

# Company Focus

Malaysia Equity Research PP 11272/7/2007

2 Jul 2007

## Buy RM7.95 KLCI : 1,354.38

Price Target : 12 months RM 9.20 (Prev RM 7.10)

Reason for Report : Update

Potential Catalyst: New Middle East and Malaysia contracts

### ANALYST

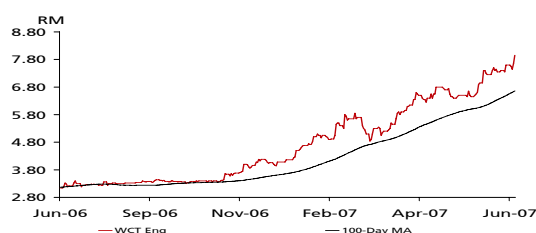
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### FORECASTS AND VALUATION

FY Dec (RM m)	2006A	2007F	2008F	2009F
Turnover	1,369.8	1,369.3	1,740.3	1,840.3
EBITDA	252.3	283.5	355.3	376.4
Pre-tax Profit	149.8	162.1	201.1	241.4
Net Profit	88.1	105.4	135.3	161.2
Net Pft (Pre Ex.)	88.1	105.4	135.3	161.2
EPS (sen)	41.5	49.6	40.3	44.6
EPS Gth (%)	8	20	(19)	11
Diluted EPS (sen)	41.5	49.6	40.3	44.6
Net DPS (sen)	10.8	10.8	10.8	10.8
BVPer Share (sen)	277.1	315.5	367.9	432.3
PE (X)	14.4	12.0	14.8	13.4
P/Cash Flow (X)	10.3	7.8	9.6	9.9
EV/EBITDA (X)	8.4	7.2	8.5	8.3
Net Div Yield (%)	1.4	1.4	1.4	1.4
P/Book Value (X)	2.9	2.5	2.2	1.8
Net Debt/Equity (X)	0.4	0.2	0.2	0.0
ROAE (%)	15.6	16.6	18.5	18.8

### SHARE PRICE CHART



### AT A GLANCE

Issued Capital (m shrs)	219
Mkt. Cap (RMm/US\$m)	1,744 / 498
Major Shareholders	
WCT Capital (%)	25.0
Employees Provident Fund (%)	13.6

Free Float (%)	61.4
Avg. Daily Vol.('000)	555

Earnings Rev (%)	2007: -	2008: 7.0
Consensus Profit(RMm):	2007: 116.4	2008: 148.5
Variance vs Cons (%)	2007: (9.5)	2008: (9.1)

Sector : Construction

Bloomberg/Reuters Code: WCT MK/WCTE.KL

Principal Business: Construction, property development and operation of toll roads

## WCT Engineering

### Landing on Fantasy Island

➤ **Story:** WCT Engineering is a major potential beneficiary of the petrodollar-funded infrastructure boom in the Middle East. Opportunities for new work remain abundant for the Group, which has a relatively early headstart and has progressively developed its niche in the region.

➤ **Point:** There is strong potential for the Group to enhance construction order book over these two years. The proposed Irredeemable Convertible Preference Shares (ICPS) and US\$ Convertible Bonds (CBs) will enable it to accelerate balance sheet expansion to take on a bigger order book faster.

➤ **Relevance:** We reiterate our Buy call and increase our RNAV-based price target to RM9.20. The price target implies 17.1x FY08 EPS (after assuming 50% conversion of ICPS by end-2008), which is at the high-end of its historical range and reflects optimism in terms of new contract wins from Middle East and Malaysia.

**Petrodollar-funded paradise.** The petrodollar-funded infrastructure boom in the Middle East has become a new source of projects for contractors. WCT's Middle East contracts account for 47% of its total order book, higher than IJM and Gamuda. Opportunities for new contracts remain abundant with several mega projects in the region that could provide work for at least the next 2-3 years.

**Increasing 2008 forecast by 7%.** WCT has had a relatively early headstart in building up its presence in the region by clinching the Bahrain F1 circuit in 2002. A critical success factor is its carefully chosen partnerships with local contractors such as Cebarco in Bahrain and Arabtec in Dubai. These win-win formulas combine the local partner's established relationships with local authorities, suppliers and clients with WCT's technical expertise in special projects such as F1 circuits and civil work. We increase our FY08 forecast by 7%, factoring in new contract wins. There would be further upside to 2008 earnings on higher than expected contract wins.

**Going ex for bonus and ICPS this week.** WCT will go ex for its 1-for-3 bonus issue and ICPS on 5 July 2007. Trading of the ICPS will start on 12 July 2007 and cease on 19 July 2007. The proposals are scheduled for completion by end 2007.

**Accelerating balance sheet expansion.** The CBs will allow the Group to capitalise further on the infrastructure boom in the Middle East and other overseas markets while the ICPS will help fund domestic construction and property development projects. The ICPS and CBs will raise upfront proceeds of up to RM505.1m while conversion into equity would be staggered over five years. Net debt, as at end December 2006, was RM274.8m implying net gearing of 46%. At the issue price of RM0.30/ICPS, there would be dividend yield of 4.5%, which is relatively higher than WCT's projected dividend yield of 1.9%. This may hold off conversion of the ICPS in the immediate term.

## Company Focus

WCT

## Highlights

**Abundant work.** The petrodollar funded infrastructure boom in the Middle East has become a paradise of new work for contractors. As it is, WCT's Middle East contracts are 47% of its total order book, higher than IJM and Gamuda's. Opportunities for new contracts remain abundant with mind-boggling mega projects in the region including potentially the world's tallest tower, man-made island developments and humongous airports.

**Early start for WCT.** WCT has had a relatively early headstart in building up its presence in the region by clinching the Bahrain F1 circuit in 2002 and successful completion of that project in 2004. A critical success factor is its carefully chosen partnerships with local contractors such as Cebarco in Bahrain and Arabtec in Dubai. These win-win formulas combine the local partner's established relationships with local authorities, suppliers and clients and knowledge of the local working conditions with WCT's technical expertise in special projects such as F1 circuits and civil work.

### Sample of projects in Middle East

Project	Developer	Value (US\$b)	Expected completion
<b>Dubai</b>			
Atlantis, The Palm	Kerzner International & Istithmar PSJC	1.5	2008
Burj Dubai	Emaar	20.0	2009
Crystal Dome	Interglob AG	1.0	2008
Dubai Aid City	Dubai Municipality	na	two years
Dubai Autodrome	Union Properties	AED350m	2008
Dubai Healthcare City	Dubai Holdings	1.8	2010
Dubai Humanitarian City	Dubai Holdings	na	2010
Dubai Maritime City	Dubai Municipality	0.2	na
Dubailand	Dubai Holding	5.0	2018
Elite Towers	I&M Galadari Group	na	na
Hydropolis	DDIA	0.5	2006
Hexagon	Nexus Capital	0.3	2007
The World	Nakheel Group	1.8	2008
<b>Abu Dhabi</b>			
Yas Island	Aldar Properties	40.0	na
Saadiyat Island	Abu Dhabi Tourism Authority	27.2	2018
Al Raha Beach	Aldar Properties	14.7	2007/2008
Reem Island			
- Pearl of Emirates	Tamouh Investments	0.5	2008
- Najmet Abu Dhabi	Reem Investment	8.0	2012
- Shams Abu Dhabi	Sorouh	na	2011
Building Materials City	Manazel Real Estate	1.1	2010
Saraya Abu Dhabi	Sorouh	1.0	2013
Al Gurm Resort	Aldar Properties	0.4	2007
Central Market Redevelopment	Aldar Properties	0.4	2010
<b>Bahrain</b>			
Issa Town Gate Interchange Project	Na	na	na
Financial Harbour Project	Al Hamad Construction and Development Company	1.3	Phase 1: 2007
Durrat Al-Bahrain Resort Development Project	Phase 1: Projects Construction Company Phase 2: CHAPO	4.0	Phase 1: end 2007
Diar Al-Muharraq Mixed-use Resort Development Project	Kuwait Finance House (owner)	0.5	na
North Bahrain New Towns Development Project	Boskalis Westminster - Van Oord Joint Venture	2.7	Phase 1: Feb 2008
<b>Oman</b>			
Salalah Flood Control Project	Na	na	na
Duqm Development Project	Jan De Nul Dredging Ltd	0.5	2010
Omagine Project	Alfa International Holdings	1.6	na
Salam Beach Resort & Spa	Currie & Brown	2.0	2009

More details available in Appendix. List is not exhaustive.

Source: Various websites, Hwang-DBS Vickers Research

**Segments for potential new contracts**

Segment	Comments
Dubai	Civil works in partnership with Arabtec
Abu Dhabi	F1 circuit
Qatar	Additional works for New Doha International Airport
Indonesia	Exploring toll road concessions and dams
Malaysia	Building projects, developments in Sabah, PFI projects

Source: Hwang-DBS Vickers Research

**Prospects**

**Fund-raising to accelerate balance sheet expansion.** The Group has proposed to issue Irredeemable Convertible Preference Shares (ICPS) and US\$ Convertible Bonds (CBs) to accelerate its balance sheet expansion. This will allow the Group to capitalise on the tremendous order book building opportunities.

**Details of proposed bonus, ICPS and CB issues**

Proposal	Details	Proceeds (RMm)
Bonus issue	Bonus issue of up to 77.5m new shares on 1-for-3 basis	-
ICPS	Rights issue of up to 516.9m five-year 13.5% non-cumulative Irredeemable Convertible Preference Shares (ICPS) at issue price of RM0.30 on basis of 5 ICPS-for-3 WCT shares after the bonus issue	155.1*
Convertible Bonds	Issue of up to US\$100m nominal value five year unsecured convertible bonds	350.0^
Total		505.1

\*Maximum scenario, ^Assumes RM3.5/1US\$ exchange rate

Source: Company, Hwang-DBS Vickers Research

**Terms of ICPS and CB**

Instrument	Terms
ICPS	
Nominal value	RM0.10
Dividend rate based on nominal value	13.5% per annum
Issue price	RM0.30
Conversion	Satisfied by surrendering 10 ICPS of RM0.10 nominal value each for every 1 new WCT share
Convertible Bonds	
Coupon	To be determined (TBD)
Conversion price	To be set at a premium

Source: Company, Hwang-DBS Vickers Research

**Dates to watch.** WCT will go ex for its 1-for-3 bonus issue and ICPS on 5 July 2007. Trading of the ICPS will commence on 12 July 2007 and cease on 19 July 2007. The proposals are scheduled for completion by end 2007.

**Issues to help fund expansion.** The CBs will allow the Group to more aggressively secure overseas project while the ICPS will help fund domestic construction and property development projects. The proposals will raise upfront proceeds of up to RM505.1m while conversion would be staggered over five years. As at end December 2006, net debt stood at RM274.8m implying net gearing of 46%. At the issue price of RM0.30/ICPS, there would be dividend yield of 4.5%, which is relatively higher than WCT's projected dividend yield of 1.9%. This may hold off conversion of the ICPS in the immediate term. The conversion price of the CBs is to be determined at a premium to the theoretical ex bonus price. Based on its proforma balance sheet, the proposals will reduce net gearing from 46% as at December 2006 to 25.6% upon full conversion of ICPS and CBs.

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### Impact of ICPS conversion

Assuming 35% ICPS conversion by end 2008

Year	2007	2008	2009
ICPS (m)	-	18.1	18.1
Existing sh base (m)	212.4	310.1	328.2
Enlarged sh base (m)	212.4	328.2	346.3
Net profit (RMm)	105.4	135.3	161.2
EPS (sen)	49.6	41.2	46.6
PE (x)	12.0	14.5	12.8

Assuming 50% ICPS conversion by end 2008

Year	2007	2008	2009
ICPS (m)	-	25.8	25.8
Existing sh base (m)	212.4	310.1	336.0
Enlarged sh base (m)	212.4	336.0	361.8
Net profit (RMm)	105.4	135.3	161.2
EPS (sen)	49.6	40.3	44.6
PE (x)	12.0	14.8	13.4

Assuming full ICPS conversion

Year	2007	2008	2009
ICPS (m)	-	51.7	-
Existing sh base (m)	212.4	310.1	361.8
Enlarged sh base (m)	212.4	361.8	361.8
Net profit (RMm)	105.4	135.3	161.2
EPS (sen)	49.6	37.4	44.6
PE (x)	12.0	15.9	13.4

^Existing share base in 2008 has been adjusted for bonus issue.

If no ICPS converted at end of 2008, 2008 PE is 13.7x EPS.

Source: Hwang-DBS Vickers Research

## Action

**Relatively low valuations.** At our assumed conversion rate (50% of its ICPS by end of first year), the stock is trading at 14.8x FY08 EPS, which is still relatively lower than IJM and Gamuda's multiples. There would be further upside to 2008 earnings on higher than expected contract wins. We reiterate our Buy call on WCT with a RM9.20 price target. The price target implies 17.1x FY08 EPS (after assuming 50% conversion of ICPS by end-2008), which is at the high end of its historical range and reflects optimism in terms of new contract wins from Middle East and Malaysia.

### Construction Sector - Comparison Table (sorted by market capitalisation)

Company	Price (%)	Target (RM)	Rating	Diluted P/E (x)	CAGR (%)	Mkt cap (RMm)	Net (debt) (RMm)	Net Est. Order Bk gearing (RMbn)
				CY06	CY07	CY08	CY04-08	
WCT Eng	7.95	9.20	Buy	19.2	16.0	14.8	13.0	1,744 (275) 46 3.3
IJM	8.35	8.90	Buy	24.8	21.3	19.6	11.6	4,142 (717) 33 6.0
Gamuda	8.05	9.60	Buy	39.8	31.3	20.2	32.4	6,063 (561) 24 9.0
<b>Average</b>				27.9	22.9	18.7		

Source: Hwang-DBS Vickers Research

### RNAV calculation

Division	Net profit (RMm)	Multiple (x)	Value (RMm)
Engineering & others	88	17.0	1,501.5
Property	41	13.0	527.0
Total			2,028.5
Share base			219.4
RNAV/share			9.24
Implied FY08 PE (x)			13.7

Source: Hwang-DBS Vickers Research

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### Appendix: Sample of projects in Middle East

Project	Developer	Value (US\$b)	Expected completion	Project details
<b>Dubai</b>				
Atlantis, The Palm	Kerzner International & Istithmar PSJC	1.5	2008	Atlantis Hotel will be two towers with a total of 2,000 rooms, with two monorail stations linking it to the main stalk of the Palm Jumeirah. The first tower (28-storeys), The Royal Tower, will contain 1,200 rooms targeting luxury travelers, and the second tower (18-storeys) will contain 800 rooms targeting other travelers. The resort was designed based on the mythical lost continent of Atlantis, along with traditional Arabic design themes. It also maintains the icon of the Royal Towers in Atlantis, Paradise Island located in the Bahamas. The premises will include a 40 acre water-theme park, various water attractions, 86,000 sq ft 2-storey conference center, 20,000 sq ft of retail space and an archeological attraction entitled The Dig.
Burj Dubai	Emaar	20.0	2009	The Burj Dubai has been designed to be the centrepiece of a large-scale, mixed-use development that will include 30,000 homes, nine hotels such as the Burj Dubai Lake Hotel & Serviced Apartments, 2.5 ha (6 acres) of parkland, at least 19 residential towers, the Dubai Mall, and the 12 ha Burj Dubai Lake.
Crystal Dome	Interglob AG	1.0	2008	The Crystal Dome will provide space for about 3,000 residences or luxury apartments and 500,000 sq m of space for business offices. It will have clinics, sport facilities, conference space, and a six-star hotel, food and other shops, as well as a leisure park for children of the working parents and a wellness centre.
Dubai Aid City	Dubai Municipality	na	two years	Spread over 300,000 sq m, the city, which is expected to take approximately two years to complete, will provide international aid organisations a strategic logistical location from which to store, stockpile and distribute aid cargo via sea, land or air to destinations around the world.
Dubai Autodrome	Union Properties	AED350 m	2008	Dubai Autodrome is a world-quality motor-sport centre and integrated business park that will become home to virtually all types of racing, from single-seaters to touring cars, motor bikes and karts. The development will include a grandstand capable of accommodating 6,000 people, retail and leisure outlets, restaurants, cafes, a hotel, serviced apartments and condominiums are also planned as part of the projects.
Dubai Healthcare City	Dubai Holdings	1.8	2010	Dubai Healthcare City's goal is to provide state-of-the-art medical care services to address healthcare problems within the region. This project will create a healthcare community comprised of specialised medical treatment, leading prevention and rehabilitation, high quality education, research and healthcare services.
Dubai Humanitarian City	Dubai Holdings	na	2010	The Dubai Humanitarian City would become a station for many different regional and international organisations and establishments that provide humanitarian services. The city will be spread over 3.6m sq ft. This city aims at providing a suitable environment for humanitarian organisations and establishments and would assist them in carrying out their activities in different parts of the world.
Dubai Maritime City	Dubai Municipality	0.2	na	The world's largest maritime development will be located on a man-made peninsula measuring 25m sq ft. Dredging has already begun to create this peninsula, which will be located between Dubai's Port Rashid and Dubai Dry Docks and connected to the mainland by a causeway. The first development of its kind, Dubai Maritime City will offer world-class facilities to maritime businesses. It will be the hub for six large and diverse sectors: marine marketing, management, services, recreation, education, ship design and manufacture.
Dubailand	Dubai Holding	5.0	Phase 1: 2010 Final Phase: 2018	To be built on 2b sq ft of land behind the Emirates Road, the theme park consists of 45 separate projects and 200 sub-projects, from a space exploration exhibition to full-size dinosaur enclosure. Surrounded by desert, the park will have an artificial rain forest under an enormous glass dome and a ski slope with snow created by machine.

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Elite Towers	I&M Galadari Group	na	na	Thirty-four tower blocks offer residential and corporate investors the height of perfection with apartments and offices available in this self-sufficient community with the character and charm of a central city district. Four 60 storey towers are being reserved for commercial and hotel tenants; 20 45-storey towers are being allocated for mixed commercial and residential use; and ten 30-storey towers are exclusively for residential accommodation.
Hydropolis	DDIA	0.5	2006	The project is divided into three sections. The "land station" is the complex where visitors are first greeted. It is a large building with a roof that dips and rolls like the crest of a wave. From there, people enter a tunnel to begin their journey to the hotel, itself. The tunnel is 1,700 feet long and carries a train beneath both the land and the sea. The destination is the hotel itself, shaped like a collection of bubbles and curves designed to provide maximum resistance against the pressures of the sea water and the occasional typhoon. It features a pair of observation domes which allow an expansive view of the water and the creatures that live in it. They are large enough to emerge above the waves, and one is planned with a retractable roof allowing people to be surrounded by the ocean while looking directly into the sky.
Hexagon	Nexus Capital	0.3	2007	The Hexagon would offer 1.4m sf of premium quality commercial and residential space within the boundaries of DIFC in central Dubai, and is designed to be functional, efficient and aesthetic. The Hexagon will be located at the eastern edge of the DIFC zone in central Dubai.
The World	Nakheel Group	1.8	2008	The World Islands will be located 4 km off the shore of Jumeirah, close to the Palm Jumeirah, between Burj Al Arab and Port Rashid. It will cover a total area of 9 km in length and 6 km in width, surrounded by an oval shaped breakwater. Each island of The World will range from 250 to 900 k sf and will be sold to selected private developers and are expected to have pricing beginning at AED25m (US\$ 6.85m). Individuals who own on an island in The World Islands include Formula 1 World Champion Michael Schumacher.
<b>Abu Dhabi</b>				
Yas Island	Aldar Properties	40.0	na	The island will have attractions such as world-class motor sports racetrack, signature hotels, a Ferrari theme park, water park, 300,000 sqm of retail area, golf courses, lagoon marinas, polo clubs among others that will create a unique international tourist destination.
Saadiyat Island	Abu Dhabi Tourism Authority	27.2	2018	Saadiyat Island will eventually house around 150,000 residents and will be connected to Abu Dhabi via two ten-lane causeways. The proposed districts are: (i) Al Marina: total area 4.4 km <sup>2</sup> (ii) Cultural district: total area 2.7 km <sup>2</sup> (iii) Saadiyat Park: Total area 6 km <sup>2</sup> (iv) Saadiyat Beach: Total area 4.33 km <sup>2</sup> (v) South Beach: Total area 2.68 km <sup>2</sup> (vi) Wetlands: Total area 5.23 km <sup>2</sup>
Al Raha Beach	Aldar Properties	14.7	2007/2008	Beachfront development, Dolphin Towers
Reem Island				
- Pearl of Emirates	Tamouh Investments	0.5	2008	1st phase - 15 towers and a five-star hotel
- Najmet Abu Dhabi	Reem Investment	8.0	2012	Community development: residential, schools, health facilities, public parks, public transport systems
- Shams Abu Dhabi	Sorouh	na	2011	
Building Materials City	Manazel Real Estate	1.1	2010	17 office towers, 32 residential towers, shopping mall, hotel, showrooms and warehouses
Saraya Abu Dhabi	Sorouh	1.0	Phase 1: 2010 Phase 2: 2013	Mixed use development
Al Gurm Resort	Aldar Properties	0.4	2007	Waterfront resort and recreational complex
Central Market Redevelopment	Aldar Properties	0.4	2010	Office space, premier residential apartments, hotels and retail space

## Bahrain

## Company Focus

WCT

Issa Town Gate Interchange Project	na	na	na	Construction of Issa Town Gate interchange involving a grade-separated junction with a series of roads, underpasses and flyers
Financial Harbour Project	Al Hamad Construction and Development Company	1.3	Phase 1: 2007	Construction of (2 Nos.) 50-storey towers, a financial mall, various residential units, including land reclamation and shoreline protection works, infrastructure works, construction of roads, storm-water drainage and bridges of varying lengths, as part of a financial harbour project.
Durrat Al-Bahrain Resort Development Project	Phase 1: Projects Construction Company Phase 2: CHAPO	4.0	Phase 1: end 2007	Development of Durrat Al-Bahrain residential and tourist resort, covering an area of 20 sq km over 13 manmade islands, including carrying out infrastructure works such as roads, substations, water supply systems, telecommunications and sewerage networks.
Diar Al-Muharraq Mixed-use Resort Development Project	Kuwait Finance House (owner)	0.5	na	Development of Diar al-Muharraq mixed-use resort. The project calls for the design and construction of water, electricity and sewerage networks and internal roads and bridges for the 12 sq km first phase of the Diar Al Muharraq mixed-used development. The project is located at Amwaj Island off the coast of Muharraq.
North Bahrain New Towns Development Project	Boskalis Westminster - Van Oord Joint Venture	2.7	Phase 1: Feb 2008	Development of North Bahrain New Towns (NBNT) scheme, which will create more than 100,000 homes over an area of about 3m sq m.
<b>Oman</b>				
Salalah Flood Control Project	na	na	na	Build-own-operate (BOO) contract for the development of Salalah independent water and power project (IWPP) with generating capacity of about 400 MW and 15m gallons a day (g/d).
Duqm Development Project	Jan De Nul Dredging Ltd	0.5	2010	Development of Duqm scheme involving construction of a commercial port and dry dock, a ship repair yard along with two breakwaters with a length of some 4km, including an airport, a petrochemicals area and industrial zone, as well as areas for downstream industries, and tourism, commercial and residential facilities.
Omanage Project	Alfa International Holdings	1.6	na	The Omanage Project is planned to be an integration of cultural, heritage, educational, entertainment and residential components, including: a "high culture" theme park containing seven pearl shaped buildings, each approximately 60 ft in diameter and associated exhibition buildings a five-star resort hotel; a four-star hotel; a boardwalk; an open air amphitheatre and stage; a canal and enclosed harbour area; boat slips; commercial office buildings; shopping and retail establishments; restaurants and open space green areas.
Salam Beach Resort & Spa	Currie & Brown	2.0	2009	The developments will cover a gross floor area of 47.6m sq ft, to include: (i) several deluxe hotels – featuring some of the region's largest four and five-star hotels, golf, spa and beach resort experiences. (ii) Villas, townhouses and apartments – 2,100 low-rise residential units comprising one, two, three and four-bedroom apartments and villas. (iii) 3. Traditional Omani souk – two souk retail markets, 500 hillside community townhouses and souk and 300 hilltop apartments and souk



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WCT

### Income Statement (RM m)

FY Dec	2006A	2007F	2008F	2009F
Turnover	1,369.8	1,369.3	1,740.3	1,840.3
Cost of Goods Sold	(1,168.7)	(1,160.1)	(1,452.6)	(1,517.7)
<b>Gross Profit</b>	<b>201.1</b>	<b>209.2</b>	<b>287.7</b>	<b>322.6</b>
Other Opg (Exp)/Inc	(28.2)	(53.9)	(85.0)	(98.3)
<b>EBIT</b>	<b>172.9</b>	<b>155.3</b>	<b>202.7</b>	<b>224.3</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0
Associates & JV Inc	4.2	17.2	9.4	23.9
Net Interest (Exp)/Inc	(27.2)	(10.4)	(11.0)	(6.8)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>149.8</b>	<b>162.1</b>	<b>201.1</b>	<b>241.4</b>
Tax	(34.6)	(43.8)	(52.3)	(62.8)
Minority Interest	(27.1)	(12.9)	(13.6)	(17.4)
Preference Dividend	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>88.1</b>	<b>105.4</b>	<b>135.3</b>	<b>161.2</b>
Net profit before Except.	88.1	105.4	135.3	161.2
EBITDA	252.3	283.5	355.3	376.4
Sales Gth (%)	67.8	0.0	27.1	5.7
EBITDA Gth (%)	70.7	12.4	25.3	5.9
EBIT Gth (%)	42.4	(10.2)	30.6	10.7
Effective Tax Rate (%)	23.1	27.0	26.0	26.0

### Cash Flow Statement (RM m)

FY Dec	2006A	2007F	2008F	2009F
Pre-Tax Profit	149.8	162.1	201.1	241.4
Dep. & Amort.	79.4	128.2	152.5	152.0
Tax Paid	(32.9)	(43.8)	(52.3)	(62.8)
Assoc. & JV Inc/(loss)	(4.2)	(17.2)	(9.4)	(23.9)
Chg in Wkg.Cap.	33.1	161.4	(10.1)	(2.7)
Other Operating CF	27.2	31.5	36.8	42.5
<b>Net Operating CF</b>	<b>252.5</b>	<b>422.2</b>	<b>318.7</b>	<b>346.6</b>
Capital Exp.(net)	(42.6)	(275.0)	(250.0)	(150.0)
Other Invts.(net)	0.0	0.0	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0
Other Investing CF	(109.7)	0.0	0.0	0.0
<b>Net Investing CF</b>	<b>(152.4)</b>	<b>(275.0)</b>	<b>(250.0)</b>	<b>(150.0)</b>
Div Paid	(23.0)	(23.1)	(23.1)	(23.1)
Chg in Gross Debt	(24.3)	110.0	80.0	80.0
Capital Issues	3.7	0.0	0.0	0.0
Other Financing CF	(9.8)	(31.5)	(36.8)	(42.5)
<b>Net Financing CF</b>	<b>(53.4)</b>	<b>55.4</b>	<b>20.1</b>	<b>14.3</b>
Net Cashflow	46.7	202.6	88.8	210.9

### Quarterly / Interim Income Statement (RM m)

FY Dec	2Q2006	3Q2006	4Q2006	1Q2007
Turnover	218.7	416.3	585.1	550.7
Cost of Goods Sold	(177.7)	(368.3)	(521.4)	(493.9)
<b>Gross Profit</b>	<b>41.0</b>	<b>48.0</b>	<b>63.7</b>	<b>56.8</b>
Other Oper. (Exp)/Inc	(8.1)	(4.1)	(9.1)	(6.2)
<b>EBIT</b>	<b>32.9</b>	<b>43.9</b>	<b>54.6</b>	<b>50.6</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0
Associates & JV Inc	0.9	1.5	1.9	1.6
Net Interest (Exp)/Inc	(6.6)	(6.9)	(6.7)	(5.9)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>27.2</b>	<b>38.5</b>	<b>49.8</b>	<b>46.3</b>
Tax	(5.9)	(4.8)	(12.7)	(9.1)
Minority Interest	(4.1)	(11.7)	(8.8)	(10.0)
<b>Net Profit</b>	<b>17.2</b>	<b>22.0</b>	<b>28.3</b>	<b>27.2</b>
Net profit bef Except.	17.2	22.0	28.3	27.2
Sales Gth (%)	46.2	90.3	40.5	(5.9)
EBIT Gth (%)	(20.8)	33.2	24.5	(7.3)
Gross Margins (%)	18.8	11.5	10.9	10.3
EBIT Margins (%)	15.0	10.5	9.3	9.2

### Balance Sheet (RM m)

FY Dec	2006A	2007F	2008F	2009F
Net Fixed Assets	515.4	662.3	759.7	757.7
Invts in Assocs & JVs	58.0	75.2	84.6	108.5
Other LT Assets	187.0	204.2	213.6	237.5
Cash & ST Invts	432.0	634.5	723.3	934.2
Other Current Assets	1,140.0	1,101.8	1,258.0	1,300.1
<b>Total Assets</b>	<b>2,274.4</b>	<b>2,602.8</b>	<b>2,954.7</b>	<b>3,229.5</b>
ST Debt	334.0	334.0	334.0	334.0
Other Current Liab	794.1	917.4	1,063.5	1,102.8
LT Debt	372.8	482.8	562.8	642.8
Other LT Liabilities	17.3	17.3	17.3	17.3
Shareholder's Equity	593.7	676.0	788.1	926.2
Minority Interests	162.5	175.4	189.0	206.4
<b>Total Cap. &amp; Liab.</b>	<b>2,274.4</b>	<b>2,602.8</b>	<b>2,954.7</b>	<b>3,229.5</b>
Non-Cash Wkg. Cap	11.9	(149.5)	(139.4)	(136.7)
Net Cash/(Debt)	(274.8)	(182.2)	(173.4)	(42.5)

### Rates & Ratios


FY Dec	2006A	2007F	2008F	2009F
Gross Margin (%)	14.7	15.3	16.5	17.5
EBITDA Margin (%)	18.4	20.7	20.4	20.5
EBIT Margin (%)	12.6	11.3	11.6	12.2
Net Profit Margin (%)	6.4	7.7	7.8	8.8
ROAE (%)	15.6	16.6	18.5	18.8
ROA (%)	5.9	4.9	5.4	5.8
ROCE (%)	13.2	11.5	13.6	15.4
Div Payout Ratio (%)	36.5	30.5	23.8	19.9
Interest Cover (x)	6.3	14.9	18.5	32.8
Debtors Turn (avg days)	196.9	191.2	183.2	181.6
Creditors Turn (avg days)	256.4	305.3	277.9	272.7
Inventory Turn (avg days)	94.6	90.1	72.0	68.9
Current Ratio (x)	1.4	1.4	1.4	1.6
Quick Ratio (x)	1.1	1.2	1.2	1.4
Net Debt/Equity (X)	0.4	0.2	0.2	0.0
Capex to Debt (%)	6.0	33.7	27.9	15.4
N.Cash/(Debt)PS (sen)	129.4	85.8	51.6	11.8
Opg CFPS (sen)	103.3	122.8	97.9	96.5
Free CFPS (sen)	98.8	69.3	20.5	54.3

### PE Chart (x)





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A handwritten signature in black ink, appearing to read 'Wong Ming Tek'.

Wong Ming Tek, Head of Research