

WZ Steel Berhad (Company no: 666098-X)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 OCTOBER 2009

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

	Current Year Quarter 31/10/2009 RM'000	Preceding Year Quarter 31/10/2008 RM'000	Current Year To Date 31/10/2009 RM'000	Preceding Year To Date 31/10/2008 RM'000
Revenue	17,585	26,781	39,319	63,307
Operating profit	539	2,630	2,037	7,881
Other income	127	435	226	498
Finance costs	(463)	(709)	(944)	(1,298)
Profit before tax	203	2,356	1,319	7,081
Income tax expense	208	(683)	(300)	(1,781)
Profit after tax	411	1,673	1,019	5,300
Attributable to:				
Equity holders of the Company	411	1,673	1,019	5,300
Earnings per share (sen):				
Basic	0.41	1.67	1.02	5.30
Diluted	N/A	N/A	N/A	N/A
Net assets per share (sen)			62	65

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 OCTOBER 2009**

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

	Share Capital RM'000	Non Distributable Share Premium RM'000	Distributable 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	-	-	1,019	1,019
Balance as at 31 October 2009	<u>50,000</u>	<u>2,232</u>	<u>9,874</u>	<u>62,106</u>
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>

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)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 OCTOBER 2009**

	GROUP 31/10/2009 RM'000	GROUP 31/04/2009 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	39,405	36,525
Prepaid lease payments	3,446	3,477
Total non-current assets	42,851	40,002
Current assets		
Inventories	35,654	45,159
Trade receivables	20,793	17,126
Other receivables	578	4,935
Current tax assets	1,318	1,227
Cash and cash equivalents	873	401
Total current assets	59,216	68,848
TOTAL ASSETS	102,067	108,850
EQUITY AND LIABILITIES		
Equity		
Share capital	50,000	50,000
Reserves	12,106	11,087
Total equity	62,106	61,087
Non-current liabilities		
Borrowings	5,608	6,839
Deferred tax liabilities	1,845	2,217
Total non-current liabilities	7,453	9,056
Current liabilities		
Trade payables	4,820	2,863
Other payables	959	791
Provision for taxation	441	13
Borrowings	26,288	35,040
Total current liabilities	32,508	38,707
TOTAL EQUITY AND LIABILITIES	102,067	108,850
Net assets per share (sen)	62	61

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)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 OCTOBER 2009**

	Current Year To Date 31/10/2009 RM'000	Preceding Year To Date 31/10/2008 RM'000
Cash Flows From Operating Activities		
Profit before tax	1,319	7,081
Adjustments for:		
Allowances for doubtful debts	17	664
Amortisation of prepaid lease payments	31	31
Depreciation for property, plant and equipment	1,474	1,495
Gain on disposal of property, plant and equipment	(39)	(4)
Interest expenses	944	1,298
Provision for diminution in value of inventories	-	1,005
Recovery of doubtful debts	(135)	-
Unrealised loss/(gain) on foreign exchange	169	(373)
Bad debts recovered	-	(41)
Interest income	(1)	(40)
	<hr/>	<hr/>
Operating profit before working capital changes	3,779	11,116
Decrease / (Increase) in inventories	9,505	(15,894)
Decrease/(Increase) in receivables	634	(4,150)
Increase/(Decrease) in payables	2,128	(1,291)
	<hr/>	<hr/>
Cash generated from / (absorbed in) operations	16,046	(10,219)
Interest paid	(944)	(1,298)
Interest received	1	40
Tax refund	129	-
Net taxes paid	(463)	(977)
	<hr/>	<hr/>
Net cash generated from / (used in) operating activities	14,769	(12,454)
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant & equipment	39	4
Purchase of property, plant & equipment	(4,353)	(1,831)
	<hr/>	<hr/>
Net cash used in investing activities	(4,314)	(1,827)

Cash Flows From Financing Activities

(Repayment of) / Proceeds from trade bills	(650)	12,446
Repayment of hire purchase creditors	(212)	(224)
(Repayment) / proceeds of revolving credit facilities	(2,718)	1,012
Repayment of term loans	(2,510)	(1,742)
Net cash (used in) / generated from financing activities	<u>(6,090)</u>	<u>11,492</u>
Net increase / (decrease) in cash and cash equivalents	4,365	(2,789)
Cash and cash equivalents at beginning of period	(8,047)	2,993
Effect of exchange rate changes	-	54
Cash and cash equivalents at end of period	<u>(3,682)</u>	<u>258</u>

Notes :

(i) Cash and cash equivalents

Cash and bank balances	873	4,702
Bank Overdrafts	<u>(4,555)</u>	<u>(4,444)</u>
	<u>(3,682)</u>	<u>258</u>

- (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)

Notes To The Interim Financial Report
For The Second Quarter Ended 31 October 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 except for the adoption of the following applicable revised FRS that has been become effective for the current financial period:-

FRS 8 Operating Segment

The Company does not expect any impact on the financial statement arising from the adoption of this standard.

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

Six months Ended 31-Oct-09	Manufacturing RM'000	Trading RM'000	Elimination RM'000	Consolidation RM'000
Revenue				
External	22,163	17,156	-	39,319
Inter-segment	473	5,482	(5,955)	-
Total Revenue	<u>22,636</u>	<u>22,638</u>	<u>(5,955)</u>	<u>39,319</u>
Results				
Segment Results	1,332	930	-	2,262
Interest income				1
Finance cost				(944)
Taxation				(300)
Profit after tax for the period				<u>1,019</u>
Segment assets				
Total assets	<u>66,995</u>	<u>35,072</u>	<u>-</u>	<u>102,067</u>
Segment liabilities				
Total liabilities	<u>31,711</u>	<u>8,250</u>	<u>-</u>	<u>39,961</u>
Six months Ended 31-Oct-08	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>

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Notes To The Interim Financial Report
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9 Segmental Reporting (Contd.)

(b) Revenue by geographical segments

Six months Ended	Revenue	
	31/10/2009 RM'000	31/10/2008 RM'000
Malaysia	34,142	55,398
China	2,431	3,968
Indonesia	2,154	2,806
Others	592	1,135
	<u>39,319</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 current quarter ended 31 October 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 October 2009, the Company has approved the commitment to construct a new warehouse at Lot 1890, Jalan KPB 9 Kawasan Perindustrian Balakong 43300 Seri Kembangan, Selangor. The estimated cost for the proposed new warehouse is RM2.5 million. The Company will finance the construction cost by internally generated fund and bank borrowings.

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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 a revenue of RM17.6 million and profit after tax of RM0.4 million as compared with a revenue of RM26.8 million and profit after tax of RM1.7 million in the preceding year's corresponding quarter. This represents a reduction of 34.3% and 76.5% respectively. The decline was mainly due to lower demand for the group's steel products.

For the year to date performance, the Group achieved a revenue of RM39.3 million and profit after tax of RM1.02 million as compared with a revenue of RM63.3 million and profit after tax of RM5.3 million respectively in the preceding year. This represent a reduction of 37.89% and 80.8% respectively. The decline was mainly due to lower steel prices and lower demand arising from challenging environment.

2 Variation of Results Against Preceding Quarter

	Current Quarter 31/10/2009 RM'000	Preceding Quarter 31/07/09 RM'000
Revenue	17,585	21,734
Profit before tax	203	1,116
Profit after tax	411	608

The Group registered a revenue of RM17.6 million and profit after tax of RM0.4 million for the current quarter as compared with revenue of RM21.7 million and profit after tax of RM0.6 million in the preceding quarter. This represents a decrease of 18.9% and 33.3% respectively. This was mainly due to lower demand arising from the challenging operating environment.

3 Current Year Prospects

The movement in recent global steel prices indicates that the steel prices have stabilised. However, due to slower recovery in the office automation industry as compared with the overall global economic recovery, we expect the demand for our group's steel products to remain weak and the operating environment to remain challenging.

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 31/10/2009 RM'000	Preceding Year Quarter 31/10/2008 RM'000	Current Year To Date 31/10/2009 RM'000	Preceding Year To Date 31/10/2008 RM'000
Current year taxation	123	608	672	1,466
Deferred taxation	(331)	75	(372)	315
	<u>(208)</u>	<u>683</u>	<u>300</u>	<u>1,781</u>

Included in the taxation of last quarter, there was 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 October 2009

The Group's Borrowings are as follows:-

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured	2,700	-	2,700
Bankers' acceptances	1,748	-	1,748
Bank overdraft			
Secured	2,807	-	2,807
Bank overdraft	15,852	-	15,852
Bankers' acceptances	275	30	305
Hire purchase creditors	2,906	5,578	8,484
Term loans	26,288	5,608	31,896

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 the financial period ended 31 October 2009.

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(Unaudited)

12 Earnings Per Share

	Current Year Quarter 31/10/2009 RM'000	Preceding Year Quarter 31/10/2008 RM'000	Current Year To Date 31/10/2009 RM'000	Preceding Year To Date 31/10/2008 RM'000
(i) Basic Earning per share				
Profit attributable to shareholders	411	1,673	1,019	5,300
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)	0.41	1.67	1.02	5.30

(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