

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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2009

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 31 JANUARY 2009

	Current Year Quarter 31/01/2009 RM'000	Preceding Year Quarter 31/01/2008 RM'000	Current Year To Date 31/01/2009 RM'000	Preceding Year To Date 31/01/2008 RM'000
Revenue	15,512	26,128	78,819	26,128
Other income	96	132	594	3,936
Operating expenses	(1,192)	(1,581)	(6,427)	(1,589)
Provision for diminution in value of inventories	(1,395)	-	(2,400)	-
Finance costs	(690)	(629)	(1,988)	(629)
(Loss) / Profit before tax	(471)	2,575	6,610	6,370
Income tax expense	(403)	(526)	(2,184)	(526)
(Loss) / Profit after tax	(874)	2,049	4,426	5,844
Attributable to:				
Equity holders of the Company	(874)	2,049	4,426	5,844
(Loss) / Earnings per share (sen):				
Basic	(0.87)	2.05	4.43	6.92
Diluted	N/A	N/A	N/A	N/A
Net assets per share (sen)			64	58

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 report.
- (ii) Included in the preceding 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") which were completed on 6 November 2007 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) Basic earning per share was computed based on weighted average of 100 million shares of RM0.50 each for the period ended 31 January 2009 (84.429 million shares of RM0.50 each for the preceding period ended 31 January 2008)
- (iv) N/A : Not Applicable

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 JANUARY 2009**

---- 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			4,426	4,426
Dividend			(1,125)	(1,125)
Balance as at 31 January 2009	<u>50,000</u>	<u>2,232</u>	<u>11,561</u>	<u>63,793</u>
Balance as at 1 May 2007	#	-	(12)	(12)
Issued as purchase consideration for the Acquisitions during the period	50,000	4,029	-	54,029
Listing expenses		(1,771)	-	(1,771)
Profit for the period	-	-	5,844	5,844
Balance as at 31 January 2008	<u>50,000</u>	<u>2,258</u>	<u>5,832</u>	<u>58,090</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 report.
- (ii) # Represent RM2

WZ Steel Berhad (Company no: 666098-X)
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UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 JANUARY 2009

	GROUP 31/01/2009 RM'000	GROUP 31/01/2008 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	37,664	38,182
Prepaid lease payments	3,492	3,554
Total non-current assets	<u>41,156</u>	<u>41,736</u>
Current assets		
Inventories	50,396	33,561
Trade receivables	17,741	28,408
Other receivables	4,986	496
Current tax assets	1,170	876
Deposit with licensed bank	-	4,500
Cash and cash equivalents	1,417	2,351
Total current assets	<u>75,710</u>	<u>70,192</u>
TOTAL ASSETS	<u>116,866</u>	<u>111,928</u>
EQUITY AND LIABILITIES		
Share capital	50,000	50,000
Reserves	13,793	8,090
Total equity	<u>63,793</u>	<u>58,090</u>
Non-current liabilities		
Borrowings	7,546	10,181
Deferred tax liabilities	2,463	2,106
Total non-current liabilities	<u>10,009</u>	<u>12,287</u>
Current liabilities		
Trade payables	2,635	8,655
Other payables	1,474	616
Provision for taxation	280	-
Borrowings	38,675	32,280
Total current liabilities	<u>43,064</u>	<u>41,551</u>
TOTAL EQUITY AND LIABILITIES	<u>116,866</u>	<u>111,928</u>
Net assets per share (sen)	<u>64</u>	<u>58</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 report.

WZ Steel Berhad (Company no: 666098-X)
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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 JANUARY 2009

	Current Year To Date 31/01/2009 RM'000	Preceding Year To Date 31/01/2008 RM'000
Cash Flows From Operating Activities		
Profit before tax	6,610	6,370
Adjustments for:		
Allowances for doubtful debts	1,134	179
Amortisation of prepaid lease payments	46	15
Depreciation for property, plant and equipment	2,264	605
(Gain)/Loss on disposal of property, plant and equipment	(24)	1
Interest expenses	1,988	628
Provision for diminution in value of inventories	2,400	-
Negative Goodwill	-	(3,804)
Unrealised (gain)/loss on foreign exchange	(407)	-
Bad debts recovered	(57)	(2)
Interest income	(41)	(21)
Operating profit before working capital changes	13,913	3,971
(Increase) / decrease in inventories	(15,003)	(2,285)
(Increase) / decrease in receivables	7,253	(6,183)
Increase / (decrease) in payables	(6,275)	2,157
Cash used in operations	(112)	(2,340)
Interest paid	(1,988)	(628)
Interest received	41	21
Taxes (paid) / recovered	(2,021)	(462)
Net cash used in operating activities	(4,080)	(3,409)
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant & equipment	24	17
Purchase of property, plant & equipment	(1,860)	(158)
Acquisition of subsidiaries, net of cash	-	(1,499)
Net cash used in investing activities	(1,836)	(1,640)
Cash Flows From Financing Activities		
Proceeds from issuance of shares	-	13,463
(Repayment of) / Proceeds from trade bills	(531)	1,533
Repayment of hire purchase creditors	(332)	(107)
Proceeds from / (repayment of) revolving credit facilities	1,066	(2,033)
Repayment of term loans	(2,498)	(973)
Dividend paid	(1,125)	-
Net cash generated from financing activities	(3,420)	11,883
Net (decrease) / increase in cash and cash equivalents	(9,336)	6,834
Cash and cash equivalents at beginning of period	2,993	#
Effect of exchange rate changes	16	-
Cash and cash equivalents at end of period	(6,327)	6,834

Notes :

(i) Cash and cash equivalents

Cash and bank balances	1,417	2,351
Deposit with licensed bank	-	4,500
Bank Overdrafts	(7,744)	(17)
	<u>(6,327)</u>	<u>6,834</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 report.

(iii) # Represent RM2

**WZ Steel Berhad (Company no: 666098-X)
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Notes To The Interim Financial Report
For The Third Quarter Ended 31 January 2009
(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 report.

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

A Final dividend in respect of the financial year ended 30 April 2008 of 1.5 sen gross less 25% taxation on 100,000,000 ordinary shares amounting to RM1,125,000 was paid on 7 November 2008.

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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

Nine months Ended 31-Jan-09	Manufacturing RM'000	Trading RM'000	Elimination RM'000	Consolidation RM'000
Revenue				
External	53,014	25,805		78,819
Inter-segment	1,346	13,925	(15,271)	-
Total Revenue	<u>54,360</u>	<u>39,730</u>	<u>(15,271)</u>	<u>78,819</u>
Results				
Segment Results	7,691	3,266	-	10,957
Interest income				41
Finance cost				(1,988)
Provision for diminution in value of stock				(2,400)
Taxation				(2,184)
Profit after tax for the period				<u>4,426</u>
Segment assets				
Total assets	<u>81,905</u>	<u>34,961</u>	-	<u>116,866</u>
Segment liabilities				
Total liabilities	<u>40,432</u>	<u>12,641</u>	-	<u>53,073</u>

(b) Revenue by geographical segments

Nine months Ended 31-Jan-09	Domestic RM'000	Overseas RM'000	Elimination RM'000	Consolidation RM'000
Revenue	<u>68,468</u>	<u>10,351</u>	-	<u>78,819</u>

(a) Information on business segments

Nine months Ended 31-Jan-08	Manufacturing	Trading	Elimination	Consolidation
Revenue				
External	14,333	11,795		26,128
Inter-segment	444	3,452	(3,896)	-
Total Revenue	<u>14,777</u>	<u>15,247</u>	<u>(3,896)</u>	<u>26,128</u>
Results				
Segment Results	1,346	1,799	-	3,145
Interest income				50
Finance cost				(629)
Negative goodwill				3,804
Taxation				(526)
Profit after tax for the period				<u>5,844</u>

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Segment assets				
Total assets	73,784	38,144	-	111,928
<hr/>				
Segment liabilities				
Total liabilities	36,173	17,665	-	53,838
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(b) Revenue by geographical segments

Nine months Ended 31-Jan-08	Domestic RM'000	Overseas RM'000	Elimination RM'000	Consolidation RM'000
Revenue	24,193	1,935	-	26,128
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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 current quarter ended 31 January 2009 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 January 2009, 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

For the current quarter under review, the Group achieved revenue of RM15.5 million and loss after tax of RM0.9 million respectively. This represents a reduction of RM10.6 million or 40.6% in revenue compared with the corresponding quarter, which is in line with the slower demand for the Group's steel products. Other than the additional provision for diminution in value of inventories amounting to RM1.4 million in current quarter, there were no material factors affecting the earnings and/or revenue of the Group for the current quarter under review.

For the current year to date, the Group achieved profit after taxation of RM4.4 million as compared to preceding year of RM5.8 million. This is due to the poor market condition in the third quarter and provision for diminution in value of inventories of RM2.4 million.

Included in the preceding 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") which were completed on 6 November 2007 in conjunction with the Initial Public Offering ("IPO") exercise, which is non-recurring in nature and represents the excess of the fair value of the identifiable assets acquired.

2 Variation of Results Against Preceding Quarter

	Current Quarter 31/01/2009 RM'000	Preceding Quarter 31/10/2008 RM'000
Revenue	15,512	26,781
(Loss) / Profit before tax	(471)	2,356
(Loss) / Profit after tax	(874)	1,673

The Group registered a revenue of RM15.5 million and loss after tax of RM0.9 million for the current quarter as compared with revenue of RM26.8 million and profit after tax of RM1.7 million in the preceding quarter, representing a decrease of 42.1% and 117.5% respectively. This is attributable to the slower demand and lower margins for the Group's steel products and additional provision for diminution in value of inventories.

3 Current Year Prospects

We anticipate the difficult operating environment to continue in view of the decline in demand and profit margins for the Group's steel products. The Group will continue to focus on prudent working capital and cost management 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 31/01/2009 RM'000	Preceding Year Quarter 31/01/2008 RM'000	Current Year To Date 31/01/2009 RM'000	Preceding Year To Date 31/01/2008 RM'000
Current year taxation	394	510	1,865	510
Deferred taxation	17	13	332	13
Under/(over) provision in prior year	(8)	3	(13)	3
	<u>403</u>	<u>526</u>	<u>2,184</u>	<u>526</u>

The tax expense for the current quarter is derived from management's best estimate of the tax payable for the current financial year.

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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.

8 Borrowings and Debt Securities

The Group's borrowings as at 31 January 2009

The Group's Borrowings are as follows:-

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured			
Bankers' acceptances	1,305	-	1,305
Bank overdraft	1,978	-	1,978
Secured			
Bank overdraft	5,766	-	5,766
Bankers' acceptances	22,375	-	22,375
Hire purchase creditors	424	213	637
Revolving credit	4,390	-	4,390
Onshore foreign currency loan	-	-	-
Term loans	2,437	7,333	9,770
	<u>38,675</u>	<u>7,546</u>	<u>46,221</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 31/01/2009 RM'000	Preceding Year Quarter 31/01/2008 RM'000	Current Year To Date 31/01/2009 RM'000	Preceding Year To Date 31/01/2008 RM'000
(i) Basic Earning per share				
Profit attributable to shareholders	(874)	2,049	4,426	5,844
Weighted average number of shares at the end of the period ('000)	100,000	84,429	100,000	84,429
Basic earnings per share (sen) (Based on weighted average number of shares)	(0.87)	2.43	4.43	6.92

(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