

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..... MYR165m
..... (From MYR155m)

Diff from Consensus.. 14.2%
Consensus (mean) MYR145m
Consensus (momentum) ↑

Target Price MYR8.55
..... (From MYR8.40)

Diff from Consensus.. 12.5%
Consensus (median) MYR7.60
Consensus (momentum) ↑

Current Price.....MYR7.40
Upside/(Downside)..... 15.5%

BUY
(Unchanged)

Recs in the Market

Positive..... **8**
Neutral..... **0**
Negative **1**
Consensus (momentum) ↔

Sources: Thomson One Analytics; BNP Paribas estimates

Scope for valuation upgrades from order book enhancements and P/E re-rating. WCT has submitted MYR9b of tenders in the Middle East; some of the outcomes will be known by end-June. Recent strong sales suggest its property division has done better than expected in 2007. BUY; TP MYR8.55 (15.5% upside); sunny skies valuation of MYR10.95 (48% upside).

From cars to horse-racing circuits

- Some of its MYR9b-worth of bids to be known by end-June.
- Property division stronger than expected.
- Excellent scope for valuation upgrade.

Some of MYR9b-worth of bids to be known by end-June WCT has submitted MYR9b worth of tenders for less than five construction jobs, mainly in the Middle East. Its portion of works is roughly half of that, as WCT is likely to be partnering local companies that offer familiarity with local conditions. Results are expected to be known by end-June at the latest, for some of the projects.

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.

One of the bids submitted is for the Abu Dhabi Formula 1 racing track, estimated at MYR1.5b, based on recent news reports. We believe WCT is a strong contender, which is 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, who designed the Bahrain F1 and the Malaysian Sepang F1 circuits, both of which were WCT projects. Based on our research, the Abu Dhabi track is already under construction (Source: www.f1.com). This project is not in our forecast.

WCT has carved out 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. The completed projects include the Sepang F1 circuit and the Bahrain International Circuit, both completed in record time (between 14 and 16 months).

Mak Hoy Kit

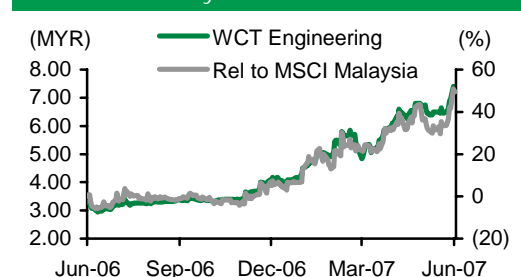
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Earnings Estimates And Valuation Ratios

YE Dec (MYR m)	2006	2007E	2008E	2009E
Revenue	1,370	1,796	2,018	2,362
Reported net profit	88	116	165	205
Recurring net profit	88	116	165	205
Previous rec net profit	88	106	155	188
Chg from previous (%)	—	9.9	6.1	8.6
Recurring EPS (MYR)	0.41	0.46	0.65	0.80
Prev rec EPS (MYR)	0.41	0.44	0.63	0.76
Rec EPS growth (%)	8.2	14.3	39.3	23.1
Recurring P/E (x)	18.2	15.9	11.4	9.3
Dividend yield (%)	1.5	1.6	1.7	1.7
EV/EBITDA (x)	9.1	7.2	5.3	4.6
Price/book (x)	2.7	2.3	1.9	1.6
ROE (%)	15.6	18.3	21.6	22.5
Net debt/equity (%)	37.1	35.6	30.2	22.9

Note: EPS is diluted for new shares arising from Irredeemable Convertible Preference Shares (ICPS)
Sources: WCT Engineering; BNP Paribas estimates

Share Price Daily vs MSCI



Next results/event	August 2007
Market cap (USD m)	464
12m avg daily turnover (USD m)	0.8
Free float (%)	59
Major shareholder	WCT Capital (24%)
12m high/low (MYR)	7.40/2.94

Source: Datastream

The other major project is likely to be the Dubai Racing Club's Meydan Race Course (for horse racing). Due to tight contracting capacity, we believe WCT has a strong chance of securing the project. The project has to be completed by 2010, in time for the Dubai World Cup. Therefore, we believe a contractor like WCT, with a good track record of fast turnarounds, stands a very good chance of securing the bid. It helps that WCT built the Selangor Turf Club in Malaysia. This project is not in our forecast.

Has track record in horse racing circuits too

Property division stronger than we expected

Recent property sales have been stronger than we expected. Two reasons for the variance include: 1) D'Banyan Residency project at Kota Kinabalu, where the company raised the gross development value (GDV) of the entire project from MYR227m to MYR250m. Target construction date is by July 2007. We now assume that the project will be launched by 2H07, instead of in 2008. 2) Excellent take-up at Bandar Parklands, where WCT had, by end-April, launched 125 two-storey shop units with GDV of MYR70m. These were taken up within two weeks. Given strong demand, we believe management's sales target to launch MYR300m worth of units in 2007 for Bandar Parklands is reasonable, and our expected launch of MYR100m remains too conservative.

We have tweaked our sales forecast higher to incorporate MYR250m GDV for D'Banyan and MYR300m worth of new launches for Bandar Parklands. We have also raised our new construction order book assumption for 2007 from MYR400m to MYR743m to include the recently clinched Dubai World Central International Airport (Stormwater Drainage and Sewerage System (Phase 1)). As such, we have raised our 2007 net profit forecast by 9.9%, +6.1% for 2008 and +8.6% for 2009.

Revised net earnings forecast 6.1-9.9% for 2007-09

With the upward revision in earnings forecast, we have raised our target price to MYR8.55/share from MYR8.40/share (+1.8%). The magnitude of increase is less than our earnings forecast increase as we have assumed a higher number of shares of 51.7m from new share issuance (from 42.5m new shares) pursuant to WCT's proposed ICPS issuance. Note that our RNAV-derived target price of MYR8.55, is based on only 12x 2008 construction earnings (despite being highly leveraged to the Middle East infrastructure boom) and 12x property division earnings.

Target price raised to MYR8.55/share

Exhibit 1: RNAV Computation

	2008E		
	Net profit (MYR m)	P/E (x)	Value (MYR m)
Construction	81.9	12	983.2
Property	81.1	12	973.8
Trading division	13.2	10	132.4
Toll concessions: Swarna Tollway			103.6
Durgapur			5.1
Panagarh-Palsit			11.2
AEON Shopping Mall lease			236.5
Net debt -2007E			(331.9)
RNAV			2,114.0
Issued shares (m)			213.819
RNAV/share (MYR)			9.89
RNAV/share – fully diluted (MYR)			8.55

Note: Dilution includes 51.7m new shares (our previous forecast is 42.5m new shares) from ICPS conversion.
Source: BNP Paribas estimates

Excellent scope for valuation upgrade

Based on its outstanding construction order book of MYR3.5b, which represents a significant 2.8x 2006 construction revenue, earnings visibility and growth is already well underpinned through to 2009.

With tremendous scope for upside revision in earnings, we envisage that WCT will be trading at even more attractive valuations. Assuming WCT clinches MYR1b in new construction orders (against our MYR743m assumption), our net earnings for 2007-09 should rise by 3.9-5.9%. 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 19.3-28.7%. Hence, WCT's P/E for 2009 could potentially fall to just 7.2x.

Potential for 2009 P/E to fall to just 7.2x

Exhibit 2: Sensitivity Analysis

Year-end 31 Dec	2007E	2008E	2009E
Base case (MYR743m new construction order in 2007)			
Net profit (MYR m)	116.4	165.0	204.8
EPS – fully diluted (MYR)	0.465	0.648	0.797
P/E (x)	15.9	11.4	9.3
Assuming MYR1b new construction order in 2007			
Net profit (MYR m)	121.3	172.4	217.1
EPS – fully diluted (MYR)	0.4832	0.6756	0.8441
Change (%)	3.9	4.3	5.9
P/E (x)	15.3	11.0	8.8
Assuming MYR2b new construction order in 2007			
Net profit (MYR m)	140.3	201.3	265.3
EPS – fully diluted (MYR)	0.5547	0.7844	1.0255
Change (%)	19.3	21.1	28.7
P/E (x)	13.3	9.4	7.2

Sources: BNP Paribas estimates

Our sunny skies valuation that assumes up to 16x construction and property division multiples, revised to MYR10.95/share (MYR8.55 target price plus i) and ii) as shown in Exhibit 3 and 4 below) from MYR10.85/share. This suggests as much as 48% upside.

48% upside to sunny skies valuation of MYR10.95/share

Exhibit 3: RNAV Sensitivity To Construction Multiples

RNAV sensitivity multiple assumption	RNAV/share (MYR)	Change (MYR)
11x	8.24	(0.31)
12x	8.55	—
13x	8.85	0.30
14x	9.16	0.61
15x	9.47	0.92
16x	9.78	1.23 (i)

Source: BNP Paribas estimates

Exhibit 4: RNAV Sensitivity To Property Multiples

RNAV sensitivity multiple assumption	RNAV/share (MYR)	Change (MYR)
11x	8.24	(0.31)
12x	8.55	—
13x	8.85	0.30
14x	9.16	0.61
15x	9.46	0.91
16x	9.71	1.16 (ii)

Source: BNP Paribas estimates

Exhibit 5: Valuation Matrix

	BBG	Share	Mkt	Avg	Mkt cap/	P/E			EPS	P/E to	Div	EBITDA	
	code	price	cap	daily	order	2006	2007E	2008E	CAGR	3-year	yield	ROE	margin
		(MYR)	(USD m)	(USD m)	(x)	(x)	(x)	(x)	(%)	(x)	(%)	(%)	(%)
Gamuda	GAM MK	8.95	2,321	6.0	0.87	42.9	44.3	22.9	41.2	1.1	1.3	7.8	13.4
IJM	IJM MK	8.25	1,162	4.3	0.92	25.6	22.2	17.6	17.0	1.3	1.8	8.3	15.5
WCT Eng *	WCT MK	7.40	464	0.8	0.46	18.2	15.9	11.4	25.6	0.6	1.5	15.6	15.1

* 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

APPENDIX 1

WCT's past and potential F1 track records

Exhibit 1.1: 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 1.2: 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 1.3: 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

FINANCIAL STATEMENTS

WCT Engineering

Profit and Loss (MYR m)					
Year Ending December	2005A	2006A	2007E	2008E	2009E
Revenue	816	1,370	1,796	2,018	2,362
Cost of sales ex depreciation	-	-	-	-	-
Gross profit ex depreciation	816	1,370	1,796	2,018	2,362
Other operating income	-	-	-	-	-
Operating costs	(662)	(1,163)	(1,520)	(1,652)	(1,901)
Operating EBITDA	154	207	276	367	461
Depreciation	(26)	(38)	(60)	(85)	(109)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	128	169	216	282	353
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	208	294	339
Tax	(34)	(35)	(56)	(76)	(88)
Profit after tax	95	115	152	217	251
Minority interests	(14)	(27)	(35)	(52)	(46)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	81	88	116	165	205
Non recurring items & goodwill (net)	-	-	-	-	-
Recurring net profit	81	88	116	165	205
Per share (MYR)					
Recurring EPS *	0.38	0.41	0.46	0.65	0.80
Reported EPS	0.38	0.41	0.54	0.77	0.96
DPS	0.21	0.11	0.12	0.12	0.13
Growth					
Revenue (%)	2.5	67.8	31.1	12.4	17.0
Operating EBITDA (%)	23.0	34.1	33.4	32.9	25.9
Operating EBIT (%)	8.4	32.1	27.8	30.5	25.2
Recurring EPS (%)	(14.0)	8.2	14.3	39.3	23.1
Reported EPS (%)	150.1	8.0	32.2	41.7	24.1
Operating performance					
Gross margin inc depreciation (%)	na	na	na	na	na
Operating EBITDA margin (%)	18.9	15.1	15.4	18.2	19.5
Operating EBIT margin (%)	15.7	12.3	12.0	14.0	14.9
Net margin (%)	10.0	6.4	6.5	8.2	8.7
Effective tax rate (%)	26.4	23.1	27.0	26.0	26.0
Dividend payout on recurring profit (%)	56.8	26.5	24.8	18.9	15.8
Interest cover (x)	6.4	7.4	11.2	15.2	17.6
Inventory days	na	na	na	na	na
Debtor days	173.7	153.6	173.5	186.0	182.5
Creditor days	na	na	na	na	na
Operating ROIC (%)	15.5	14.9	15.1	16.8	18.5
Operating ROIC - WACC (%)	5.8	5.2	5.4	7.1	8.8
ROIC (%)	15.8	13.5	14.5	17.1	17.1
ROIC - WACC (%)	6.1	3.8	4.9	7.4	7.4
ROE (%)	16.9	15.6	18.3	21.6	22.5
ROA (%)	7.7	6.9	7.0	8.8	9.1

* Pre exceptional, pre-goodwill and fully diluted

Revenue By Division (MYR m)	2005A	2006A	2007E	2008E	2009E
Engineering & Construction	465	1,049	1,455	1,401	1,536
Trading	28	86	103	113	125
Property development	321	229	233	467	655
Property & investment holding	3	5	4	37	47

Sources: WCT Engineering; BNP Paribas estimates

Strong EPS growth led by record MYR3.5b outstanding order book and growing property earnings

Our new order book replenishment assumption is conservative

Several new property projects underpin robust revenue

Cash Flow (MYR m)					
Year Ending December	2005A	2006A	2007E	2008E	2009E
Recurring net profit	81	88	116	165	205
Depreciation	26	38	60	85	109
Associates & minorities	(12)	23	23	20	39
Other non-cash items	(131)	110	(14)	24	(61)
Recurring cash flow	(35)	259	185	293	291
Change in working capital	32	(7)	35	(30)	(16)
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

Improving free cash flow supports higher dividends

Per share (MYR)					
Recurring cash flow per share	(0.17)	1.21	0.87	1.37	1.36
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	1,381	1,503	1,692
Working capital liabilities	(459)	(794)	(1,064)	(1,156)	(1,329)
Net working capital	237	352	317	347	364
Tangible fixed assets	436	611	785	964	1,069
Operating invested capital	673	962	1,102	1,312	1,433
Goodwill	(6)	-	-	-	-
Other intangible assets	-	-	-	-	-
Investments	105	58	70	103	109
Other assets	27	34	34	34	34
Invested capital	799	1,054	1,206	1,448	1,576
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	849	972
Minority interests	102	162	198	250	296
Invested capital	799	1,054	1,206	1,448	1,576

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

Per share (MYR)					
Book value per share	2.50	2.78	3.17	3.97	4.55
Tangible book value per share	2.53	2.78	3.17	3.97	4.55

Financial strength					
Net debt/equity (%)	24.0	37.1	35.6	30.2	22.9
Net debt/total assets (%)	9.5	12.5	12.3	12.0	9.4
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) *	19.7	18.2	15.9	11.4	9.3
Recurring P/E @ target price (x) *	22.7	21.0	18.4	13.2	10.7
Reported P/E (x)	19.4	18.0	13.6	9.6	7.7
Dividend yield (%)	2.9	1.5	1.6	1.7	1.7
P/CF (x)	neg	6.1	8.5	5.4	5.4
P/FCF (x)	neg	34.4	neg	122.5	21.0
Price/book (x)	3.0	2.7	2.3	1.9	1.6
Price/tangible book (x)	2.9	2.7	2.3	1.9	1.6
EV/EBITDA (x) **	8.9	9.1	7.2	5.3	4.6
EV/EBITDA @ target price (x) **	10.1	10.3	8.0	5.9	5.2
EV/invested capital (x)	2.3	1.9	1.7	1.5	1.4

* 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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