

WZ Steel Berhad (Company no: 666098-X)
(Formerly known as Weng Zheng Resources Berhad)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 OCTOBER 2008

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 31 OCTOBER 2008

	Current Year Quarter 31/10/2008 RM'000	Preceding Year Quarter 31/10/2007 RM'000	Current Year To Date 31/10/2008 RM'000	Preceding Year To Date 31/10/2007 RM'000
Revenue	26,781	-	63,307	-
Other income	435	3,804	498	3,804
Operating expenses	(2,339)	(9)	(5,235)	(9)
Provision for diminution in value of inventories	(1,005)	-	(1,005)	-
Finance costs	(709)	-	(1,298)	-
Profit before tax	2,356	3,795	7,081	3,795
Income tax expense	(683)	-	(1,781)	-
Profit after tax	1,673	3,795	5,300	3,795
Attributable to:				
Equity holders of the Company	1,673	3,795	5,300	3,795
Earnings per share (sen):				
Basic	1.67	4.89	5.30	4.89
Diluted	N/A	N/A	N/A	N/A
Net assets per share (sen)			65	55

Notes:

- (i) The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 30 April 2008 and the accompanying explanatory notes attached to the interim financial statements
- (ii) Included in the preceding year quarter and preceeding year to date results is negative goodwill of RM3.804 million arising from the Acquisitions of Weng Zheng Sdn Bhd ("WZSB"), Weng Zheng Trading Sdn Bhd ("WZT") and Weng Zheng Marketing Sdn Bhd ("WZM") in conjunction with Initial Public Offering ("IPO") exercise, which is non-recurring in nature and represents the excess of the fair value of the identifiable assets acquired.
- (iii) The Company change its name to WZ Steel Berhad on 22 October 2008
- (iv) Basic earning per share was computed based on weighforted average number of share of 100 million of 0.50 sen each the period ended 31 October 2008 (77.617 million share of 0.50 sen each for the preceding period ended 31 October 2007
- (v) N/A : Not Applicable

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 OCTOBER 2008**

---- Attributable to Shareholders of the Company ----

		Non Distributable	Distributable	
	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000	Total Equity RM'000
Balance as at 1 May 2008	50,000	2,232	8,260	60,492
Profit for the period			5,300	5,300
Dividend			(1,125)	(1,125)
Balance as at 31 October 2008	<u>50,000</u>	<u>2,232</u>	<u>12,435</u>	<u>64,667</u>
Balance as at 1 May 2007	#	-	(12)	(12)
Issued as purchase consideration for the Acquisitions during the period	38,808	-	-	38,808
Profit for the period	-	-	3,795	3,795
Balance as at 31 October 2007	<u>38,808</u>	<u>-</u>	<u>3,783</u>	<u>42,591</u>

Notes :

(i) The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 April 2008 and the accompanying explanatory notes attached to the interim financial statements.

(ii) # Represent RM2

WZ Steel Berhad (Company no: 666098-X)
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UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 OCTOBER 2008

	UNAUDITED GROUP 31/10/2008 RM'000	UNAUDITED GROUP 31/10/2007 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	38,405	38,431
Prepaid lease payments	3,507	3,569
Total non-current assets	<u>41,912</u>	<u>42,000</u>
Current assets		
Inventories	52,682	31,276
Trade receivables	29,714	21,401
Other receivables	5,056	1,496
Current tax assets	1,034	927
Cash and cash equivalents	4,702	1,061
Total current assets	<u>93,188</u>	<u>56,161</u>
TOTAL ASSETS	<u>135,100</u>	<u>98,161</u>
EQUITY AND LIABILITIES		
Share capital	50,000	38,808
Reserves	14,667	3,783
Total equity	<u>64,667</u>	<u>42,591</u>
Non-current liabilities		
Borrowings	8,071	11,047
Deferred tax liabilities	2,446	2,093
Total non-current liabilities	<u>10,517</u>	<u>13,140</u>
Current liabilities		
Trade payables	7,288	6,308
Other payables	2,044	803
Dividend payable	1,125	-
Provision for taxation	802	-
Borrowings	48,657	35,519
Total current liabilities	<u>59,916</u>	<u>42,630</u>
TOTAL EQUITY AND LIABILITIES	<u>135,100</u>	<u>98,361</u>
Net assets per share (sen)	<u>65</u>	<u>55</u>

Note:

- (i) The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 30 April 2008 and the accompanying explanatory notes attached to the interim financial statements.

WZ Steel Berhad (Company no: 666098-X)
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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 OCTOBER 2008

	Current Year To Date 31/10/2008 RM'000	Preceding Year To Date 31/10/2007 RM'000
Cash Flows From Operating Activities		
Profit before tax	7,081	3,795
Adjustments for:		
Allowances for doubtful debts	664	-
Amortisation of prepaid lease payments	31	-
Depreciation for property, plant and equipment	1,495	-
(Gain)/Loss on disposal of property, plant and equipment	(4)	-
Interest expenses	1,298	-
Provision for diminution in value of inventories	1,005	-
Negative Goodwill	-	(3,804)
Unrealised (gain)/loss on foreign exchange	(373)	-
Bad debts recovered	(41)	-
Interest income	(40)	-
Operating profit before working capital changes	11,116	(9)
(Increase) / decrease in inventories	(15,894)	-
(Increase) / decrease in receivables	(4,150)	-
Increase / (decrease) in payables	(1,291)	9
Cash used in operations	(10,219)	-
Interest paid	(1,298)	-
Interest received	40	-
Taxes (paid) / recovered	(977)	-
Net cash used in operating activities	(12,454)	-
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant & equipment	4	-
Purchase of property, plant & equipment	(1,831)	-
Acquisition of subsidiaries, net of cash	-	(1,499)
Net cash used in investing activities	(1,827)	(1,499)
Cash Flows From Financing Activities		
Proceeds from trade bills	12,446	-
Repayment of hire purchase creditors	(224)	-
Net proceeds of revolving credit facilities	1,012	-
Repayment of term loans	(1,742)	-
Net cash generated from financing activities	11,492	-
Net decrease in cash and cash equivalents	(2,789)	(1,499)
Cash and cash equivalents at beginning of period	2,993	N/A
Effect of exchange rate changes	54	-
Cash and cash equivalents at end of period	258	(1,499)

Notes :

(i) Cash and cash equivalents

Cash and bank balances	4,702	1,061
Bank Overdrafts	(4,444)	(2,560)
	<u>258</u>	<u>(1,499)</u>

- (ii) The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 30 April 2008 and the accompanying explanatory notes attached to the interim financial statements

**WZ Steel Berhad (Company no: 666098-X)
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Notes To The Interim Financial Report
For The Second Quarter Ended 31 October 2008
(Unaudited)**

Part A-Explanatory Notes Pursuant to FRS 134

1 Basis of Preparation

The unaudited interim financial statements have been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standard ("FRS") No.134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 April 2008 and the accompanying explanatory notes attached to the interim financial statements.

2 Accounting Policies

The significant accounting policies adopted are consistent with the audited financial statements for the financial year ended 30 April 2008 except for the adoption of the following applicable new / revised FRSs that have become effective for the current financial year:-

Amendment to	
FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 126	Accounting and Reporting by Retirement Benefits Plans
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

3 Auditors' Reports on Preceding Audited Financial Statements

The auditors' reports of preceding audited financial statements of the Company and its subsidiaries for the financial year ended 30 April 2008 were not subject to any qualification.

4 Seasonal or Cyclical Factors

The business operations of The Group were not materially affected by seasonal or cyclical factors during the current quarter under review.

5 Unusual Significant Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial year-to-date.

6 Changes in Estimates

There were no changes in estimates that have material effect on current quarter and year-to-date results.

7 Changes in Debt and Equity Securities

There were no debt and equity securities issued, cancelled, repurchased, resold or repaid during the current quarter under review.

8 Dividend Paid

There was no dividend paid during the current quarter under review.

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9 Segmental Reporting

The Group is principally engaged in the business segments of manufacturing and trading of steel products.

(a) Information on business segments

	Manufacturing RM'000	Trading RM'000	Elimination RM'000	Consolidation RM'000
Revenue				
External	43,119	20,188		63,307
Inter-segment	991	10,887	(11,878)	-
Total Revenue	<u>44,110</u>	<u>31,075</u>	<u>(11,878)</u>	<u>63,307</u>
Results				
Segment Results	5,961	3,383	-	9,344
Interest income				40
Finance cost				(1,298)
Provision for diminution in value of stock				(1,005)
Taxation				(1,781)
Profit after tax for the period				<u>5,300</u>
Segment assets				
Total assets	<u>98,663</u>	<u>36,436</u>	<u>-</u>	<u>135,099</u>
Segment liabilities				
Total liabilities	<u>52,545</u>	<u>17,887</u>	<u>-</u>	<u>70,432</u>

(b) Revenue by geographical segments

	Domestic RM'000	Overseas RM'000	Elimination RM'000	Consolidation RM'000
Revenue	<u>55,398</u>	<u>7,909</u>	<u>-</u>	<u>63,307</u>

10 Valuation of Property, Plant and Equipment

There was no valuation on property, plant and equipment of the Group during the quarter under review.

11 Material Subsequent Events

There is no material event subsequent to the end of the current quarter ended 31 October 2008 and up to the date of this report.

12 Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

13 Contingent Liabilities

There were no material contingent liabilities to be disclosed as at the date of this report.

14 Capital Commitments

As at 31 October 2008, there were no material capital commitments.

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Notes To The Interim Financial Report
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PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

1 Review of performance

Performance for the current quarter ended 31 October 2008

For the current quarter under review, the Group achieved revenue of RM26.8 million and profit after tax of RM1.7 million. Save for the provision for diminution in value of inventories amounting RM1 million, there were no material factors affecting the earnings and/or revenue of the Group for the current quarter under review.

The Group only came into existence on 31 October 2007 for accounting purposes following the Acquisitions of WZSB, WZT and WZM in conjunction with the IPO exercise. This resulted in a negative goodwill of RM3.804 million which was recognised in the income statement of the preceding year to date in accordance with the FRS 3 : Business Combination.

2 Variation of Results Against Preceding Quarter

The Group registered a revenue of RM26.8 million and profit after tax of RM1.7 million for the current quarter as compared with revenue of RM36.5 million and profit after tax of RM3.6 million in the preceding quarter, representing a decrease of 26.7% and 53.9% respectively. This is attributable to weaken demand for the Group's steel products and provision for diminution in value of inventories.

3 Current Year Prospects

We anticipate the operating environment to be increasingly challenging, caused by the current global economic slowdown and decline in our steel products prices. As a consequence the demand of the Group's steel products has been adversely affected. In the face of the difficult operating environment, the Group's will focus on prudent working capital management and improving production efficiency to mitigate the negative impact.

4 Variance Between Actual Profit and Forecast Profit

There is no profit forecast or guarantee issued by the Group for the current financial year.

5 Taxation

Breakdown of taxation is as follows:-

	Current Year Quarter 31/10/2008 RM'000	Current Year To Date 31/10/2008 RM'000
Current year taxation	613	1,471
Deferred taxation	75	315
Under/(over) provision in prior year	(5)	(5)
	<u>683</u>	<u>1,781</u>

The tax expense for the current quarter is derived from management's best estimate of the tax payable for the current financial year. The Group's effective tax rate for the current quarter and year to date was lower than the statutory tax rate due to the availability of reinvestment allowance pursuant to Schedule 7A of the Income Tax Act, 1967.

6 Profits / (Losses) on sale of unquoted investments and/or properties respectively for the current quarter and financial year to date

There was no disposal of unquoted investment for the current quarter under review and financial year-to-date.

7 Quoted Securities

There was no purchase or disposal of quoted securities during the current quarter under review and financial year-to-date.

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8 Borrowings and Debt Securities

The Group's borrowings as at 31 October 2008

The Group's Borrowings are as follows:-

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured			
Bankers' acceptances	1,789	-	1,789
Bank overdraft	1,425	-	1,425
Secured			
Bank overdraft	3,019	-	3,019
Bankers' acceptances	34,607	-	34,607
Hire purchase creditors	449	295	744
Revolving credit	4,335	-	4,335
Onshore foreign currency loan	282	-	282
Term loans	2,751	7,776	10,527
	<u>48,657</u>	<u>8,071</u>	<u>56,728</u>

9 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at the date of this report.

10 Material Litigation

As at the date of this announcement, there are no material litigations against the Group or taken by the Group and the directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

11 Dividends

No dividend has been declared during the current quarter under review.

12 Earnings Per Share

	Current Year Quarter 31/10/2008 RM'000	Preceding Year Quarter 31/10/2007 RM'000	Current Year To Date 31/10/2008 RM'000	Preceding Year To Date 31/10/2007 RM'000
(i) Basic Earning per share				
Profit attributable to shareholders	1,673	3,795	5,300	3,795
Weighted average number of shares at the end of the period ('000)	100,000	77,617	100,000	77,617
Basic earnings per share (sen) (Based on weighted average number of shares)	1.67	4.89	5.30	4.89

(ii) Diluted earning per share

The Group does not have any convertible securities and accordingly diluted EPS is not applicable.

BY ORDER OF THE BOARD

Tan Ching Kee
Managing Director