24.5b has been awarded (January-March 2007), compared to just MYR700m during the same period in 2006; this is more than 34.8x the amount, or 2.1x the amount awarded for the whole of 2006.

Construction projects awarded in 1Q07 are 34.8x the amount awarded during the period in 2006

Exhibit 14: List Of Major Construction Projects Awarded Since January-March 2007

Project	Value (MYR m)	Company	Date awarded
Sewage system in Kota Kinabalu, Sabah	183.3	Salcon/Rastamas	January 2007
Airside Infrastructure Sultan Ismail International Airport	145.0	IJM	February 2007
Construction of 15,000 houses	900.0	Mudajaya	February 2007
Flood mitigation project in Kuching	1,300.0	Naim Cendera, etc	February 2007
Submarine base at Sapangar Bay, Kota Kinabalu	318.0	TRC Synergy	February 2007
West Coast Expressway	3,100.0	Europlus, etc	March 2007
Mixed development project	343.1	Putrajaya Perdanana	March 2007
Package 2B and 2C construction works at UTM, Melaka	186.0	Putrajaya Perdanana	March 2007
Second raw water intake in Sibu, Sarawak	19.4	KKB Engineering	March 2007
Kolej Universiti Kejuruteraan Utara Malaysia	260.0	Menang Corporation	March 2007
Electrified Double Tracking (Northern Stretch)*	11,000.0	Gamuda-MMC JV	March 2007
Electrified Double Tracking (Southern Stretch)*	6,700.0	Indian contractor	March 2007
Total	24,454.8		

* Contract sum are estimated. Received cabinet approval, but contract sum is in the midst of being finalised
Source: BNP Paribas estimates

Exhibit 15: List Of Major Projects Awarded Since January 2006

Project	Value (MYR m)	Company	Date awarded
Subang-Kelana Link project	380.0	Ahmad Zaki Resources	March 2006
JKR project in Kuching, Sarawak	222.0	TRC Synergy	March 2006
Upgrading of KLIA	99.2	Road Builder	March 2006
East Coast Highway Phase 2	98.0	TSR Capital	April 2006
Upgrade of Kota Kinabalu Airport	720.0	WCT Engineering	April 2006
New prison complex in Pulau Pinang	251.0	TSR Capital	May 2006
Kolej University Islam quarters	96.2	Bina Puri	June 2006
University Teknologi Mara' Medical City*	3,000.0	TSR Capital &TH Prop	July 2006
Second Penang Bridge	2,500.0	UEM Group	August 2006
Upgrade of water treatment plants for Puncak Niaga	208.8	Merge Energy	August 2006
Railway development at Batu Gajah	75.0	Road Builder, Fajar Capital JV	August 2006
Institut Latihan Perindustrian, Sarawak	88.0	Naim Cendera	August 2006
East Coast Highway Phase 2 – Pkg 10	1,404.0	MTD Capital	September 2006
Batu Gajah railway works	348.0	Road Builder	September 2006
Shah Alam District Police HQ	50.0	TSR Capital	September 2006
Alor Setar-Kuala Nerang-Durian Burung Road	246.2	Protasco	September 2006
Unimas campus	200.0	Zecon Engineering	October 2006
Dang Wangi Police Station	125.0	TRC Synergy	October 2006
Kemuning-Shah Alam Highway	600.0	Prolintas	November 2006
Zon.e@fraser.Biz Park in Jalan Loke Yew, Kuala Lumpur	204.9	Isyoda Corp	November 2006
Construction of the Satellite Works for UTM	435.0	WCT Engineering	December 2006
Total	11,351.3		

* Contract sum are estimated. Received cabinet approval, but contract sum is in the midst of being finalised
Source: BNP Paribas estimates

EARNINGS OUTLOOK

Growing property and recurring earnings base

WCT's property division is poised for a 106% turnaround in 2008 EBIT following 17.4% EBIT contraction in 2006. The earnings contraction in 2006 was due to the slowdown within the mass residential property segment, that affected launches for its Bandar Bukit Tinggi projects.

Total gross development value outstanding as of April 2007 stands at more than MYR2.9b, with 450 acres of land bank, of which more than 427 acres are located in the Klang Valley. This should underpin property earnings predominantly the next five to six years.

Exhibit 16: Outstanding Property GDV

	(MYR m)
Bandar Bukit Tinggi 1	189
Bandar Bukit Tinggi 2	380
Bandar Parklands	820
The Paradigm	1,300*
D'Banyan	227
Total	2,900

* MYR820m proposed to be retained as investment properties
Sources: WCT Engineering; BNP Paribas estimates

In the Klang Valley, WCT's property projects comprise *Bandar Bukit Tinggi 1 & 2* and *Bandar Parklands*. These are mixed residential development projects. Total GDV outstanding is about MYR1.4b on 414.6 acres of remaining land that should sustain earnings for the next 5-6 years. We believe sales in 2007 will be enhanced upon the completion of the AEON Shopping Mall by end-2007, from almost no launches in 2006. WCT's strategy is to delay launches pending the completion of the AEON Mall in Bandar Bukit Tinggi in the hope of better pricing.

The group also has a 12.4 acre commercial property development project known as *The Paradigm* at Kelana Jaya. Total GDV is estimated at MYR1.3b, of which more than MYR860m are expected to be retained as investment properties. The project will comprise high-end commercial developments comprising Class A Corporate Offices, Office Units (SOHO units) and a shopping mall.

Over in Kota Kinabalu, WCT will be launching later this year high-end residential units for its d'Banyan project, with total estimated GDV of MYR227m, all to be launched within 2007. We understand that demand for high-end residential property projects in Kota Kinabalu is strong, and it helps that the project is located 2.5km from the City Centre of Kota Kinabalu, within the Sutera Harbour Resort development, encompassing an existing 27-hole golf course, a yacht club, a marina and five star hotels. Buyers are expected to be a mix of foreigners, Malaysia My Second Home owners, and high net-worth locals.

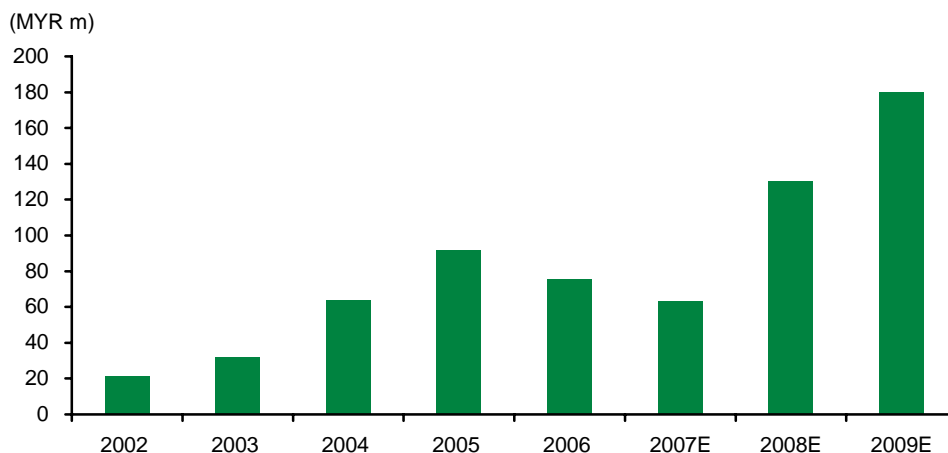
With almost no sales launches in 2006 as mentioned above, we believe WCT's property division is poised for a strong turnaround from a low base. As we expect more aggressive launches mainly from 2H07 onwards, we forecast a dip in property division EBIT of 16.6% in 2007, before staging a stronger turnaround of 106.2% in 2008 and 38.5% in 2009. We expect the property division to contribute 55.8% of group EBIT by 2008, from 44.7% in 2006.

Property division poised for turnaround with outstanding GDV of MYR2.9b

Commencement of launches at Klang to boost property sales

The Paradigm commercial property development with MYR1.3b GDV

High end property launches at Kota Kinabalu

Exhibit 17: Property Division EBIT

Sources: WCT Engineering; BNP Paribas estimates

WCT is close to securing a property development project in Ho Chi Minh City, Vietnam, and an announcement on securing this could be forthcoming within the next two months. It will involve a joint venture with a local partner for the development of high rise residential and commercial units.

Close to securing a major property development project in Vietnam

We are optimistic on the prospects in Vietnam and we believe take-up rates should be favourable given the property boom in Vietnam. Based on our channel checks, property development margins are in excess of 25-30%. Based on our research, the property market in Vietnam is encouraging, with about 99% occupancy rate for office buildings, office rental rates that were 50% higher over the past five years, 95% occupancy rates for service apartments, and decent 77% average occupancy rates for 5-star hotels. The only setback is the various regulatory approvals required and curbs on profit repatriation.

For WCT, we were given to understand that the gross development value could be bigger compared to its MYR1.3b The Paradigm project. As the project has yet to be finalised, we have not included any contributions in our earnings and RNAV estimates.

Meanwhile, we are also upbeat on WCT's recurring earnings base, coming from its AEON shopping mall lease, a retail mall and corporate offices at The Paradigm (Petaling Jaya) and a business hotel in Bandar Bukit Tinggi. The AEON Shopping Mall lease is for 25 years on a 1m sqft net lettable area, with a 3-year review on rental rates. WCT Land will also operate the 5,000-bay carpark. Based on a 10% gross yield, we expect the AEON lease to contribute EBIT of MYR18.2m in 2008 (6.9% of group EBIT) and MYR20.4m in 2009 (6.3% of group EBIT).

Growing recurring earnings base

10% gross yield from AEON Shopping Mall in Malaysia

Excluded from our forecast is potential lease income from more than MYR860m of investment properties retained as investment income from The Paradigm. This will be coming from a proposed shopping mall (400 sqft of net lettable area) and three blocks of Class A offices (1.85m sqft net lettable area each).

Total rental income could account for 19.3% of group EBIT

Assuming a gross yield of 10%, this translates to gross rental yields of MYR86m a year or net rental income of MYR34.4m a year. As the investment properties are likely to be owned on a joint venture basis for a potential strategic partner, WCT's share (assuming 50%) works out to EBIT of MYR32.7m pa (12.4% of group EBIT) in 2008. Cumulatively, the recurring earnings portion will contribute 19.3% of 2008 group EBIT.

APPENDIX 1

Devil's advocate: Risks to our investment case

Lack of construction order flows

The main risk to our investment case concerns the Malaysian government's ability to kick-start projects due to bureaucracy. This does not appear to be the case now as the total amount of projects awarded by the government during January-March 2007 is 34.8x or MYR24.5b during the same period in 2006. Moreover, WCT is also leveraged to the Middle East infrastructure boom. In any case, our MYR400m new order assumption for 2007 is conservative.

Recent order flows have been strong, with the MYR243m (WCT's 50% portion) infrastructure job through a 50:50 joint venture with Arabtec Engineering Services LLC, to construct storm drainage and sewerage facilities at the cargo airport in Jebel Ali, Dubai; as well as the MYR100m (49% share of works) variation order for the existing New Doha International Airport (NDIA) contract in Qatar.

Margin compression and execution problems

The second risk is that there could be construction margin compression, especially projects in the Middle East, as we understand there are no escalation clauses for cost overruns. However, we believe the worst is over in terms of pricing as based on our channel checks, the contracting capacity in the Middle East is tight, particularly for those with expertise on the ground. This is evident by the advance payment of 10% that WCT and its j/v partner will receive prior to starting works for its recently clinched MYR243m (WCT's 50% portion) for construction of drainage and sewerage facilities at the cargo airport in Jebel Ali, Dubai.

More industry discipline expected

Even for WCT's existing Dukhan Highway (MYR384m based on WCT's 49% share) in Qatar that had probably faced cost overruns due to difficult operating conditions and cost escalation will be completing soon by 3Q07, suggesting no further erosion to profitability beyond 2007.

EPS dilution from convertibles

WCT will be embarking on a fund raising exercise to raise about MYR417m from MYR155.1m new Irredeemable Convertible Preference Shares (ICPS) and USD75m (MYR262.5m) convertible bonds (CBs). The funds are for working capital and what we believe is to fund its investment properties, while MYR100m will be for part repayment of bank borrowings. WCT has also proposed a 1-for-3 bonus issue on the basis of one bonus share for every three existing ordinary shares, whereby the entitlement date has yet to be determined.

While there may be dilution to EPS, the dilution within the next five years will only come from the ICPS, since the CBs are redeemable on the fifth year by way of cash or shares. In any case, we have assumed full dilution of ICPS, yet valuation remains attractive at 2007 P/E of 14.0x and 2008 P/E of 9.7x, against 3-year EPS CAGR of 24.2% pa. The new shares should also help to improve WCT's liquidity issues. The new shares should also help to improve WCT's liquidity issues. The capital raising will allow the group to tender for bigger jobs, as well as expand its property development projects.

Exhibit 18: Salient Features Of ICPS

Issue size	MYR155.1m nominal value.
Tenure	5 years.
Dividend rate	4.5% pa on nominal value of MYR1.00 per ICPS.
Conversion	Conversion into new ordinary WCT shares from date of listing up to and including the maturity date of the ICPS. The conversion price will represent a discount to the 5-day volume weighted average market price and the theoretical ex-bonus price of WCT shares up to the price fixing date to be determined later.

Source: WCT Engineering

Exhibit 19: Salient Features Of CBS

Issue size	USD75m
Put option	Bond holders may at the 3 rd year require WCT to redeem all the CBs at a price to be determined later.
Maturity date	In the 5 th year from the date of issuance.
Coupon rate	To be determined.
Conversion	A premium to the 5-day weighted average market price of WCT prior to the price-fixing date to be determined later. Number of shares to dependent on conversion price. The conversion price will be at a premium to the 5-day volume weighted average market price of WCT shares up to the price fixing date to be determined later.

Source: WCT Engineering

APPENDIX 2

Background information on WCT Engineering

WCT commenced operations in 1981 as an earthworks and building contractor. Since then, it has progressed to become an engineering and construction company with design and build capabilities, on a turnkey level.

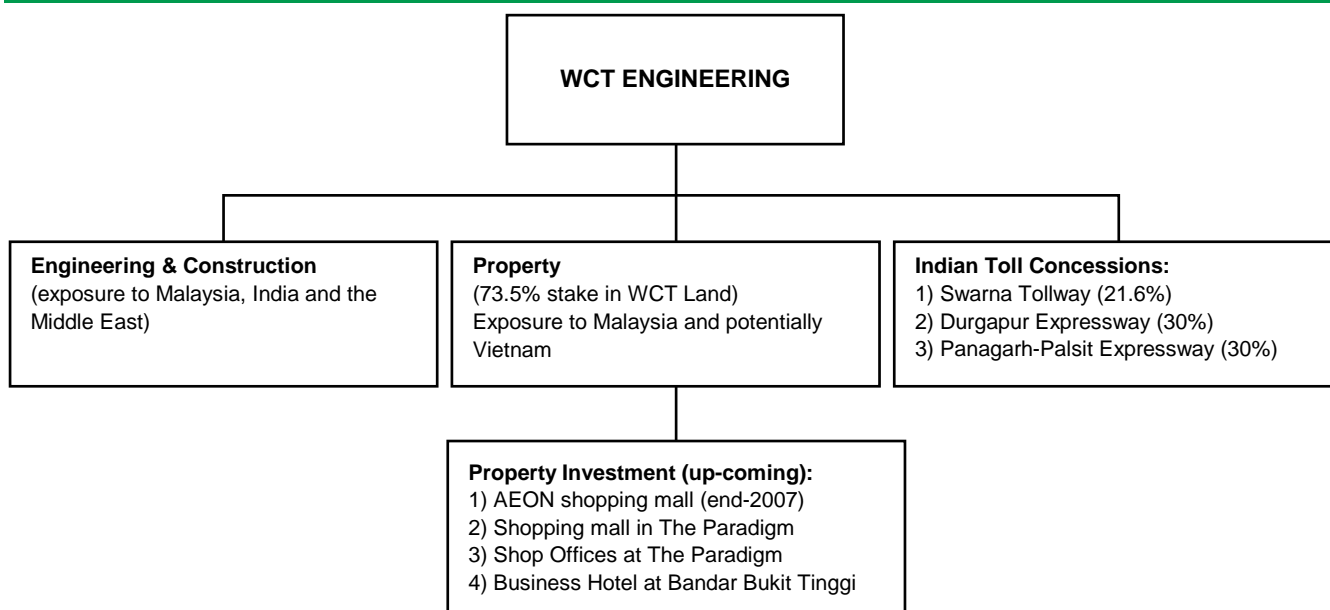
Exhibit 20: Moving Up The Construction Value Chain

Year	Major projects	Value chain
1981-Mid-1990s	Roads, highways and housing projects in Malaysia	Earthworks sub-contractor
1993	Selangor Turf Club in Sungai Besi, KL	Infra works contractor
1996	KLIA Bulk Earthworks - 50% of total earthworks	Main sub-contractor
1999	Sepang F1 Circuit	Main contractor
2004	Bahrain International Circuit	Main contractor
2004	Tada-Nellore Highway - Swarna Tollway Pvt. Ltd. India	Build-operate-transfer
2005	Guthrie Corridor Expressway	Main turnkey contractor
2005	Putrajaya 2G3 & 2G4 Office Buildings	Main design and build
2005	New Doha International Airport - Package 1	Design and build
2006	Kota Kinabalu International Airport - Package 1	Main design and build

Source: WCT Engineering

WCT has three main divisions – engineering and construction, property, toll concessions and the upcoming investment properties.

Exhibit 21: WCT's Organisational Chart



Source: WCT Engineering

We have very high regards for WCT's hands-on and experienced management, led by its Managing Director, Mr Taing Kim Hwa together with his 26-year partner, Mr Wong Sewe Wing, Executive Directors of the company. Both of them hold a 50% share in WCT's major shareholder, WCT Capital Sdn Bhd.

WCT is a specialist in building formula one racing circuits, having built the 5.5-km USD120m (MYR456m) Sepang F1 Circuit in just 14 months where it was the main contractor, while the 5.4-km Bahrain F1 circuit was built in just 16 months for USD150m (MYR570m).

WCT is highly competitive in building works, with the Curve Shopping Mall, Putrajaya Office Buildings among its more notable completed projects. Currently, the company is building the AEON shopping mall in Bandar Bukit Tinggi (MYR283m), UiTM Campus (MYR435m), Tijani Luxury Apartments (MYR163m), and the MYR1.3b Bahrain City Centre (WCT's portion is MYR653m).

Exhibit 22: Outstanding Construction Orderbook (As At 31 March 2007)

Contracts	Contract value (MYR m)	Contribution (%)
Overseas		
Bahrain City Centre, Bahrain	509	
Dukhan Highway, Qatar	261	
New Doha International Airport, Qatar	768	
New Doha International Airport, Qatar (additional works)	100	
Drainage and sewerage facilities at the cargo airport in Jebel Ali, Dubai	243	
Durrat Al-Bahrain	10	
Sub-total	1,891	47.1
Local Civil Engineering & Infrastructure		
Kota Kinabalu International Airport	652	
Kajang-Seremban highway (KSH)	290	
Kudat Water Supply	108	
Bakun Dam	59	
Sub-total	1,109	27.6
Local building		
UiTM Campus	435	
Jusco Shopping Centre - BBT	267	
Tijani 2 Apartments	148	
Putrajaya Plot 3C4	93	
Putrajaya Lot 2G3 & 2G4	41	
Others	31	
Sub-total	1,015	25.3
Total	4,015	

Sources: WCT Engineering; BNP Paribas

WCT is also highly competitive in engineering and infrastructure works. Major completed projects include the Al-Seef Flyover in Bahrain, various highways in India, the Guthrie Corridor Expressway in Malaysia.

Exhibit 23: Engineering & Construction – Major Completed Projects

Project description	Contract value (MYR m)	Contract period (months)	Completion date
Sepang F1 Circuit	308	14	1998
Bahrain International Circuit	(300) 600	16	2004
Tada Nellore Highway, India	(111) 180	28	2004
The Curve Shopping Mall	227	24	2004
Office buildings - Lot 2G3 & 2G4, Precinct 2, Putrajaya	408	24	2005
Guthrie Corridor Expressway	420	24	2005
Panagarh-Palsit Expressway, India	(126) 420	30	2005
Durgapur Expressway, India	(105) 350	28	2005
Al Seef Flyover, Bahrain	(51) 102	24	2005

Note: Amount in brackets refers to WCT's share of contract
Source: WCT Engineering

Under toll concession, WCT has a 30% stake each in the Durgapur Expressway and Panagarh-Palsit Expressway in West Bengal, India. The concession company receives payments by the Indian government of MYR68m pa for the Durgapur Expressway (WCT's share is MYR20.4m), and MYR94m pa for the Panargarch-Palsit Expressway (WCT's share is MYR28.2m). Both concessions start from 2005-20.

WCT also owns a 21.6% stake in Swarna Tollway in Andhra Pradesh on a build-operate-transfer basis, with a concession period from 2004-32. Average toll collection is about MYR48m pa, but due to the high interest expense in India and depreciation on straight line basis, we forecast a small loss for this expressway (for WCT's share) in 2007-09.

More background information can be obtained from www.wcte.com.my and www.wctland.com.my

APPENDIX 3

WCT's past and potential F1 track records

Exhibit 24: Malaysia F1 Racing Circuit Details (Completed)

Year of completion	November 1998
No. of laps	55
Circuit length	304.81 km
Track length	5.542 km
Location	3.5 km away from Kuala Lumpur International Airport

Source: www.f1.com

Exhibit 25: Bahrain F1 Racing Circuit Details (Completed)

Year of completion	March 2004
No. of laps	57
Circuit length	308.238 km
Track length	5.412 km
Location	In the south of the country in Sakhir, 30 mins from the airport

Source: www.f1.com

Exhibit 26: Abu Dhabi F1 Racing Circuit Details (Potential Project For WCT)

No. of laps	56
Circuit length:	309 km
Lap time	1min 38sec
No. of corners	20
Top speed	320 km/h
Average speed	200 km/h
Size	2,550 hectare, located on Yas Island, on the east coast of Abu Dhabi

Sources: www.f1.com and www.abudhabigp.com

APPENDIX 4

Development spending in Malaysia

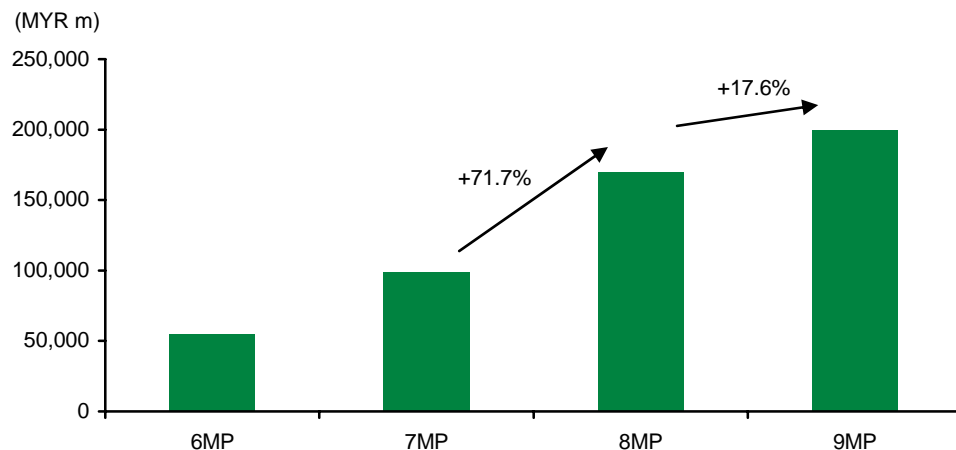
Summary of Budget 2007 on development spending:

- Total development expenditure allocated is MYR44.5b (+24.3% y-y) in 2007. PFI projects valued at MYR4b and will also be implemented in 2007.
- Biggest allocation goes to the transport sub-sector (MYR7.3b in 2007 from MYR6.2b in 2006), and education sub-sector (MYR7.9b in 2007 from MYR5.2b in 2006).
- Allocation of MYR3.4b for rural development including rural roads (MYR780m), water supply (MYR251m), electricity supply (MYR200m) and others (MYR615m). Also, MYR1b to be allocated for maintenance of buildings and public facilities.
- Southern Johor Economic Region development allocation of MYR2.3b in 2007.
- Several roads in Sarawak including upgrading of Jalan Kuching-Sibu-Bawang-Assam-Seredeng and Integrated Deep Sea Fishing Port Tanjung Manis, and several projects in Sabah including construction of Sapulut-Kalabakan road, upgrade of Kota Kinabalu and Labuan Airports, and improvement of Sabah railway.
- MYR2.2b allocated to build 46,000 units of government quarters.
- MYR10b to be invested by Syarikat Prasarana Negara Bhd for the period 2006-10 to improve efficiency of transportation in the Klang Valley.

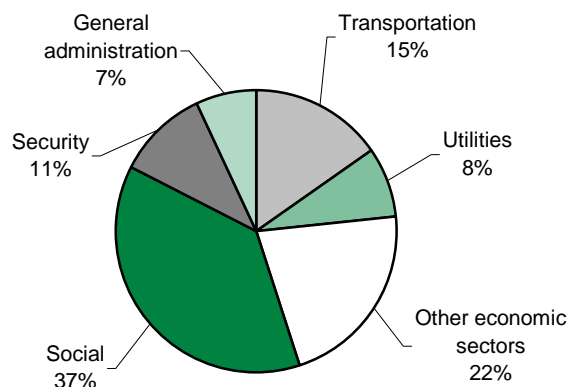
Exhibit 27: Federal Government Development Expenditure By Sector

	2005	2006	2007E	Change		
	(MYR m)	(MYR m)	(MYR m)	(%)	(%)	(%)
Economic services of which:	14,957.0	16,283.0	20,827.0	26.2	8.9	27.9
Agricultural and rural development	2,482.0	3,681.0	4,157.0	(13.8)	48.3	12.9
Trade and industry	3,221.0	3,791.0	5,102.0	168.2	17.7	34.6
Transport	7,660.0	6,198.0	7,298.0	15.5	(19.1)	17.7
Social services of which:	7,450.0	10,194.0	14,218.0	(27.4)	36.8	39.5
Education and training	3,736.0	5,175.0	7,941.0	(13.4)	38.5	53.4
Health	1,220.0	1,297.0	1,629.0	(48.1)	6.3	25.6
Housing	1,082.0	1,895.0	2,153.0	(32.1)	75.1	13.6
Security	4,803.0	5,781.0	6,817.0	16.2	20.4	17.9
General administration	3,324.0	3,556.0	2,648.0	26.9	7.0	(25.5)
Total	30,534.0	35,814.0	44,510.0	5.8	17.3	24.3
As % of GDP (%)	6.2	6.5	7.5			

Source: 2007 Economic Report

Exhibit 28: Development Expenditure Allocation

Note: 6MP-8MP are based on actual expenditure
Source: 6th Malaysia Plan (6MP) to 9th Malaysia Plan (9MP)

Exhibit 29: Development Expenditure Allocation Under 9MP

Source: 6th Malaysia Plan to 9th Malaysia Plan

Exhibit 30: Federal Government Development Allocation And Expenditure By State

(MYR m)	6MP		7MP		8MP		9MP	
State	Allocation	(%)	Allocation	(%)	Allocation	(%)	Allocation	(%)
Johor	3,344	5.7	5,629	5.4	8,766	5.5	10,200	5.1
Kedah	3,208	5.5	3,891	3.8	7,676	4.8	7,817	3.9
Kelantan	1,527	2.6	2,307	2.2	3,778	2.4	6,651	3.3
Melaka	1,009	1.7	1,628	1.6	3,812	2.4	3,686	1.8
Negeri Sembilan	1,325	2.3	2,269	2.2	5,242	3.3	5,884	2.9
Pahang	2,734	4.7	3,091	3.0	7,200	4.5	9,853	4.9
Perak	2,321	4.0	3,298	3.2	6,238	3.9	7,614	3.8
Perlis	614	1.0	1,276	1.2	1,741	1.1	2,201	1.1
Pulau Pinang	1,672	2.9	2,746	2.7	4,926	3.1	6,152	3.1
Sabah	2,595	4.4	6,970	6.7	12,722	8.0	15,658	7.8
Sarawak	3,133	5.4	5,951	5.7	11,826	7.4	13,437	6.7
Selangor	4,345	7.4	11,245	10.9	15,366	9.6	15,539	7.8
Terengganu	2,096	3.6	2,559	2.5	4,261	2.7	5,806	2.9
Wilayah Persekutuan	5,973	10.2	6,865	6.6	18,425	11.5	31,090	15.5
Multi-states #	22,604	38.6	43,841	42.3	48,022	30.0	58,412	29.2
Total	58,500	100.0	103,565	100.0	160,000	100.0	200,000	100.0

Source: 6th Malaysia Plan to 9th Malaysia Plan

FINANCIAL STATEMENTS

WCT Engineering

Profit and Loss (MYR m)					
Year Ending December	2005A	2006A	2007E	2008E	2009E
Revenue	816	1,370	1,724	1,961	2,264
Cost of sales ex depreciation	-	-	-	-	-
Gross profit ex depreciation	816	1,370	1,724	1,961	2,264
Other operating income	-	-	-	-	-
Operating costs	(662)	(1,163)	(1,465)	(1,612)	(1,832)
Operating EBITDA	154	207	259	349	431
Depreciation	(26)	(38)	(60)	(85)	(109)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	128	169	199	264	323
Net financing costs	(24)	(23)	(20)	(21)	(20)
Associates	26	4	12	32	6
Recurring non operating income	(1)	(0)	-	-	-
Non recurring items	-	-	-	-	-
Profit before tax	129	150	191	276	309
Tax	(34)	(35)	(51)	(72)	(80)
Profit after tax	95	115	139	204	228
Minority interests	(14)	(27)	(33)	(49)	(40)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	81	88	106	155	188
Non recurring items & goodwill (net)	-	-	-	-	-
Recurring net profit	81	88	106	155	188
Per share (MYR)					
Recurring EPS *	0.38	0.41	0.44	0.63	0.76
Reported EPS	0.38	0.41	0.50	0.73	0.88
DPS	0.21	0.11	0.12	0.12	0.13
Growth					
Revenue (%)	2.5	67.8	25.8	13.8	15.4
Operating EBITDA (%)	23.0	34.1	25.2	34.8	23.6
Operating EBIT (%)	8.4	32.1	17.8	32.8	22.1
Recurring EPS (%)	(14.0)	8.2	8.2	43.9	20.3
Reported EPS (%)	150.1	8.0	20.2	46.8	21.2
Operating performance					
Gross margin inc depreciation (%)	na	na	na	na	na
Operating EBITDA margin (%)	18.9	15.1	15.0	17.8	19.1
Operating EBIT margin (%)	15.7	12.3	11.5	13.5	14.3
Net margin (%)	10.0	6.4	6.1	7.9	8.3
Effective tax rate (%)	26.4	23.1	27.0	26.0	26.0
Dividend payout on recurring profit (%)	56.8	26.5	26.1	19.4	16.6
Interest cover (x)	6.4	7.4	10.4	14.3	16.1
Inventory days	na	na	na	na	na
Debtor days	173.7	153.6	176.6	184.9	183.7
Creditor days	na	na	na	na	na
Operating ROIC (%)	15.5	14.9	13.9	15.8	17.0
Operating ROIC - WACC (%)	6.0	5.4	4.4	6.3	7.5
ROIC (%)	15.8	13.5	13.5	16.1	15.7
ROIC - WACC (%)	6.3	4.0	4.0	6.6	6.2
ROE (%)	16.9	15.6	16.6	20.3	20.6
ROA (%)	7.7	6.9	6.5	8.4	8.4

* Pre exceptional, pre-goodwill and fully diluted

Revenue By Division (MYR m)	2005A	2006A	2007E	2008E	2009E
Engineering & Construction	465	1,049	1,405	1,401	1,536
Trading	28	86	103	113	125
Property development	321	229	211	410	556
Property & investment holding	3	5	4	37	47

Sources: WCT Engineering; BNP Paribas estimates

Strong EPS growth led by record MYR4b construction order book and growing property earnings

Cash Flow (MYR m)					
Year Ending December	2005A	2006A	2007E	2008E	2009E
Recurring net profit	81	88	106	155	188
Depreciation	26	38	60	85	109
Associates & minorities	(12)	23	21	16	34
Other non-cash items	(131)	110	(3)	34	(42)
Recurring cash flow	(35)	259	184	291	289
Change in working capital	32	(7)	36	(28)	(14)
Capex - maintenance	(8)	(207)	(220)	(250)	(200)
Capex - new investment	-	-	-	-	-
Free cash flow to equity	(11)	46	(0)	13	75
Net acquisitions & disposals	1	54	-	-	-
Dividends paid	(46)	(23)	(25)	(26)	(27)
Non recurring cash flows	-	-	-	-	-
Net cash flow	(56)	77	(25)	(13)	48
Equity finance	69	4	-	-	-
Debt finance	83	(24)	(104)	(88)	(40)
Movement in cash	96	57	(129)	(101)	8

Rising free cashflows supports higher dividends

Per share (MYR)					
Recurring cash flow per share	(0.17)	1.21	0.86	1.36	1.35
FCF to equity per share	(0.05)	0.21	(0.00)	0.06	0.35

Balance Sheet (MYR m)					
Year Ending December	2005A	2006A	2007E	2008E	2009E
Working capital assets	696	1,146	1,342	1,472	1,638
Working capital liabilities	(459)	(794)	(1,026)	(1,128)	(1,281)
Net working capital	237	352	316	344	357
Tangible fixed assets	436	611	785	964	1,069
Operating invested capital	673	962	1,101	1,308	1,427
Goodwill	(6)	-	-	-	-
Other intangible assets	-	-	-	-	-
Investments	105	58	70	103	109
Other assets	27	34	34	34	34
Invested capital	799	1,054	1,204	1,444	1,569
Cash & equivalents	(345)	(392)	(263)	(162)	(170)
Short term debt	133	300	251	212	209
Long term debt *	365	373	324	282	251
Net debt	152	281	312	332	290
Deferred tax	10	8	8	8	8
Other liabilities	-	9	9	9	9
Total equity	534	594	679	850	977
Minority interests	102	162	196	245	285
Invested capital	799	1,054	1,204	1,444	1,569

* Includes convertibles and preferred stock which is being treated as debt

Per share (MYR)					
Book value per share	2.50	2.78	3.18	3.97	4.57
Tangible book value per share	2.53	2.78	3.18	3.97	4.57

Financial strength					
Net debt/equity (%)	24.0	37.1	35.7	30.3	23.0
Net debt/total assets (%)	9.5	12.5	12.5	12.1	9.6
Current ratio (x)	1.8	1.4	1.3	1.2	1.2
CF interest cover (x)	0.5	3.0	1.0	1.6	4.7

Declining net gearing

Valuation	2005A	2006A	2007E	2008E	2009E
Recurring P/E (x) *	16.4	15.1	14.0	9.7	8.1
Recurring P/E @ target price (x) *	22.3	20.6	19.1	13.3	11.0
Reported P/E (x)	16.1	14.9	12.4	8.5	7.0
Dividend yield (%)	3.5	1.7	1.9	2.0	2.1
P/CF (x)	neg	5.1	7.2	4.5	4.6
P/FCF (x)	neg	28.6	neg	101.8	17.5
Price/book (x)	2.5	2.2	1.9	1.5	1.3
Price/tangible book (x)	2.4	2.2	1.9	1.5	1.3
EV/EBITDA (x) **	7.6	7.9	6.6	4.9	4.3
EV/EBITDA @ target price (x) **	10.0	10.2	8.4	6.1	5.4
EV/invested capital (x)	2.0	1.7	1.5	1.3	1.2

* Pre exceptional, pre-goodwill and fully diluted

** EBITDA includes associate income and recurring non-operating income

Sources: WCT Engineering; BNP Paribas estimates

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*In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

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