

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 OCTOBER 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2010

	Current Year Quarter 31/10/2010 RM'000	Preceding Year Quarter 31/10/2009 RM'000	Current Year To Date 31/10/2010 RM'000	Preceding Year To Date 31/10/2009 RM'000
Revenue	18,456	17,585	36,771	39,319
Cost of sales	(16,465)	(15,233)	(31,913)	(33,775)
Gross profit	1,991	2,352	4,858	5,544
Other income	64	126	112	226
Operations and administrative expenses	(2,139)	(1,812)	(4,000)	(3,507)
(Loss) / Profit from operations	(84)	666	970	2,263
Finance costs	(360)	(463)	(701)	(944)
(Loss) / Profit before tax	(444)	203	269	1,319
Income tax expense	95	208	(115)	(300)
(Loss) / Profit after tax	(349)	411	154	1,019
Other Comprehensive Income	-	-	-	-
Total Comprehensive (Loss) / Income	(349)	411	154	1,019
Total Comprehensive (Loss) / Income Attributable to:				
Equity holders of the Company	(349)	411	154	1,019
(Loss) / Earnings per share (sen):				
Basic	(0.35)	0.41	0.15	1.02
Diluted	N/A	N/A	N/A	N/A
Net assets per share (sen)			62	62

Notes:

(i) The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 30 April 2010 and the accompanying explanatory notes attached to the interim financial report.

(ii) N/A : Not Applicable

WZ Steel Berhad (Company no: 666098-X)
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2010**

---- Attributable to equity holders of the Company ----

	Non Distributable		Distributable	Total Equity RM'000	
	Share Capital RM'000	Share Premium RM'000	Treasury shares RM'000		Retained Profits RM'000
Balance as at 1 May 2010	50,000	2,232	(47)	11,098	63,283
Profit for the period	-	-	-	154	154
Dividend				(996)	(996)
Buy back during the period	-	-	(69)	-	(69)
Balance as at 31 October 2010	<u>50,000</u>	<u>2,232</u>	<u>(116)</u>	<u>10,256</u>	<u>62,372</u>
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>-</u>	<u>9,874</u>	<u>62,106</u>

Note :

- (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 2010 and the accompanying explanatory notes attached to the interim financial report.

WZ Steel Berhad (Company no: 666098-X)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2010

	Unaudited 31/10/2010 RM'000	Audited 30/04/2010 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	42,425	41,310
Total non-current assets	<u>42,425</u>	<u>41,310</u>
Current assets		
Inventories	36,765	35,057
Trade receivables	20,456	20,685
Other receivables	607	1,212
Tax recoverable	691	1,165
Cash and cash equivalents	1,677	1,464
Total current assets	<u>60,196</u>	<u>59,583</u>
TOTAL ASSETS	<u>102,621</u>	<u>100,893</u>
EQUITY AND LIABILITIES		
Share capital	50,000	50,000
Treasury shares	(116)	(47)
Reserves	12,488	13,330
Total equity	<u>62,372</u>	<u>63,283</u>
Non-current liabilities		
Borrowings	5,013	4,440
Deferred tax liabilities	1,525	1,623
Total non-current liabilities	<u>6,538</u>	<u>6,063</u>
Current liabilities		
Trade payables	7,621	5,473
Other payables	1,425	793
Dividend payable	996	-
Provision for taxation	313	246
Borrowings	23,356	25,035
Total current liabilities	<u>33,711</u>	<u>31,547</u>
TOTAL EQUITY AND LIABILITIES	<u>102,621</u>	<u>100,893</u>
Net assets per share attributable to the equity holders of the Company (sen)	<u>62</u>	<u>63</u>

Note:

- (i) The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 30 April 2010 and the accompanying explanatory notes attached to the interim financial report.

WZ Steel Berhad (Company no: 666098-X)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2010

	Current Year To Date 31/10/2010 RM'000	Preceding Year To Date 31/10/2009 RM'000
Cash Flows From Operating Activities		
Profit before tax	269	1,319
Adjustments for:		
Allowances for doubtful debts	259	17
Amortisation of prepaid lease payments	-	31
Depreciation for property, plant and equipment	1,678	1,474
Gain on disposal of property, plant and equipment	(17)	(39)
Interest expenses	701	944
Recovery of doubtful debts	(33)	(135)
Unrealised loss on foreign exchange	34	169
Interest income	(1)	(1)
Operating profit before working capital changes	<u>2,890</u>	<u>3,779</u>
(Increase) / Decrease in inventories	(1,707)	9,505
Decrease in receivables	532	634
Increase in payables	2,819	2,128
Cash generated from operations	<u>4,534</u>	<u>16,046</u>
Interest paid	(701)	(944)
Interest received	1	1
Tax refund	850	129
Net taxes paid	(524)	(463)
Net cash generated from operating activities	<u>4,160</u>	<u>14,769</u>
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant & equipment	17	39
Purchase of property, plant & equipment	(2,794)	(4,353)
Net cash used in investing activities	<u>(2,777)</u>	<u>(4,314)</u>

WZ Steel Berhad (Company no: 666098-X)
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2010 (CONTD.)**

	Current Year To Date 31/10/2010 RM'000	Preceding Year To Date 31/10/2009 RM'000
Cash Flows From Financing Activities		
Proceeds / (Repayment) of trade bills	356	(650)
Drawdown / (Repayment) of hire purchase creditors	2,023	(212)
Repayment of revolving credit facilities	-	(2,718)
Repayment of term loans	(1,205)	(2,510)
Purchase of treasury shares	(69)	-
Net cash generated / (used in) financing activities	<u>1,105</u>	<u>(6,090)</u>
Net increase in cash and cash equivalents	2,488	4,365
Cash and cash equivalents brought forward	(2,076)	(8,047)
Effect of exchange rate changes	4	-
Cash and cash equivalents at end of period	<u>416</u>	<u>(3,682)</u>

Notes :

(i) Cash and cash equivalents

Cash and bank balances	1,677	873
Bank Overdrafts	(1,261)	(4,555)
	<u>416</u>	<u>(3,682)</u>

(ii) The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 30 April 2010 and the accompanying explanatory notes attached to the interim financial report.

**Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2010
(Unaudited)**

Part A – Explanatory Notes Pursuant to FRS 134

1 Basis of Preparation

The 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 Chapter 9 (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 2010 except for the adoption of the revised FRS that has been become effective during the financial year.

2 Accounting Policies

The significant accounting policies and methods of computation adopted by WZSTEEL in these condensed interim financial statements are consistent with those adopted in the audited consolidated financial statements of WZSTEEL for the financial year ended 30 April 2010, except for the adoption of the following new Financial Reporting Standards (“FRS”), Amendments to FRSs and IC Interpretations which are applicable to its current financial statements:

FRS 7 : Financial Instruments: Disclosures
FRS 8 : Operating Segment
FRS 101 (revised) : Presentation of Financial Statements
FRS 123 : Borrowing Costs
FRS 139 : Financial Instruments: Recognition and Measurement
IC Interpretation 9 : Reassessment of Embedded Derivatives
IC Interpretation 10 : Interim Financial Reporting and Impairment
IC Interpretation 12 : Service Concession Arrangements
IC Interpretation 13 : Customer Loyalty Programmes
IC Interpretation 14 : FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction
Amendment to FRS 7 : Financial Instruments: Disclosures
Amendment to FRS 8 : Operating Segment
Amendment to FRS 107 : Statement of Cash Flows

**Notes To The Interim Financial Report
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(Unaudited)**

2 Accounting Policies (cont'd)

Amendment to FRS 108 : Accounting Policies, Changes in Accounting Estimates and Errors

Amendment to FRS 110 : Events After Reporting Period

Amendment to FRS 116 : Property, Plant and Equipment

Amendment to FRS 117 : Leases

Amendment to FRS 118 : Revenue

Amendment to FRS 119 : Employee Benefits

Amendment to FRS 123 : Borrowing Costs

Amendment to FRS 127 : Consolidated and Separate Financial Statements: Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendment to FRS 128 : Investment in Associates

Amendment to FRS 131 : Interest in Joint Ventures

Amendment to FRS 132 : Financial Instruments: Presentation

Amendment to FRS 134 : Interim Financial Reporting

Amendment to FRS 136 : Impairment of Assets

Amendment to FRS 139 : Financial Instruments: Recognition and Measurement

Other than the application FRS7 FRS 8, FRS 101 and Amendment to FRS 117, the application of the above FRSs, Amendments to FRSs and Interpretations do not have any material impact on the financial position and results of the Group.

(a) FRS 7 : Financial Instruments: Disclosure

Prior to adoption of FRS 7, the disclosures for financial instruments were based on the requirements of the original FRS 132, Financial Instruments : Disclosure and Presentation. With the adoption of FRS 7, financial assets and financial liabilities are disclosed in the statement of financial position based on their respective classification. This standard does not have any material impact on the financial position and results of the Group.

(b) FRS 8 : Operating Segments

FRS 8 requires segment information to be presented on a similar basis to that used for internal purposes. As a result, the Group's segmental reporting had been presented based on the internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. This standard does not have any material impact on the financial position and results of the Group.

**Notes To The Interim Financial Report
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(c) FRS 101 (revised) : Presentation of Financial Statements

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity represented as a single labeled as total comprehensive income. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

(d) Amendments to FRS 117 : Leases

Amendments to FRS 117 remove the classification of leases of land and buildings, and instead, require assessment of classification based on the risks and rewards of the lease itself. The reassessment of land elements of unexpired leases shall be made retrospectively in accordance with FRS 108. Therefore, the Group has reclassified the prepaid lease payments for land held in accordance with FRS 117. This amendment shall be presented on the statement of financial position as at the beginning of the earliest comparative period in accordance with FRS 101.

This change in classification has no effect to the profit or loss of the current period ended 31 October 2010 or the comparative prior period. The following comparative figures have been restated following the adoption of the amendment to FRS 117:

30 April 2010	As previously reported	Effects of adopting FRS 117	As restated
	RM'000	RM'000	RM'000
Property, plant and equipment	37,895	3,415	41,310
Prepaid lease payments	3,415	(3,415)	-

3 Auditors' Reports on Preceding Audited Financial Statements

The auditors' reports of the preceding audited financial statements of the Company and its subsidiaries for the financial year ended 30 April 2010 were not subject to any qualification.

**Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2010
(Unaudited)**

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 Debts and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter under review.

The details of shares held as treasury shares as at 31 October 2010 are as follows:

	No. of Shares Purchased	Average Purchase Price (RM)	Consideration Paid (RM)
As at 1.5.2010	149,000	0.32	47,343
May 2010	166,100	0.31	51,628
June 2010	40,000	0.30	12,092
July 2010	18,000	0.29	5,157
As at 31.10.2010	373,100	0.31	116,220

8 Dividend Paid

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

**Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2010
(Unaudited)**

9 Segmental Reporting

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

(a) Information on Business

Six months ended 31/10/10	Manufacturing RM'000	Trading RM'000	Elimination RM'000	Consolidation RM'000
Revenue				
External	19,596	17,175	-	36,771
Inter-segment	361	4,490	(4,851)	-
Total Revenue	19,957	21,665	(4,851)	36,771
Results				
Segment Results	1,043	290	(363)	970
Finance cost				(701)
Taxation				(115)
Profit for the period after taxation				154
Segments assets				
Total assets	64,995	52,330	(14,704)	102,621
Segment liabilities				
Total liabilities	29,074	25,879	(14,704)	40,249
Six months ended 31/10/09				
Revenue				
External	22,163	17,156	-	39,319
Inter-segment	473	5,482	(5,955)	-
Total Revenue	22,636	22,638	(5,955)	39,319

**Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2010
(Unaudited)**

Results				
Segment Results	1,332	931	-	2,263
Finance cost				(944)
Taxation				(300)
Profit for the period after taxation				<u>1,019</u>
Segments assets				
Total assets	<u>66,995</u>	<u>50,669</u>	<u>(15,597)</u>	<u>102,067</u>
Segment liabilities				
Total liabilities	<u>31,711</u>	<u>23,847</u>	<u>(15,597)</u>	<u>39,961</u>

(b) Revenue by geographical segments

	Revenue	
	31/10/2010	31/10/2009
	RM'000	RM'000
Malaysia	32,242	34,142
China	-	2,431
Indonesia	2,924	2,154
Thailand	1,029	483
Others	576	109
	<u>36,771</u>	<u>39,319</u>

10 Valuation of Property, Plant and Equipment

There was no valuation of 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 2010 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.

WZ Steel Berhad (Company no: 666098-X)

**Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2010
(Unaudited)**

13 Contingent Liabilities

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

14 Capital Commitments

The capital commitments as at 31 October 2010 were as follows:

	RM'000
Authorised and not contracted for	<u>2,500</u>

Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2010
(Unaudited)

**PART B – ADDITIONAL INFORMATION REQUIRED UNDER THE BURSA
MALAYSIA SECURITIES BERHAD’S LISTING REQUIREMENTS**

1 Review of Performance

For the current quarter under review, the Group achieved a revenue of RM18.5 million and loss after tax of RM0.3 million as compared to a revenue of RM17.6 million and profit after tax of RM0.4 million in the preceding year’s corresponding quarter. This represents an increase of 4.95% in revenue and a reduction of 184.91% in profit after tax. The decline was mainly due to lower prices for the Group’s steel products and lower margins.

For the year to date performance, the Group achieved a revenue of RM36.8 million and profit after tax of RM0.2 million as compared with a revenue of RM39.3 million and profit after tax of RM1.3 million respectively in the preceding year. This represents a reduction of 6.48% and 84.89% respectively. The decline was mainly due to lower prices for the Group’s steel products and lower margins arising from challenging operating environment.

2 Variation of Results Against Preceding Quarter

	Current Quarter 31/10/2010 RM’000	Preceding Quarter 31/07/2010 RM’000
Revenue	18,456	18,315
(Loss) / Profit before tax	(444)	713
(Loss) / Profit after tax	(349)	503

The Group registered a revenue of RM18.5 million and loss after tax of RM0.3 million for the current quarter as compared with a revenue of RM18.3 million and profit after tax of RM0.5 million in the preceding quarter. This represents an increase of 0.8% in revenue and a reduction of 169.38% in profit after tax. The decrease in profit after tax was mainly due to lower prices for the Group’s steel products and lower margins.

**Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2010
(Unaudited)**

3 Current Year Prospects

The Group is operating in a difficult business environment and market conditions are expected to remain challenging. However, management will continue to improve the Group's turnover and margins and prudently manage the Group's cash flow, working capital and inventory positions.

4 Variance Between Actual Profit and Forecast Profit

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

5 Taxation

Breakdown of taxation is as follow:-

	Current year Quarter 31/10/2010 RM'000	Preceding year Quarter 31/10/2009 RM'000	Current year To Date 31/10/2010 RM'000	Preceding year To Date 31/10/2009 RM'000
Current year taxation	(24)	(123)	(223)	(672)
Over provision	9	-	9	-
Deferred taxation	110	331	99	372
	<u>95</u>	<u>208</u>	<u>(115)</u>	<u>(300)</u>

6 Profit/(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.

**Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2010
(Unaudited)**

8 Borrowings and Debts Securities

The Group's borrowings as at 31 October 2010:-

	Current RM'000	Non-Current RM'000	Total RM'000
Secured			
Bank overdraft	1,261	-	1,261
Bankers' acceptances	19,365	-	19,365
Hire purchase creditors	410	1,746	2,156
Term loans	2,320	3,267	5,587
	<u>23,356</u>	<u>5,013</u>	<u>28,369</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 litigation against or taken by the Group.

11 Dividends

The Board had on 22 June 2010 proposed a single-tier final dividend of 1 sen per ordinary share of RM0.50 each for the financial year ended 30 April 2010 which was approved by the shareholders at the Sixth Annual General Meeting on 25 October 2010. The final dividend was paid on 15 November 2010 to the shareholders whose names appeared in the Record of Depositors of the Company at the close of business on 1 November 2010.

Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2010
(Unaudited)

12 Earnings Per Share

	Current year Quarter 31/10/2010 RM'000	Preceding year Quarter 31/10/2009 RM'000	Current year To Date 31/10/2010 RM'000	Preceding year To Date 31/10/2009 RM'000
(i) Basic (Loss) / Earnings per share				
(Loss) / Profit attributable to shareholders	(349)	411	154	1,019
Weighted average no of shares at the end of the year ('000)	99,664	100,000	99,664	100,000
Basic (loss) / earnings per share (sen) (Based on weighted average no of shares)	(0.35)	0.41	0.15	1.02
(i) Diluted earnings per share				

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

BY ORDER OF THE BOARD

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Tan Ching Kee
Managing director