

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 OCTOBER 2011

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2011

	Current Year Quarter 31/10/2011 RM'000	Preceding Year Quarter 31/10/2010 RM'000	Current Year To Date 31/10/2011 RM'000	Preceding Year To Date 31/10/2010 RM'000
Revenue	19,779	18,456	43,599	36,771
Cost of sales	(17,507)	(16,465)	(37,888)	(31,913)
Gross profit	2,272	1,991	5,711	4,858
Other income	235	64	332	112
Operations and administrative expenses	(2,237)	(2,139)	(4,167)	(4,000)
Profit / (Loss) from operations	270	(84)	1,876	970
Finance costs	(375)	(360)	(731)	(701)
Profit / (Loss) before tax	(105)	(444)	1,145	269
Income tax expense	-	95	(362)	(115)
<b>Profit / (Loss) after tax</b>	<b>(105)</b>	<b>(349)</b>	<b>783</b>	<b>154</b>
<b>Other Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income / (Loss)</b>	<b>(105)</b>	<b>(349)</b>	<b>783</b>	<b>154</b>
<b>Total Comprehensive Income / (Loss) Attributable to:</b>				
Equity holders of the Company	(105)	(349)	783	154
<b>Earnings / (Loss) per share (sen):</b>				
Basic	(0.11)	0.35	0.79	0.15
Diluted	N/A	N/A	N/A	N/A
<b>Net assets per share (sen)</b>			<b>64</b>	<b>62</b>

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 SECOND QUARTER ENDED 31 OCTOBER 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	
<b>Balance as at 1 May 2011</b>	50,000	2,232	(145)	11,309	63,396
Profit for the period	-	-	-	783	783
Purchase of treasury shares	-	-	(190)	-	(190)
<b>Balance as at 31 October 2011</b>	<b>50,000</b>	<b>2,232</b>	<b>(335)</b>	<b>12,092</b>	<b>63,989</b>
<b>Balance as at 1 May 2010</b>	50,000	2,232	(47)	11,098	63,283
Profit for the period	-	-	-	154	154
Dividend	-	-	-	(996)	(996)
Purchase of treasury shares	-	-	(69)	-	(69)
<b>Balance as at 31 October 2010</b>	<b>50,000</b>	<b>2,232</b>	<b>(116)</b>	<b>10,256</b>	<b>62,372</b>

**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 OCTOBER 2011**

	Unaudited 31/10/2011 RM'000	Audited 30/04/2011 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	39,134	40,895
<b>Total non-current assets</b>	<u>39,134</u>	<u>40,895</u>
<b>Current assets</b>		
Inventories	43,253	39,481
Trade receivables	21,764	19,967
Other receivables	2,362	674
Tax recoverable	409	765
Cash and cash equivalents	2,997	1,124
<b>Total current assets</b>	<u>70,785</u>	<u>62,011</u>
<b>TOTAL ASSETS</b>	<u>109,919</u>	<u>102,906</u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	50,000	50,000
Treasury shares	(335)	(145)
Reserves	14,324	13,541
<b>Total equity</b>	<u>63,989</u>	<u>63,396</u>
<b>Non-current liabilities</b>		
Borrowings	3,593	4,297
Deferred tax liabilities	1,733	1,652
<b>Total non-current liabilities</b>	<u>5,326</u>	<u>5,949</u>
<b>Current liabilities</b>		
Trade payables	10,865	7,627
Other payables	1,159	794
Provision for taxation	78	67
Borrowings	28,502	25,073
<b>Total current liabilities</b>	<u>40,604</u>	<u>33,561</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>109,919</u>	<u>102,906</u>
<b>Net assets per share attributable to the equity holders of the Company (sen)</b>	<u>64</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 SECOND QUARTER ENDED 31 OCTOBER 2011

	Current Year To Date 31/10/2011 RM'000	Preceding Year To Date 31/10/2010 RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before tax	1,145	269
Adjustments for:		
Allowances for impairment of receivables	41	259
Depreciation for property, plant and equipment	1,758	1,647
Gain on disposal of property, plant and equipment	-	(17)
Fixed assets written off	1	-
Deposit written off	3	-
Amortisation of long term leasehold land	31	31
Interest expenses	731	701
Allowances for impairment of receivables written back	(89)	(33)
Unrealised loss on foreign exchange	320	34
Interest income	(1)	(1)
<b>Operating profit before working capital changes</b>	<u>3,940</u>	<u>2,890</u>
Increase in inventories	(3,772)	(1,707)
(Increase)/ Decrease in receivables	(3,313)	532
Increase in payables	3,468	2,819
<b>Cash generated from operations</b>	<u>323</u>	<u>4,534</u>
Interest paid	(731)	(701)
Interest received	1	1
Tax refund	298	850
Net taxes paid	(212)	(524)
<b>Net cash (used in) / generated from operating activities</b>	<u>(321)</u>	<u>4,160</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from disposal of property, plant & equipment	-	17
Purchase of property, plant & equipment	(30)	(2,794)
<b>Net cash used in investing activities</b>	<u>(30)</u>	<u>(2,777)</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 2011 (CONTD.)**

	Current Year To Date 31/10/2011 RM'000	Preceding Year To Date 31/10/2010 RM'000
<b>Cash Flows From Financing Activities</b>		
Proceeds of trade bills	1,904	356
(Repayment) / Drawdown of hire purchase creditors	(210)	2,023
Repayment of term loans	(489)	(1,205)
Purchase of treasury shares	(190)	(69)
<b>Net cash generated from financing activities</b>	<u>1,015</u>	<u>1,105</u>
<b>Net increase in cash and cash equivalents</b>	664	2,488
<b>Cash and cash equivalents brought forward</b>	(1,524)	(2,076)
Effect of exchange rate changes	(36)	4
<b>Cash and cash equivalents at end of period</b>	<u>(896)</u>	<u>416</u>

**Notes :**

(i) Cash and cash equivalents

Cash and bank balances	2,997	1,677
Bank Overdrafts	(3,893)	(1,261)
	<u>(896)</u>	<u>416</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 Second Quarter Ended 31 October 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 the 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 Second Quarter Ended 31 October 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' Report on Preceding Audited Financial Statements**

The auditors' report of the preceding audited financial statements of the Company and its subsidiaries for the financial year ended 30 April 2011 was 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 Second Quarter Ended 31 October 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 623,000 ordinary shares of the Company under its Share Buy-Back scheme. The total consideration paid for the share buy-back including transaction costs was RM187,234. The Company has retained all these shares purchased as treasury shares.

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

	<b>No. of Shares Purchased</b>	<b>Average Purchase Price (RM)</b>	<b>Consideration Paid (RM)</b>
<b>As at 1.5.2011</b>	471,000	0.31	145,441
July 2011	8,000	0.31	2,494
August 2011	623,000	0.30	187,234
<b>As at 31.10.2011</b>	1,102,000	0.30	335,169

**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 Second Quarter Ended 31 October 2011  
(Unaudited)**

(a) Information on Business

<b>Six months ended 31/10/11</b>	<b>Manufacturing RM'000</b>	<b>Trading RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidation RM'000</b>
<b>Revenue</b>				
External	21,321	22,278	-	43,599
Inter-segment	260	2,108	(2,368)	-
<b>Total Revenue</b>	<b>21,581</b>	<b>24,386</b>	<b>(2,368)</b>	<b>43,599</b>
<b>Results</b>				
Segment Results	913	1,289	(326)	1,876
Finance cost				(731)
Taxation				(362)
Profit for the period after taxation				<u>783</u>
<b>Segment assets</b>				
Total assets	66,327	58,025	(14,433)	109,919
<b>Segment liabilities</b>				
Total liabilities	29,903	30,460	(14,433)	45,930
<b>Six months ended 31/10/10</b>	<b>Manufacturing RM'000</b>	<b>Trading RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidation RM'000</b>
<b>Revenue</b>				
External	19,596	17,175	-	36,771
Inter-segment	361	4,490	(4,851)	-
<b>Total Revenue</b>	<b>19,957</b>	<b>21,665</b>	<b>(4,851)</b>	<b>36,771</b>

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

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

<b>Results</b>				
Segment Results	1,043	290	(363)	970
Finance cost				(701)
Taxation				(115)
				<u>154</u>
Segment assets				
Total assets	<u>64,995</u>	<u>52,330</u>	<u>(14,704)</u>	<u>102,621</u>
Segment liabilities				
Total liabilities	<u>29,074</u>	<u>25,879</u>	<u>(14,704)</u>	<u>40,249</u>

(b) Revenue by geographical segments

	Revenue	
	31/10/2011	31/10/2010
	RM'000	RM'000
Malaysia	38,628	32,242
Indonesia	2,639	2,924
Thailand	987	1,029
Hong Kong	1,120	-
Others	225	576
	<u>43,599</u>	<u>36,771</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 Event**

There is no material event subsequent to the current quarter ended 31 October 2011 and up to the date of this report.

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

**12 Changes in the Composition of the Group**

There were no changes in the composition of the Group during the current quarter save for:

**(a) Incorporation of a Subsidiary**

On 21 October 2011, WZ Steel Bhd incorporated a new subsidiary in Indonesia known as PT. WZ STEEL.

**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 2011 were as follows:

	RM'000
Authorised and not contracted for	2,500

**Notes To The Interim Financial Report  
For the Second Quarter Ended 31 October 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 RM19.8 million and loss after tax of RM0.1 million as compared with a revenue of RM18.5 million and loss after tax of RM0.3 million in the preceding year's corresponding quarter. This represents an increase of 7% in revenue and decrease of 69.9% in loss after tax. The increase in revenue was mainly due to higher sales volume from our trading division and overseas market. The lower loss after tax was mainly due to higher operating margin and other income.

For the year to date performance, the Group achieved a revenue of RM43.6 million and profit after tax of RM0.8 million as compared with a revenue of RM36.8 million and profit after tax of RM0.2 million respectively in the preceding year. This represents an increase of 18.5% in revenue and 300% in profit after tax respectively. The increase was driven by higher sales and better operating margin during the period under review.

**2 Variation of Results Against Preceding Quarter**

	<b>Current Quarter 31/10/2011 RM'000</b>	<b>Preceding Quarter 31/07/2011 RM'000</b>
Revenue	19,779	23,820
Profit / (Loss) before tax	(105)	1,250
Profit / (Loss) after tax	(105)	888

The Group registered a revenue of RM19.8 million and loss after tax of RM0.1 million for the current quarter as compared with a revenue of RM23.8 million and profit after tax of RM0.9 million in the preceding quarter. The lower revenue was due to lower prices for the Group's steel products. The loss before tax in current quarter as compared to the preceding quarter was mainly due to lower sales and lower profit margin.

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

**3 Current Year Prospects**

For the current financial year ending 30 April 2012, the Group expects market conditions to remain challenging and Management will continue its efforts to improve operating efficiency.

**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:-

	<b>Current year Quarter 31/10/2011 RM'000</b>	<b>Preceding year Quarter 31/10/2010 RM'000</b>	<b>Current year To Date 31/10/2011 RM'000</b>	<b>Preceding year To Date 31/10/2010 RM'000</b>
Current year taxation	(111)	(24)	(282)	(223)
Over provision	3	9	1	9
Deferred taxation	108	110	(81)	99
	<u>-</u>	<u>95</u>	<u>(362)</u>	<u>(115)</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 2011  
(Unaudited)

**8 Borrowings and Debts Securities**

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

	<b>Current RM'000</b>	<b>Non-Current RM'000</b>	<b>Total RM'000</b>
<b>Secured</b>			
Bank overdraft	3,893	-	3,893
Bankers' acceptances	16,066	-	16,066
Hire purchase creditors	446	1,353	1,799
Term loans	1,504	2,240	3,744
Trust receipts	6,593	-	6,593
	<u>28,502</u>	<u>3,593</u>	<u>32,095</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**

	<b>Current Quarter 31/10/2011 RM'000</b>	<b>Preceding Quarter 31/07/2011 RM'000</b>
Realised	13,512	13,402
Unrealised	(1,420)	(1,205)
	<u>12,092</u>	<u>12,197</u>

Notes To The Interim Financial Report  
For the Second Quarter Ended 31 October 2011  
(Unaudited)

13 Earnings Per Share

	Current year Quarter 31/10/2011 RM'000	Preceding year Quarter 31/10/2010 RM'000	Current year To Date 31/10/2011 RM'000	Preceding year To Date 31/10/2010 RM'000
(i) Basic Earnings per share				
Profit / (Loss) attributable to shareholders	(105)	(349)	783	154
Weighted average no. of shares at the end of the period ('000)	99,265	99,664	99,265	99,664
Basic earnings / (loss) per share (sen) (Based on weighted average no. of shares)	(0.11)	(0.35)	0.79	0.15
(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