

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JULY 2011

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 JULY 2011**

	Current Year Quarter 31/07/2011 RM'000	Preceding Year Quarter 31/07/2010 RM'000	Current Year To Date 31/07/2011 RM'000	Preceding Year To Date 31/07/2010 RM'000
Revenue	23,820	18,315	23,820	18,315
Cost of sales	(20,381)	(15,448)	(20,381)	(15,448)
Gross profit	3,439	2,867	3,439	2,867
Other income	97	48	97	48
Operations and administrative expenses	(1,930)	(1,861)	(1,930)	(1,861)
Profit from operations	1,606	1,054	1,606	1,054
Finance costs	(356)	(341)	(356)	(341)
Profit before tax	1,250	713	1,250	713
Income tax expense	(362)	(210)	(362)	(210)
Profit after tax	888	503	888	503
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	888	503	888	503
Total Comprehensive Income Attributable to:				
Equity holders of the Company	888	503	888	503
Earnings per share (sen):				
Basic	0.89	0.50	0.89	0.50
Diluted	N/A	N/A	N/A	N/A
Net assets per share (sen)			65	64

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 2011 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 FIRST QUARTER ENDED 31 JULY 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 2011	50,000	2,232	(145)	11,309	63,396
Profit for the period	-	-	-	888	888
Purchase of treasury shares	-	-	(3)	-	(3)
Balance as at 31 July 2011	<u>50,000</u>	<u>2,232</u>	<u>(148)</u>	<u>12,197</u>	<u>64,281</u>
Balance as at 1 May 2010	50,000	2,232	(47)	11,098	63,283
Profit for the period	-	-	-	503	503
Purchase of treasury shares	-	-	(69)	-	(69)
Balance as at 31 July 2010	<u>50,000</u>	<u>2,232</u>	<u>(116)</u>	<u>11,601</u>	<u>63,717</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 2011 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 JULY 2011

	Unaudited 31/07/2011 RM'000	Audited 30/04/2011 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	40,015	40,895
Total non-current assets	<u>40,015</u>	<u>40,895</u>
Current assets		
Inventories	42,277	39,481
Trade receivables	22,873	19,967
Other receivables	632	674
Tax recoverable	689	765
Cash and cash equivalents	1,656	1,124
Total current assets	<u>68,127</u>	<u>62,011</u>
TOTAL ASSETS	<u>108,142</u>	<u>102,906</u>
EQUITY AND LIABILITIES		
Share capital	50,000	50,000
Treasury shares	(148)	(145)
Reserves	14,429	13,541
Total equity	<u>64,281</u>	<u>63,396</u>
Non-current liabilities		
Borrowings	3,786	4,297
Deferred tax liabilities	1,842	1,652
Total non-current liabilities	<u>5,628</u>	<u>5,949</u>
Current liabilities		
Trade payables	11,452	7,627
Other payables	1,009	794
Provision for taxation	80	67
Borrowings	25,692	25,073
Total current liabilities	<u>38,233</u>	<u>33,561</u>
TOTAL EQUITY AND LIABILITIES	<u>108,142</u>	<u>102,906</u>
Net assets per share attributable to the equity holders of the Company (sen)	<u>65</u>	<u>64</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 2011 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 FIRST QUARTER ENDED 31 JULY 2011**

	Current Year To Date 31/07/2011 RM'000	Preceding Year To Date 31/07/2010 RM'000
Cash Flows From Operating Activities		
Profit before tax	1,250	713
Adjustments for:		
Allowances for impairment of receivables	65	141
Depreciation for property, plant and equipment	876	821
Amortisation of prepaid lease payments	15	-
Interest expenses	356	341
Allowances for impairment of receivables written back	(81)	(23)
Unrealised (gain) / loss on foreign exchange	(47)	7
Interest income	(1)	-
Operating profit before working capital changes	<u>2,433</u>	<u>2,000</u>
Increase in inventories	(2,796)	(73)
Increase in receivables	(2,929)	(564)
Increase / (Decrease) in payables	<u>4,166</u>	<u>(486)</u>
Cash generated from operations	874	877
Interest paid	(356)	(341)
Interest received	1	-
Tax refund	-	850
Net taxes paid	<u>(85)</u>	<u>(190)</u>
Net cash generated from operating activities	<u>434</u>	<u>1,196</u>
Cash Flows From Investing Activities		
Purchase of property, plant & equipment	<u>(12)</u>	<u>(12)</u>
Net cash used in investing activities	<u>(12)</u>	<u>(12)</u>

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FIRST QUARTER ENDED 31 JULY 2011 (CONTD.)**

	Current Year	Preceding Year
	To Date	To Date
	31/07/2011	31/07/2010
	RM'000	RM'000
Cash Flows From Financing Activities		
Proceeds of trade bills	1,682	982
Repayment of hire purchase creditors	(104)	(51)
Repayment of term loans	(383)	(553)
Purchase of treasury shares	(3)	(69)
Net cash generated from financing activities	<u>1,192</u>	<u>309</u>
Net increase in cash and cash equivalents	1,614	1,493
Cash and cash equivalents brought forward	(1,524)	(2,076)
Effect of exchange rate changes	(29)	(3)
Cash and cash equivalents at end of period	<u>61</u>	<u>(586)</u>

Notes :

(i) Cash and cash equivalents

Cash and bank balances	1,656	2,768
Bank Overdrafts	(1,595)	(3,354)
	<u>61</u>	<u>(586)</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 2011 and the accompanying explanatory notes attached to the interim financial report.

**Notes To The Interim Financial Report
For the First Quarter Ended 31 July 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 2011 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 2011, 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 1 : First-time Adoption of Financial Reporting Standards
 - Limited Exemption from Comparative FRS 7
 - Disclosures for First-time Adopters (Amendment to FRS 1)
 - Additional Exemptions for First-time Adopters (Amendments to FRS 1)
 - Amendments to FRS 1 [Improvements to FRSs (2010)]
- FRS 2 : Amendments to FRS 2
 - Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2)
- FRS 3 : Business Combinations
 - Amendments to FRS 3 [Improvements to FRSs (2010)]
- FRS 5 : Amendments to FRS 5
- FRS 7 : Improving Disclosures about Financial Instruments (Amendments to FRS 7)
 - Amendments to FRS 7 [Improvements to FRSs (2010)]
- FRS 101 : Amendments to FRS 101 [Improvements to FRSs (2010)]
- FRS 121 : Amendments to FRS 121 [Improvements to FRSs (2010)]
- FRS 127 : Consolidated and Separate Financial Statements

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

2 Accounting Policies (cont'd)

- FRS 128 : Amendments to FRS 128 [Improvements to FRSs (2010)]
- FRS 131 : Amendments to FRS 131 [Improvements to FRSs (2010)]
- FRS 132 : Amendments to FRS 132 Financial Instruments : Presentation
Amendments to FRS 132 [Improvements to FRSs (2010)]
- FRS 134 : Amendments to FRS 134 [Improvements to FRSs (2010)]
- FRS 138 : Amendments to FRS 138
- FRS 139 : Amendments to FRS 139 [Improvements to FRSs (2010)]

The initial application of the abovementioned standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group.

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 2011 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.

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

7 Changes in Debts and Equity Securities

There were no debt and equity securities issued, cancelled, repurchased, resold or repaid during the current quarter under review except for the repurchase of 8,000 ordinary shares of the Company under its Share Buy-Back scheme. The total consideration paid for the share buy-back including transaction costs was RM2,494. The Company has retained all these shares purchased as treasury shares.

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

	No. of Shares Purchased	Average Purchase Price (RM)	Consideration Paid (RM)
As at 1.5.2011	471,000	0.31	145,441
July 2011	8,000	0.31	2,494
As at 31.07.2011	479,000	0.31	147,935

8 Dividend Paid

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

9 Segmental Reporting

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

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

(a) Information on Business

Three months ended 31/07/11	Manufacturing RM'000	Trading RM'000	Elimination RM'000	Consolidation RM'000
Revenue				
External	11,851	11,969	-	23,820
Inter-segment	120	1,182	(1,302)	-
Total Revenue	11,971	13,151	(1,302)	23,820
Results				
Segment Results	1,103	667	(164)	1,606
Finance cost				(356)
Taxation				(362)
Profit for the period after taxation				888
Segments assets				
Total assets	65,954	54,571	(12,383)	108,142
Segment liabilities				
Total liabilities	29,156	27,088	(12,383)	43,861
Three months ended 31/07/10	Manufacturing RM'000	Trading RM'000	Elimination RM'000	Consolidation RM'000
Revenue				
External	11,078	7,237	-	18,315
Inter-segment	75	3,313	(3,388)	-
Total Revenue	11,153	10,550	(3,388)	18,315

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

Results				
Segment Results	916	188	(50)	1,054
Finance cost				(341)
Taxation				(210)
Profit after taxation				<u>503</u>
Segments assets				
Total assets	<u>66,268</u>	<u>49,025</u>	<u>(13,959)</u>	<u>101,334</u>
Segment liabilities				
Total liabilities	<u>30,134</u>	<u>21,442</u>	<u>(13,959)</u>	<u>37,617</u>

(b) Revenue by geographical segments

	Revenue	
	31/07/2011 RM'000	31/07/2010 RM'000
Malaysia	20,762	15,666
Indonesia	1,367	1,636
Thailand	453	522
Hong Kong	1,120	-
Others	118	491
	<u>23,820</u>	<u>18,315</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 July 2011 and up to the date of this report.

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

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 July 2011 were as follows:

	RM'000
Authorised and not contracted for	2,500

Notes To The Interim Financial Report
For the First Quarter Ended 31 July 2011
(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 RM23.8 million and profit after tax of RM0.9 million as compared with a revenue of RM18.3 million and profit after tax of RM0.5 million in the preceding year’s corresponding quarter. This represents an increase of 30.1% in revenue and an increase of 76.5% in profit after tax. The increase in revenue was mainly due to the better performance in our trading division and oversea markets. The increase in profit after tax was mainly due to the increase in revenue.

2 Variation of Results Against Preceding Quarter

	Current Quarter 31/07/2011 RM’000	Preceding Quarter 30/04/2011 RM’000
Revenue	23,820	17,798
Profit before tax	1,250	1,368
Profit after tax	888	1,045

The Group registered a revenue of RM23.8 million and profit after tax of RM0.9 million for the current quarter as compared with a revenue of RM17.8 million and profit after tax of RM1 million in the preceding quarter. The decrease in profit after tax for this quarter was mainly due to the lower margins and higher operating expenses.

3 Current Year Prospects

Our Group expects market conditions to be challenging and the Managements will continue to emphasize on operational efficiency to achieve satisfactory results for the financial year ending 30 April 2012.

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

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 31/07/2011 RM'000	Preceding year Quarter 31/07/2010 RM'000	Current year To Date 31/07/2011 RM'000	Preceding year To Date 31/07/2010 RM'000
Current year taxation	(171)	(199)	(171)	(199)
Under provision	(2)	-	(2)	-
Deferred taxation	(189)	(11)	(189)	(11)
	<u>(362)</u>	<u>(210)</u>	<u>(362)</u>	<u>(210)</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 First Quarter Ended 31 July 2011
(Unaudited)**

8 Borrowings and Debts Securities

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

	Current RM'000	Non-Current RM'000	Total RM'000
Secured			
Bank overdraft	1,595	-	1,595
Bankers' acceptances	20,825	-	20,825
Hire purchase creditors	437	1,468	1,905
Term loans	1,532	2,318	3,850
Trust receipts	1,303	-	1,303
	<u>25,692</u>	<u>3,786</u>	<u>29,478</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 or taken by the Group.

11 Dividend

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

12 Retained Profits

	Current Quarter 31/07/2011 RM'000	Preceding Quarter 30/04/2011 RM'000
Realised	13,402	12,321
Unrealised	(1,205)	(1,012)
	<u>12,197</u>	<u>11,309</u>

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

13 Earnings Per Share

	Current year Quarter 31/07/2011 RM'000	Preceding year Quarter 31/07/2010 RM'000	Current year To Date 31/07/2011 RM'000	Preceding year To Date 31/07/2010 RM'000
(i) Basic Earnings per share				
Profit attributable to shareholders	888	503	888	503
Weighted average no. of shares at the end of the period ('000)	99,527	99,701	99,527	99,701
Basic earnings per share (sen) (Based on weighted average no. of shares)	0.89	0.50	0.89	0.50
(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