

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

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JULY 2009

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 31 JULY 2009**

	Current Year Quarter 31/07/2009 RM'000	Preceding Year Quarter 31/07/2008 RM'000	Current Year To Date 31/07/2009 RM'000	Preceding Year To Date 31/07/2008 RM'000
Revenue	21,734	36,526	21,734	36,526
Operating profit	1,498	5,251	1,498	5,251
Other income	99	63	99	63
Finance costs	(481)	(589)	(481)	(589)
Profit before tax	1,116	4,725	1,116	4,725
Income tax expense	(508)	(1,098)	(508)	(1,098)
Profit after tax	608	3,627	608	3,627
Attributable to:				
Equity holders of the Company	608	3,627	608	3,627
Earnings per share (sen):				
Basic	0.61	3.63	0.61	3.63
Diluted	N/A	N/A	N/A	N/A
Net assets per share (sen)			62	64

Notes:

(i) The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 30 April 2009 and the accompanying explanatory notes attached to the interim financial report.

(ii) N/A : Not Applicable

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 JULY 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 2009	50,000	2,232	8,855	61,087
Profit for the period			608	608
Balance as at 31 July 2009	<u>50,000</u>	<u>2,232</u>	<u>9,463</u>	<u>61,695</u>
Balance as at 1 May 2008	50,000	2,232	8,260	60,492
Profit for the period			3,627	3,627
Balance as at 31 July 2008	<u>50,000</u>	<u>2,232</u>	<u>11,887</u>	<u>64,119</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 2009 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 BALANCE SHEET
AS AT 31 JULY 2009

	GROUP 31/07/2009 RM'000	GROUP 30/04/2009 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	40,104	36,525
Prepaid lease payments	3,461	3,477
Total non-current assets	<u>43,565</u>	<u>40,002</u>
Current assets		
Inventories	37,959	45,159
Trade receivables	22,573	17,126
Other receivables	606	4,935
Current tax assets	1,222	1,227
Cash and cash equivalents	1,496	401
Total current assets	<u>63,856</u>	<u>68,848</u>
TOTAL ASSETS	<u>107,421</u>	<u>108,850</u>
EQUITY AND LIABILITIES		
Share capital	50,000	50,000
Reserves	11,695	11,087
Total equity	<u>61,695</u>	<u>61,087</u>
Non-current liabilities		
Borrowings	6,223	6,839
Deferred tax liabilities	2,176	2,217
Total non-current liabilities	<u>8,399</u>	<u>9,056</u>
Current liabilities		
Trade payables	4,753	2,863
Other payables	997	791
Provision for taxation	470	13
Borrowings	31,107	35,040
Total current liabilities	<u>37,327</u>	<u>38,707</u>
TOTAL EQUITY AND LIABILITIES	<u>107,421</u>	<u>108,850</u>
Net assets per share (sen)	<u>62</u>	<u>61</u>

Note:

- (i) The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 30 April 2009 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 JULY 2009

	Current Year To Date 31/07/2009 RM'000	Preceding Year To Date 31/07/2008 RM'000
Cash Flows From Operating Activities		
Profit before tax	1,116	4,725
Adjustments for:		
Allowances for doubtful debts	40	380
Amortisation of prepaid lease payments	15	15
Depreciation for property, plant and equipment	742	729
Gain on disposal of property, plant and equipment	(1)	(4)
Interest expenses	481	589
Unrealised gain on foreign exchange	39	142
Bad debts recovered	(57)	(15)
Interest income	-	(34)
	<hr/>	<hr/>
Operating profit before working capital changes	2,375	6,527
Decrease / (Increase) in inventories	7,200	(3,891)
Increase in receivables	(1,147)	(5,892)
Increase in payables	2,095	2,679
	<hr/>	<hr/>
Cash generated from / (absorbed in) operations	10,523	(577)
Interest paid	(481)	(589)
Interest received	-	34
Net taxes paid	(86)	(349)
	<hr/>	<hr/>
Net cash generated from / (used in) operating activities	9,956	(1,481)
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant & equipment	-	5
Purchase of property, plant & equipment	(4,320)	(5,080)
	<hr/>	<hr/>
Net cash used in investing activities	(4,320)	(5,075)
Cash Flows From Financing Activities		
Drawdown on term loan	1,853	-
(Repayment of) / Proceeds from trade bills	(4,526)	5,157
Repayment of hire purchase creditors	(121)	(111)
Net Proceeds of revolving credit facilities	34	41
Repayment of term loans	(537)	(889)
	<hr/>	<hr/>
Net cash (used in) / generated from financing activities	(3,297)	4,198
Net increase / (decrease) in cash and cash equivalents	2,339	(2,358)

Cash and cash equivalents at beginning of period	(8,047)	2,993
Effect of exchange rate changes	8	20
Cash and cash equivalents at end of period	(5,700)	655

Notes :

(i) Cash and cash equivalents

Cash and bank balances	1,496	2,816
Bank Overdrafts	(7,196)	(2,161)
	(5,700)	655

(ii) The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 30 April 2009 and the accompanying explanatory notes attached to the interim financial report.

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

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 2009 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

Three months Ended 31-Jul-09	Manufacturing RM'000	Trading RM'000	Elimination RM'000	Consolidation RM'000
Revenue				
External	12,248	9,486		21,734
Inter-segment	254	2,499	(2,753)	-
Total Revenue	<u>12,502</u>	<u>11,985</u>	<u>(2,753)</u>	<u>21,734</u>
Results				
Segment Results	943	654	-	1,597
Finance cost				(481)
Taxation				(508)
Profit after tax for the year				<u>608</u>
Segment assets				
Total assets	<u>72,295</u>	<u>35,126</u>	<u>-</u>	<u>107,421</u>
Segment liabilities				
Total liabilities	<u>32,226</u>	<u>13,500</u>	<u>-</u>	<u>45,726</u>

(b) Revenue by geographical segments

Three months Ended 31-Jul-09	Domestic RM'000	Overseas RM'000	Elimination RM'000	Consolidation RM'000
Revenue	<u>18,272</u>	<u>3,462</u>	<u>-</u>	<u>21,734</u>

(a) Information on business segments

Three months Ended 31-Jul-08	Manufacturing	Trading	Elimination	Consolidation
Revenue				
External	23,083	13,443		36,526
Inter-segment	547	6,745	(7,292)	-
Total Revenue	<u>23,630</u>	<u>20,188</u>	<u>(7,292)</u>	<u>36,526</u>
Results				
Segment Results	2,685	2,614	-	5,299
Unallocated income				15
Finance cost				(589)
Taxation				(1,098)
Profit after tax for the year				<u>3,627</u>

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Segment assets				
Total assets	87,457	40,316	-	127,773
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Segment liabilities				
Total liabilities	44,614	19,040	-	63,654
	<hr/>			

(b) Revenue by geographical segments

Three months Ended 31-Jul-08	Domestic RM'000	Overseas RM'000	Elimination RM'000	Consolidation RM'000
Revenue	32,017	4,509	-	36,526
	<hr/>			

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 July 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 July 2009, there were no material capital commitments.

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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 a revenue of RM21.7 million and profit after tax of RM0.6 million as compared to a revenue of RM36.5 million and profit after tax of RM3.6 million in the preceding year's corresponding quarter. This represents a reduction of 40.5% and 83.2% respectively. The decline was in line with the contraction in steel demand and lower selling prices for the Group's steel products in the phase of slower economic activities.

2 Variation of Results Against Preceding Quarter

	Current Quarter 31/07/2009 RM'000	Preceding Quarter 30/04/2009 RM'000
Revenue	21,734	13,029
Profit / (loss) before tax	1,116	(4,162)
Profit /(loss) after tax	608	(2,706)

The Group registered a revenue of RM21.7 million and profit after tax of RM0.6 million for the current quarter as compared with revenue of RM13.0 million and loss after tax of RM2.7 million in the preceding quarter. This represents an increase of 66.8% and 122.5% respectively. The improvement was mainly attributed to improved sales volume in both the manufacturing and trading divisions.

3 Current Year Prospects

With the implementation of various stimulus packages by the Government, a better business and operating environment is anticipated. The Group is courteously optimistic that its performance for the financial year ending 30 April 2010 will improve.

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 31/07/2009 RM'000	Preceding Year Quarter 31/07/2008 RM'000	Current Year To Date 31/07/2009 RM'000	Preceding Year To Date 31/07/2008 RM'000
Current year taxation	549	858	549	858
Deferred taxation	(41)	240	(41)	240
	<u>508</u>	<u>1,098</u>	<u>508</u>	<u>1,098</u>

Included in the taxation of current quarter, is an amount of RM375,000 payable pursuant to Section 49 of the Finance Act 2007. 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 July 2009

The Group's Borrowings are as follows:-

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured			
Bankers' acceptances	2,148	-	2,148
Bank overdraft	1,844	-	1,844
Secured			
Bank overdraft	5,352	-	5,352
Bankers' acceptances	12,529	-	12,529
Hire purchase creditors	315	82	397
Revolving credit	2,752	-	2,752
Term loans	6,167	6,141	12,308
	<u>31,107</u>	<u>6,223</u>	<u>37,330</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 and for financial period ended 31 July 2009.

12 Earnings Per Share

	Current Year Quarter 31/07/2009 RM'000	Preceding Year Quarter 31/07/2008 RM'000	Current Year To Date 31/07/2009 RM'000	Preceding Year To Date 31/07/2008 RM'000
(i) Basic Earning per share				
Profit attributable to shareholders	608	3,627	608	3,627
Weighted average number of shares at the end of the year ('000)	100,000	100,000	100,000	100,000
Basic earnings per share (sen) (Based on weighted average number of shares)	0.61	3.63	0.61	3.63

(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