

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 OCTOBER 2012

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2012**

	Current Year Quarter 31/10/2012 RM'000	Preceding Year Quarter 31/10/2011 RM'000	Current Year To Date 31/10/2012 RM'000	Preceding Year To Date 31/10/2011 RM'000
Revenue	20,873	19,779	41,588	43,599
Cost of sales	(18,500)	(17,507)	(36,662)	(37,888)
Gross profit	2,373	2,272	4,926	5,711
Other income	63	235	103	332
Operations and administrative expenses	(2,001)	(2,237)	(4,232)	(4,167)
Profit from operations	435	270	797	1,876
Finance costs	(522)	(375)	(969)	(731)
(Loss) / Profit before tax	(87)	(105)	(172)	1,145
Income tax expense	72	-	69	(362)
(Loss) / Profit after tax	(15)	(105)	(103)	783
Other Comprehensive Loss:				
Translation of foreign operations	(251)	-	(259)	-
Other Comprehensive Loss for the period	(251)	-	(259)	-
Total Comprehensive (Loss) / Income for the period	(266)	(105)	(362)	783
Total Comprehensive (Loss) / Income Attributable to:				
Equity holders of the Company	(266)	(105)	(362)	783
(Loss) / Earnings per share (sen):				
Basic	(0.02)	(0.11)	(0.10)	0.79
Diluted	N/A	N/A	N/A	N/A
Net assets per share (sen)			71	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 2012 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 2012**

----- Attributable to equity holders of the Company -----							
Share Capital RM'000	Non Distributable				Distributable	Total Equity RM'000	
	Share Premium RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Treasury shares RM'000	Retained Profits RM'000		
Balance as at 1 May 2012	50,000	2,232	(3)	6,071	(340)	12,110	70,070
Total comprehensive loss for the period	-	-	-	-	-	(103)	(103)
Purchase of treasury shares	-	-	-	-	(7)	-	(7)
Translation currency differences for foreign operations	-	-	(259)	-	-	-	(259)
Balance as at 31 October 2012	<u>50,000</u>	<u>2,232</u>	<u>(262)</u>	<u>6,071</u>	<u>(347)</u>	<u>12,007</u>	<u>69,701</u>
Balance as at 1 May 2011	50,000	2,232	-	-	(145)	11,309	63,396
Total comprehensive income for the period	-	-	-	-	-	783	783
Purchase of treasury shares	-	-	-	-	(190)	-	(190)
Balance as at 31 October 2011	<u>50,000</u>	<u>2,232</u>	<u>-</u>	<u>-</u>	<u>(335)</u>	<u>12,092</u>	<u>63,989</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 2012 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 2012

	Unaudited	Audited
	31/10/2012	30/04/2012
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	44,068	44,224
Investment property	565	566
Total non-current assets	<u>44,633</u>	<u>44,790</u>
Current assets		
Inventories	51,629	46,305
Trade receivables	23,765	23,683
Other receivables	5,170	1,925
Tax recoverable	503	465
Cash and cash equivalents	2,519	1,492
Total current assets	<u>83,586</u>	<u>73,870</u>
TOTAL ASSETS	<u>128,219</u>	<u>118,660</u>
EQUITY AND LIABILITIES		
Share capital	50,000	50,000
Treasury shares	(347)	(340)
Reserves	20,048	20,410
Total equity	<u>69,701</u>	<u>70,070</u>
Non-current liabilities		
Borrowings	2,113	2,852
Deferred tax liabilities	2,018	2,233
Total non-current liabilities	<u>4,131</u>	<u>5,085</u>
Current liabilities		
Trade payables	8,356	8,090
Other payables	2,215	930
Provision for taxation	-	62
Borrowings	43,816	34,423
Total current liabilities	<u>54,387</u>	<u>43,505</u>
TOTAL EQUITY AND LIABILITIES	<u>128,219</u>	<u>118,660</u>
Net assets per share attributable to the equity holders of the Company (sen)	<u>71</u>	<u>71</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 2012 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 2012**

	Current Year To Date 31/10/2012 RM'000	Preceding Year To Date 31/10/2011 RM'000
Cash Flows From Operating Activities		
(Loss) / Profit before tax	(172)	1,145
Adjustments for:		
Allowances for impairment of receivables	140	41
Depreciation for property, plant and equipment	1,443	1,758
Depreciation of investment property	1	-
Property, plant and equipment written off	-	1
Deposit written off	-	3
Amortisation of long term leasehold land	46	31
Interest expenses	969	731
Allowances for impairment of receivables written back	(34)	(89)
Unrealised loss on foreign exchange	119	320
Interest income	(1)	(1)
Operating profit before working capital changes	<u>2,511</u>	<u>3,940</u>
Increase in inventories	(5,324)	(3,772)
Increase in receivables	(3,793)	(3,313)
Increase in payables	1,557	3,468
Cash (used in) / generated from operations	<u>(5,049)</u>	<u>323</u>
Interest paid	(969)	(731)
Interest received	1	1
Tax refund	378	298
Net taxes paid	(614)	(212)
Net cash used in operating activities	<u>(6,253)</u>	<u>(321)</u>
Cash Flows From Investing Activities		
Purchase of property, plant & equipment	(1,216)	(30)
Net cash used in investing activities	<u>(1,216)</u>	<u>(30)</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 2012 (CONTD.)**

	Current Year	Preceding Year
	To Date	To Date
	31/10/2012	31/10/2011
	RM'000	RM'000
Cash Flows From Financing Activities		
Proceeds of trade bills	1,757	1,904
Drawdown on RC facilities	1,109	-
Repayment of hire purchase creditors	(227)	(210)
Repayment of term loans	(708)	(489)
Purchase of treasury shares	(7)	(190)
Net cash generated from financing activities	<u>1,924</u>	<u>1,015</u>
Net (decrease) / increase in cash and cash equivalents	(5,545)	664
Cash and cash equivalents brought forward	(3,792)	(1,524)
Effect of exchange rate changes	(265)	(36)
Cash and cash equivalents at end of period	<u>(9,602)</u>	<u>(896)</u>

Notes :

(i) Cash and cash equivalents

Cash and bank balances	2,519	2,997
Bank Overdrafts	(12,121)	(3,893)
	<u>(9,602)</u>	<u>(896)</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 2012 and the accompanying explanatory notes attached to the interim financial report.

**Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2012
(Unaudited)**

Part A – Explanatory Notes Pursuant to MFRS 134

1 Basis of Preparation

The interim financial statements have been prepared in accordance with the reporting requirements outlined in the Malaysian Financial Reporting Standard (“MFRS”) 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 2012. The explanatory notes attached to the financial statements provide an explanation of events and transactions that are significant to an understanding of changes in the financial position and performance of the Group.

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 2012, except for the adoption of the following new MFRS, Amendments to MFRSs and IC Interpretations which are applicable to its current financial statements:

MFRS 9	: Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	: Financial Instruments (IFRS 9 issued by IASB in November 2010)
MFRS 10	: Consolidated Financial Statements
MFRS 11	: Joint Arrangements
MFRS 12	: Disclosure of Interest in Other Entities
MFRS 13	: Fair Value Measurement
MFRS 119 (2011)	: Employee Benefits
MFRS 124	: Related Party Disclosures
MFRS 127 (2011)	: Separate Financial Statements
MFRS 128 (2011)	: Investment in Associates and Joint Ventures
Amendments to MFRS 1 (Revised)	: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

**Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2012
(Unaudited)**

2 Accounting Policies (cont'd)

Amendments to MFRS 1 (Revised)	: Government Loans
Amendments to MFRS 7	: Disclosure – Transfers of Financial Assets
Amendments to MFRS 7	: Disclosure – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 9	: Mandatory Effective Date of MFRS 9 and Transition Disclosure
Amendments to MFRS 7	: Disclosure – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 101 (Revised)	: Presentation of Items of Other Comprehensive Income
Amendments to MFRS 112	: Recovery of Underlying Assets
Amendments to MFRS 132	: Offsetting Financial Assets and Financial Liabilities
IC Interpretation 15	: Arrangements for the Construction of Real Estate
IC Interpretation 19	: Extinguishing financial Liabilities with Equity Instruments
IC Interpretation 20	: Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 14	: Prepayment of a Minimum Funding Requirement

The adoption of the new MFRS, Amendments to MFRSs and Interpretation does not 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 2012 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.

**Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2012
(Unaudited)**

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 debt and equity securities issued, cancelled, repurchased, resold or repaid during the current quarter under review.

The details of shares held as treasury shares as at 31 October 2012 are as follows:

	No. of Shares Purchased	Average Purchase Price (RM)	Consideration Paid (RM)
As at 1.5.2012	1,122,000	0.31	340,617
June 2012	24,000	0.29	6,890
As at 31 .10.2012	1,146,000	0.30	347,507

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 2012
(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 31/10/12	Manufacturing RM'000	Trading RM'000	Elimination RM'000	Consolidation RM'000
Revenue				
External	19,547	22,041	-	41,588
Inter-segment	568	2,340	(2,908)	-
Total Revenue	20,115	24,381	(2,908)	41,588
Results				
Segment Results	112	988	(303)	797
Finance cost				(969)
Taxation				69
Loss for the period after taxation				(103)
Segment assets				
Total assets	71,587	71,843	(15,211)	128,219
Segment liabilities				
Total liabilities	31,410	38,319	(11,211)	58,518
Six months ended 31/10/11	Manufacturing RM'000	Trading RM'000	Elimination RM'000	Consolidation RM'000
Revenue				
External	21,321	22,278	-	43,599
Inter-segment	260	2,108	(2,368)	-
Total Revenue	21,581	24,386	(2,368)	43,599

WZ Steel Berhad (Company no: 666098-X)

**Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2012
(Unaudited)**

Results				
Segment Results	913	1,289	(326)	1,876
Finance cost				(731)
Taxation				(362)
Profit for the period after taxation				<u>783</u>
Segment assets				
Total assets	<u>66,327</u>	<u>58,025</u>	<u>(14,433)</u>	<u>109,919</u>
Segment liabilities				
Total liabilities	<u>29,903</u>	<u>30,460</u>	<u>(14,433)</u>	<u>45,930</u>

(b) Revenue by geographical segments

	Revenue	
	31/10/2012	31/10/2011
	RM'000	RM'000
Malaysia	38,557	38,628
Indonesia	1,786	2,639
Thailand	839	987
Japan	179	-
Hong Kong	-	1,120
Others	227	225
	<u>41,588</u>	<u>43,599</u>

**Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2012
(Unaudited)**

10 Loss Before Tax

	Current Quarter Ended RM'000	Current Year To- date Ended RM'000
Loss before tax is arrived at after charging/(crediting):		
Other income including investment income	(48)	(69)
Interest expense	522	969
Depreciation and amortisation	661	1,490
Allowance for impairment of receivables	(14)	140
Allowance for impairment of receivables written back	(19)	(34)
Unrealised foreign exchange (gain) / loss	(116)	119
Realised foreign exchange loss	98	157

11 Valuation of Property, Plant and Equipment

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

12 Material Subsequent Event

There is no material event subsequent to the current quarter ended 31 October 2012 and up to the date of this report.

13 Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

14 Contingent Liabilities

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

**Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2012
(Unaudited)**

15 Capital Commitments

The capital commitments as at 31 October 2012 were as follows:

	RM'000
(i) Authorised and contracted for	4,315
(ii) Authorised and not contracted for	7,031

**Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2012
(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 recorded a revenue of RM20.9 million and loss before tax of RM0.09 million as compared with a revenue of RM19.8 million and loss before tax of RM0.1 million in the preceding year’s corresponding quarter. This represents an increase of 5.5% in revenue and 17.1% in profit before tax. The increase in revenue was mainly attributed to higher sales volume.

For the year to date performance, the Group achieved a revenue of RM41.6 million and loss before tax of RM0.2 million as compared with a revenue of RM43.6 million and profit before tax of RM1.1 million respectively in the preceding year. This represents a decrease of 4.6% in revenue and 115.3% in profit before tax respectively. The decrease in profit before tax was due to lower operating margin during the period under review.

2 Variation of Results Against Preceding Quarter

	Current Quarter 31/10/2012 RM’000	Preceding Quarter 31/07/2012 RM’000
Revenue	20,873	20,715
Loss before tax	(87)	(85)
Loss after tax	(15)	(88)

The Group registered a revenue of RM20.9 million and loss before tax of RM0.09 million for the current quarter as compared with a revenue of RM20.7 million and loss before tax of RM0.09 million in the preceding quarter. The revenue and loss before tax for both quarters are about the same. The loss before tax was due to lower operating margin.

**Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2012
(Unaudited)**

3 Current Year Prospects

The Group expects the business environment to remain challenging in the domestic market. Nevertheless, the Management will continue to improve on operational efficiency to achieve satisfactory performance for the remaining quarters of the year.

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 31/10/2012 RM'000	Preceding year Quarter 31/10/2011 RM'000	Current year To Date 31/10/2012 RM'000	Preceding year To Date 31/10/2011 RM'000
Current year taxation	(14)	(111)	(144)	(282)
(Under) / over provision	(2)	3	(2)	1
Deferred taxation	88	108	215	(81)
	<u>72</u>	<u>-</u>	<u>69</u>	<u>(362)</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 2012
(Unaudited)**

8 Borrowings and Debts Securities

The Group's borrowings as at 31 October 2012:-

	Current RM'000	Non-Current RM'000	Total RM'000
Secured			
Bank overdraft	12,121	-	12,121
Bankers' acceptances	23,183	-	23,183
Hire purchase creditors	461	892	1,353
Term loans	1,024	1,221	2,245
Trust receipts	4,491	-	4,491
RC Facilities	2,536	-	2,536
	<u>43,816</u>	<u>2,113</u>	<u>45,929</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 31/10/2012 RM'000	Preceding Quarter 31/07/2012 RM'000
Realised	12,967	13,180
Unrealised	(960)	(1,158)
	<u>12,007</u>	<u>12,022</u>

**Notes To The Interim Financial Report
For the Second Quarter Ended 31 October 2012
(Unaudited)**

13 (Loss) / Earnings Per Share

	Current year Quarter 31/10/2012 RM'000	Preceding year Quarter 31/10/2011 RM'000	Current year To Date 31/10/2012 RM'000	Preceding year To Date 31/10/2011 RM'000
(i) Basic (Loss) / Earnings per share				
(Loss) / Profit attributable to shareholders	(15)	(105)	(103)	783
Weighted average no. of shares at the end of the period ('000)	98,862	99,265	98,862	99,265
Basic (loss) / earnings per share (sen) (Based on weighted average no. of shares)	(0.02)	(0.11)	(0.10)	0.79
(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