

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2011

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 31 JANUARY 2011

	Current Year Quarter 31/01/2011 RM'000	Preceding Year Quarter 31/01/2010 RM'000	Current Year To Date 31/01/2011 RM'000	Preceding Year To Date 31/01/2010 RM'000
Revenue	18,719	17,052	55,490	56,371
Cost of sales	(16,575)	(14,424)	(48,488)	(48,199)
Gross profit	2,144	2,628	7,002	8,172
Other income	29	82	141	307
Operations and administrative expenses	(1,850)	(1,688)	(5,850)	(5,194)
Profit from operations	323	1,022	1,293	3,285
Finance costs	(361)	(366)	(1,062)	(1,311)
(Loss) / Profit before tax	(38)	656	231	1,974
Income tax expense	46	(203)	(69)	(503)
Profit after tax	8	453	162	1,471
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8	453	162	1,471
Total Comprehensive Income Attributable to:				
Equity holders of the Company	8	453	162	1,471
Earnings per share (sen):				
Basic	0.01	0.45	0.16	1.47
Diluted	N/A	N/A	N/A	N/A
Net assets per share (sen)			62	63

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 THIRD QUARTER ENDED 31 JANUARY 2011**

---- 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	-	-	-	162	162
Dividend				(996)	(996)
Buy back during the period	-	-	(98)	-	(98)
Balance as at 31 January 2011	50,000	2,232	(145)	10,264	62,351
Balance as at 1 May 2009	50,000	2,232	-	8,855	61,087
Profit for the period	-	-	-	1,471	1,471
Buy back during the period	-	-	(6)		(6)
Balance as at 31 January 2010	50,000	2,232	(6)	10,326	62,552

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 JANUARY 2011

	Unaudited 31/01/2011 RM'000	Audited 30/04/2010 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	41,692	41,310
Total non-current assets	<u>41,692</u>	<u>41,310</u>
Current assets		
Inventories	38,546	35,057
Trade receivables	18,801	20,685
Other receivables	607	1,212
Tax recoverable	842	1,165
Cash and cash equivalents	1,386	1,464
Total current assets	<u>60,182</u>	<u>59,583</u>
TOTAL ASSETS	<u>101,874</u>	<u>100,893</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	50,000	50,000
Treasury shares	(145)	(47)
Reserves	12,496	13,330
Total equity	<u>62,351</u>	<u>63,283</u>
Non-current liabilities		
Borrowings	4,735	4,440
Deferred tax liabilities	1,479	1,623
Total non-current liabilities	<u>6,214</u>	<u>6,063</u>
Current liabilities		
Trade payables	7,870	5,473
Other payables	922	793
Provision for taxation	155	246
Borrowings	24,362	25,035
Total current liabilities	<u>33,309</u>	<u>31,547</u>
TOTAL EQUITY AND LIABILITIES	<u>101,874</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 THIRD QUARTER ENDED 31 JANUARY 2011**

	Current Year To Date 31/01/2011 RM'000	Preceding Year To Date 31/01/2010 RM'000
Cash Flows From Operating Activities		
Profit before tax	231	1,974
Adjustments for:		
Allowances for doubtful debts	255	161
Depreciation for property, plant and equipment	2,540	2,198
Gain on disposal of property, plant and equipment	(19)	(39)
Interest expenses	1,062	1,311
Recovery of doubtful debts	(40)	(172)
Unrealised loss / (gain) on foreign exchange	9	(28)
Interest income	(1)	(1)
Operating profit before working capital changes	<u>4,037</u>	<u>5,404</u>
(Increase) / Decrease in inventories	(3,488)	10,411
Decrease in receivables	2,254	1,141
Increase in payables	<u>2,538</u>	<u>1,925</u>
Cash generated from operations	<u>5,341</u>	<u>18,881</u>
Interest paid	(1,062)	(1,311)
Interest received	1	1
Tax refund	850	129
Net taxes paid	<u>(832)</u>	<u>(869)</u>
Net cash generated from operating activities	<u><u>4,298</u></u>	<u><u>16,831</u></u>
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant & equipment	18	39
Purchase of property, plant & equipment	<u>(2,923)</u>	<u>(4,360)</u>
Net cash used in investing activities	<u><u>(2,905)</u></u>	<u><u>(4,321)</u></u>

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE THIRD QUARTER ENDED 31 JANUARY 2011 (CONTD.)

	Current Year To Date 31/01/2011 RM'000	Preceding Year To Date 31/01/2010 RM'000
Cash Flows From Financing Activities		
Proceeds / (Repayment) of trade bills	1,939	(2,264)
Drawdown / (Repayment) of hire purchase creditors	1,900	(305)
Repayment of revolving credit facilities	-	(2,718)
Repayment of term loans	(2,197)	(3,647)
Dividend paid	(996)	-
Purchase of treasury shares	(98)	(6)
Net cash generated / (used in) financing activities	<u>548</u>	<u>(8,940)</u>
Net increase in cash and cash equivalents	1,941	3,570
Cash and cash equivalents brought forward	(2,077)	(8,047)
Effect of exchange rate changes	1	1
Cash and cash equivalents at end of period	<u>(135)</u>	<u>(4,476)</u>

Notes :

(i) Cash and cash equivalents

Cash and bank balances	1,386	865
Bank Overdrafts	(1,521)	(5,341)
	<u>(135)</u>	<u>(4,476)</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 Third Quarter Ended 31 January 2011
(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
For the Third Quarter Ended 31 January 2011
(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
For the Third Quarter Ended 31 January 2011
(Unaudited)

(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 January 2011 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 RM'000	Effects of adopting FRS 117 RM'000	As restated 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 Third Quarter Ended 31 January 2011
(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 except for the repurchase of 97,900 ordinary shares of the Company under its Share Buy-back scheme. The total consideration paid for the share buy-back including transaction costs was RM29,221. The Company has retained all these shares purchased as treasury shares.

The details of shares held as treasury shares as at 31 January 2011 are as follows:

	No. of Shares Purchased	Average Purchase Price (RM)	Consideration Paid (RM)
As at 31.10.2010	373,100	0.31	116,220
December 2010	97,900	0.30	29,221
As at 31.01.2011	471,000	0.31	145,441

Notes To The Interim Financial Report
For the Third Quarter Ended 31 January 2011
(Unaudited)

8 Dividend Paid

A single-tier final dividend of 1 sen per ordinary share of RM0.50 each for the financial year ended 30 April 2010 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.

9 Segmental Reporting

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

(a) Information on Business

Nine months ended 31/01/11	Manufacturing RM'000	Trading RM'000	Elimination RM'000	Consolidation RM'000
Revenue				
External	29,422	26,068	-	55,490
Inter-segment	650	5,627	(6,277)	-
Total Revenue	<u>30,072</u>	<u>31,695</u>	<u>(6,277)</u>	<u>55,490</u>
Results				
Segment Results	1,310	520	(537)	1,293
Finance cost				(1,062)
Taxation				(69)
Profit for the period after taxation				<u>162</u>
Segments assets				
Total assets	<u>62,617</u>	<u>52,511</u>	<u>(13,254)</u>	<u>101,874</u>
Segment liabilities				
Total liabilities	<u>26,725</u>	<u>26,052</u>	<u>(13,254)</u>	<u>39,523</u>

WZ Steel Berhad (Company no: 666098-X)

Notes To The Interim Financial Report
For the Third Quarter Ended 31 January 2011
(Unaudited)

Nine months ended 31/01/10	Manufacturing RM'000	Trading RM'000	Elimination RM'000	Consolidation RM'000
Revenue				
External	32,993	23,378	-	56,371
Inter-segment	654	8,099	(8,753)	-
Total Revenue	33,647	31,477	(8,753)	56,371
Results				
Segment Results	1,630	1,655	-	3,285
Finance cost				(1,311)
Taxation				(503)
Profit for the period after taxation				1,471
Segments assets				
Total assets	65,873	46,147	(12,000)	100,020
Segment liabilities				
Total liabilities	29,701	19,767	(12,000)	37,468

(b) Revenue by geographical segments

	Revenue	
	31/01/2011 RM'000	31/01/2010 RM'000
Malaysia	49,159	49,494
China	234	2,431
Indonesia	4,121	3,539
Thailand	1,308	711
Others	668	196
	55,490	56,371

10 Valuation of Property, Plant and Equipment

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

**Notes To The Interim Financial Report
For the Third Quarter Ended 31 January 2011
(Unaudited)**

11 Material Subsequent Events

There is no material event subsequent to the current quarter ended 31 January 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.

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 January 2011 were as follows:

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

**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 RM18.7 million and profit after tax of RM0.01 million as compared to a revenue of RM17.1 million and profit after tax of RM0.5 million in the preceding year’s corresponding quarter. This represents an increase of 9.8% in revenue and a reduction of 98.2% in profit after tax. The decline in profit after tax was mainly due to the lower margins for the Group’s steel products and higher operating expenses.

For the year to date performance, the Group achieved a revenue of RM55.5 million and profit after tax of RM0.2 million as compared with a revenue of RM56.4 million and profit after tax of RM1.5 million respectively in the preceding year. This represents a reduction of 1.6% in revenue and 89% in profit after tax. The decline in profit after tax was mainly due to the lower margins for the Group’s steel products and higher operating expenses.

2 Variation of Results Against Preceding Quarter

	Current Quarter 31/01/2011 RM'000	Preceding Quarter 31/10/2010 RM'000
Revenue	18,719	18,456
Loss before tax	(38)	(444)
Profit / (Loss) after tax	8	(349)

The Group registered a revenue of RM18.7 million and profit after tax of RM0.01 million for the current quarter as compared with a revenue of RM18.5 million and loss after tax of RM0.4 million in the preceding quarter. This represents an increase of 1.4% in revenue and 102.3% in profit after tax. The increase in profit after tax was mainly due to the tax expense written back in current quarter and operating loss in the preceding quarter.

Notes To The Interim Financial Report
For the Third Quarter Ended 31 January 2011
(Unaudited)

3 Current Year Prospects

The Group expects market conditions to remain challenging and volatile. The management will continue to emphasize on operational efficiency and to 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 31/01/2011 RM'000	Preceding year Quarter 31/01/2010 RM'000	Current year To Date 31/01/2011 RM'000	Preceding year To Date 31/01/2010 RM'000
Current year taxation	(55)	210	(278)	(462)
Over provision	46	-	64	-
Deferred taxation	55	(413)	145	(41)
	<u>46</u>	<u>(203)</u>	<u>(69)</u>	<u>(503)</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 Third Quarter Ended 31 January 2011
(Unaudited)

8 Borrowings and Debts Securities

The Group's borrowings as at 31 January 2011:-

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured			
Bank overdraft	3	-	3
Secured			
Bank overdraft	1,518	-	1,518
Bankers' acceptances	20,946	-	20,946
Hire purchase creditors	388	1,646	2,034
Term loans	1,507	3,089	4,596
	<u>24,362</u>	<u>4,735</u>	<u>29,097</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

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

12 Retained Profits

	Current Quarter 31/01/2010 RM'000	Preceding Quarter 31/10/2010 RM'000
Realised	8,786	8,681
Unrealised	1,478	1,525
	<u>10,264</u>	<u>10,256</u>

Notes To The Interim Financial Report
For the Third Quarter Ended 31 January 2011
(Unaudited)

13 Earnings Per Share

	Current year Quarter 31/01/2011 RM'000	Preceding year Quarter 31/01/2010 RM'000	Current year To Date 31/01/2011 RM'000	Preceding year To Date 31/01/2010 RM'000
(i) Basic (Loss) / Earnings per share				
Profit attributable to shareholders	8	453	162	1,471
Weighted average no of shares at the end of the year ('000)	99,640	100,000	99,640	100,000
Basic earnings per share (sen) (Based on weighted average no of shares)	0.01	0.45	0.16	1.47
(ii) 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