



**WZ STEEL BERHAD**

(666098-X)

(Incorporated in Malaysia under the Companies Act, 1965)

Lot 1890, Jalan KPB 9  
Kawasan Perindustrian Balakong,  
43300 Seri Kembangan,  
Selangor Darul Ehsan  
Tel No: 03-8962 2228  
Fax No: 03-8962 2226  
E-mail: [wzsb@wengzheng.com](mailto:wzsb@wengzheng.com)  
Website: [www.wengzheng.com](http://www.wengzheng.com)



**WZ STEEL BERHAD**

(666098-X)

(Incorporated in Malaysia under the Companies Act, 1965)

ANNUAL REPORT  
**2010**

# VISION

## o **The Group:**

- aspires to be a LEADING and PREFERRED manufacturer of precision CD bright steel polished shafts in the Asia Pacific region

# MISSION

- o To continuously enforce strict requirements of producing quality products
- o To learn and apply the latest technology or development strategy to enhance the quality of its products
- o To be committed in providing excellent service and quality products
- o To instil superior and positive company cognition through overall excellence and dedication amongst the employees

# contents

<b>02</b>	Corporate Information
<b>03</b>	Corporate Structure
<b>04</b>	Board of Directors
<b>07</b>	Financial Highlights
<b>08</b>	Chairman's Statement
<b>10</b>	Corporate Governance Statement
<b>14</b>	Additional Compliance Information
<b>15</b>	Statement on Internal Control
<b>16</b>	Audit Committee Report
<b>19</b>	Statement Of Directors' Responsibility For Preparing The Financial Statements
<b>20</b>	Financial Statements
<b>65</b>	List of Properties as at 30 April 2010
<b>66</b>	Analysis of Shareholdings
<b>68</b>	Notice of Annual General Meeting
<b>71</b>	Statement Accompanying Notice of Annual General Meeting
	Proxy Form

# Corporate Information

## Board Of Directors

<b>Dato' Amin Rafie Bin Othman</b>	Group Chairman / Independent Non-Executive Director
<b>Tan Ching Kee</b>	Managing Director
<b>Ng Chong Tin</b>	Executive Director
<b>Tan Chong Boon</b>	Executive Director
<b>Dato' Siow Kim Lun</b>	Independent Non-Executive Director
<b>Dato' Yeong Kok Hee</b>	Independent Non-Executive Director
<b>Ong Teck Chuan</b>	Independent Non-Executive Director

### Audit Committee

Chairman of the Committee

Dato' Siow Kim Lun

Member of the Committee

Ong Teck Chuan

Dato' Yeong Kok Hee

### Registered Office

Suite 13.03, 13th Floor

Menara Tan & Tan

207 Jalan Tun Razak

50400 Kuala Lumpur

Tel : 03-2164 0206

Fax : 03-2164 0207

### Principal Bankers

Malayan Banking Berhad (3813-K)

United Overseas Bank (Malaysia) Berhad  
(271809-K)

Standard Chartered Bank (Malaysia)  
Berhad (115793-P)

### Remuneration Committee

Chairman of the Committee

Dato' Amin Rafie Bin Othman

Member of the Committee

Dato' Yeong Kok Hee

Tan Ching Kee

### Head Office

Lot 1890, Jalan KP B 9

Kawasan Perindustrian Balakong

43300 Seri Kembangan

Selangor Darul Ehsan

Tel : 03-8962 2228

Fax : 03-8962 2226

E-mail : wzs@wengzheng.com

Website : www.wengzheng.com

### Stock Exchange

Main Market

Bursa Malaysia Securities Berhad

Stock Name : WZSTEEL

Stock Code : 7245

### Nomination Committee

Chairman of the Committee

Ong Teck Chuan

Member of the Committee

Dato' Amin Rafie Bin Othman

Dato' Siow Kim Lun

### Auditors

Tai, Yapp & Co. (AF 0205)

No 3-2, Jalan Indrahana 2

Off Jalan Kuchai Lama

58200 Kuala Lumpur

Tel : 03-7983 0277

### Company Secretaries

Tan Leh Kiah (MAICSA 0719692)

Chan Yoke Peng (MAICSA 7053966)

Suite 13.03, 13th Floor

Menara Tan & Tan

207 Jalan Tun Razak

50400 Kuala Lumpur

Tel: 03-2164 0206

Fax: 03-2164 0207

### Share Registrar

Tricor Investor Services Sdn Bhd  
(118401-V)

(formerly known as Tenaga Koperat Sdn Bhd)

Level 17, The Garden North Tower

Mid Valley City

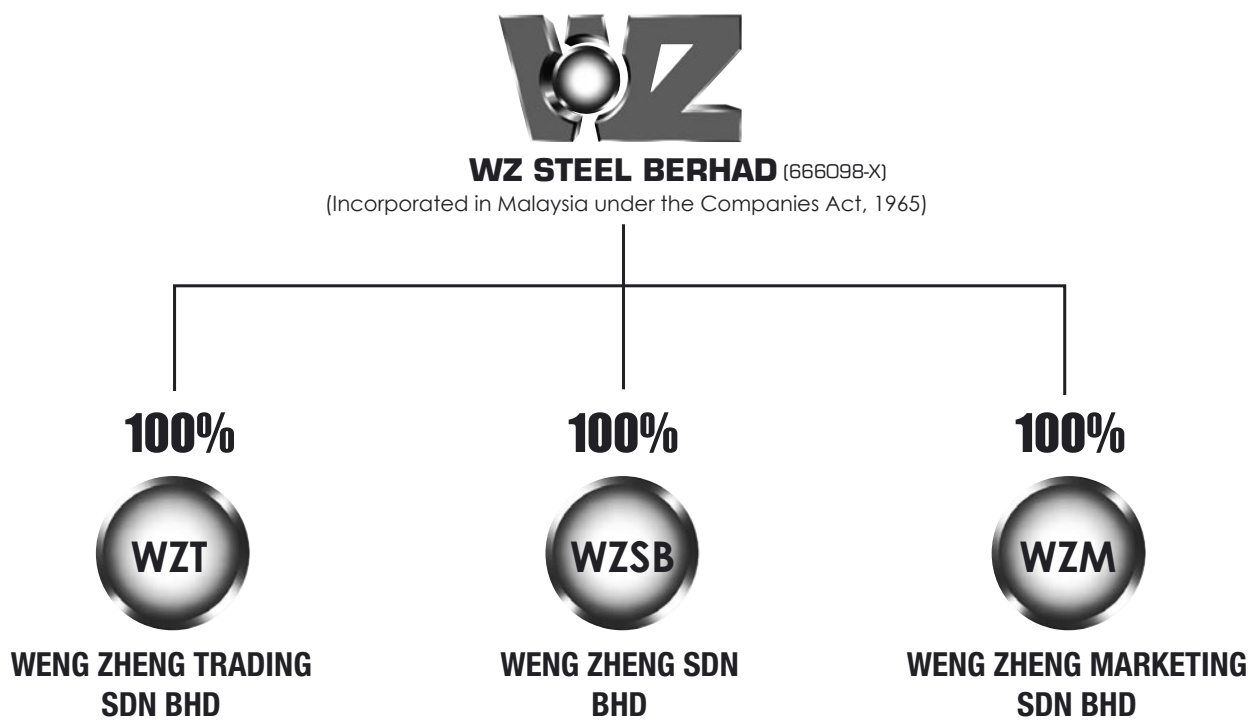
Lingkar Syed Putra

59200 Kuala Lumpur

Tel : 03-2264 3883

Fax : 03-2282 1886

# Corporate **Structure**



## Board of **Directors**



**DATO' AMIN RAFIE BIN OTHMAN**  
Chairman and Independent  
Non-Executive Director

Dato' Amin Rafie Bin Othman, a Malaysian, aged 50, was appointed to the Board on 26 October 2007. He is the Chairman of the Remuneration Committee and a member of Nomination Committee. He graduated from the University College of Wales, Aberystwyth with a joint honours degree in Economics and International Politics in 1982. He also holds a Master of Business Administration from the City University of London, United Kingdom ("UK").

Dato' Amin is currently also a director of the Aldwych Group and an advisor to Alioth Capital of Dubai. Prior to this appointment, he was the Chief Executive Officer ("CEO") of Rio Capital Sdn Bhd. In a career spanning 24 years, Dato' Amin has also held the positions of CEO of Mayban Investment Sdn Bhd, MD of PJB Capital Sdn Bhd, Executive Director of Smith Zain Securities, Senior General Manager and Director of Rashid Hussain Asset Management and General Manager of Mattra Berhad. He was also a past President of the Malaysian Association of Asset Managers and a member of the Listing Committee of Bursa Malaysia Securities Berhad ("Bursa Malaysia").



**MR. TAN CHING KEE**  
Managing Director

Mr. Tan Ching Kee, a Malaysian, aged 51, was appointed to the Board on 26 October 2007. He is a member of the Remuneration Committee. Mr. Tan commenced his career in the iron and steel industry in 1978 when he joined Wei Yet Sdn Bhd, a company involved in the marketing and trading of steel.

In May 1985, Mr. Tan started his own steel company, Syarikat Perniagaan Eng Seng, together with other partners before forming WZSB in 1992. Mr. Tan was instrumental in the setting up of the WZSB's iron and steel trading business.

With his keen foresight in the continuous potential of the steel industry, Mr. Tan launched the company into downstream value-added production of cold drawn bright steel polished shafts to service the engineering support industry, which was then a rapidly growing industry mainly driven by the E&E industry, especially the semiconductor sector. From this point in time, Mr. Tan began to develop the business through progressively building customers' trust to expand the company's business despite initial limited production capacity and a challenging business environment.

In 1996, Mr. Tan formed WZT to trade in other steel products which are primarily procured from wholesale steel traders, as well as to complement the manufacturing activities of WZSB. By 2001, with the completion of the existing manufacturing facilities in Lot 1850, Jalan KP B 10, Kawasan Perindustrian Balakong, 43300 Sri Kembangan, Selangor Darul Ehsan coupled with a well-established customer network, Mr. Tan had successfully carved a niche market for WZSB's superior quality and high precision bright steel polished shafts.

Mr. Tan has accumulated 32 years of extensive knowledge and experience in the steel trading business, with an overlap of 14 years having been involved in the daily operations and management of cold drawn bright steel polished shafts production. As the Managing Director of the WZ Steel Group, he is responsible for the overall strategic business direction of the Group, developing new target markets locally and abroad. His vast experience in the industry and well-connected network with industry players has enabled him to be well-versed with the intricacies of the steel trade and to develop the Group to its present stage.

He is the brother of Mr Tan Chong Boon and brother-in-law of Mr Ng Chong Tin, the Executive Director of the Company.

## Board of **Directors** (cont'd)



**MR. NG CHONG TIN**  
Executive Director

Mr. Ng Chong Tin, a Malaysian, aged 45, was appointed to the Board on 26 October 2007. He embarked on his career in the steel industry when he joined Mr. Tan Ching Kee and two (2) other partners to incorporate Syarikat Perniagaan Eng Seng, a steel trading company in 1985.

Mr. Ng later co-founded WZSB in 1992 and became a Director of WZM and WZT in 1995 and 1996, respectively, where he continued to develop the steel trading business as Marketing Manager. To-date, Mr. Ng has 26 years of experience in the development of sales and marketing strategies based on customers' feedback as well as analysing the changing consumer trends. Mr. Ng is primarily in charge of the sales and marketing functions of WZM and WZT, and is instrumental in developing the customer network for the Group's trading division. His vast experience in the steel industry has enabled him to proactively develop sales and marketing strategies to cater to the customers' needs and meet the ever-changing industry trends.

He is the brother-in-law of Mr Tan Ching Kee, the Managing Director of the Company.



**MR. TAN CHONG BOON**  
Executive Director

Mr. Tan Chong Boon, a Malaysian, aged 44, was appointed to the Board on 26 October 2007. He has vast experience in the areas of design and build and construction contracts for civil and structural works which were accumulated over more than three (3) years. In 1988, Mr. Tan commenced his career as a Technical Assistant. To upgrade himself, Mr. Tan embarked on and pursued an Honours Degree in Civil Engineering at University Putra Malaysia in 1989. Upon successfully obtaining the Degree in 1991, he joined a civil and structural consulting company as Design Engineer before joining WZ Steel Group in 1994. He was instrumental in the launch of WZSB's products into the international area.

His vast experience gained in the areas of design, build and construction contracts for civil and structural works have enabled him to successfully set up WZSB's factory to produce cold drawn bright polished shafts in 1995. In 1996, WZSB began manufacturing free-cutting polished shafts and stainless steel polished shafts before venturing into high-end free-cutting polished shafts for Office Automation, which demand very stringent requirements. Since 1996, Mr. Tan had successfully adopted the correct manufacturing techniques and leveraged upon the technical know-how gained through in-depth discussions held with the WZSB's customers in order to understand and meet customers' needs.

He is the brother of Mr Tan Ching Kee, the Managing Director of the Company.



**DATO' SIOW KIM LUN**  
Independent Non-Executive Director

Dato' Siow Kim Lun, a Malaysian, aged 60, was appointed to the Board on 26 October 2007. He is the Chairman of the audit Committee and a member of the Nomination committee. He holds a Bachelor degree in Economics (Honours) from Universiti Kebangsaan Malaysia and a Master degree in Business Administration from the Catholic University of Leuven, Belgium. He also attended the Advanced Management Program in Harvard Business School, United States of America.

Dato' Siow started his career in investment banking with Malaysian International Merchant Bankers in 1981 and had served as a Manager in its Corporate Finance Division. In 1985, he joined Permata Chartered Merchant Bank Bhd (now known as Affin Investment Bank) as Manager of Corporate Finance. He later became the Divisional Head of its Corporate Finance division.

Between 1993 and 2006, Dato' Siow was with the Securities Commission where he has served as the Director of its Issues & Investment Division, the Director of the Market Supervision Division as well as the Executive Director, Office of the SC Chairman. He has also served as a member of the Listing Committee at Bursa Malaysia Securities Berhad from May 2007 to May 2009.

Dato' Siow is currently a Director of Citibank Berhad, Kumpulan Wang Persaraan, UMW Holdings Berhad, XingQuan International Sports Holdings Limited, YTY Industry Holdings Berhad (formerly known as YTY Industry Holdings Sdn Bhd) and MainStreet Advisers Sdn Bhd.

## Board of **Directors** (cont'd)



**DATO' YEONG KOK HEE**  
Independent Non-Executive Director

Dato' Yeong Kok Hee, a Malaysian, aged 50, was appointed to the Board on 26 October 2007 as Independent Non Executive Director. He is the member of Audit Committee and Remuneration Committee. Upon returning from England in 1983, he commenced his sales and marketing management career firstly in the credit cards business and subsequently, ventured into the fast moving consumer goods ("FMCG") sector, as well as the electronics and computer equipment services industries. Dato' Yeong is well-recognised and respected not only in the information technology ("IT") arena, but also in the financial services and corporate sector.

Dato' Yeong is currently the consultant and hold the position of Vice President of CSC Malaysia Sdn Bhd (Formerly known as Computer System Advisers (M) Sdn Bhd) a position that he has held since 1999. As Consultant of the company, he is focussed in the areas of Managed Services, Technology consulting and Complex System Integration. His responsibilities includes leveraging of consulting and strategic outsourcing and technology management capabilities in concert with other divisions of Computer Sciences Corporation (CSC) worldwide in creating a unique integrated offering to the dynamic and rapidly growing Malaysia market.

He has developed and set up a significant number of strategic relationships and alliances with the senior management of the financial and governmental sector. He is an active member of the Executive and Management Review Committee of the Maybank and Computer Sciences Corporation/Computer Systems Advisers, a ten (10)-year term IT sourcing engagement since 2003.

With his vast experience and extensive business network, Dato' Yeong will contribute focussed significantly to the WZ Steel Group in terms of business advisory.



**MR. ONG TECK CHUAN**  
Independent Non-Executive Director

Mr. Ong Teck Chuan, a Malaysian, aged 54, was appointed to the Board of WZ Steel Berhad on 26 October 2007. He is the Chairman of the Nomination Committee and a member of the Audit Committee of the Company. Mr. Ong is a Fellow of the Certified Practising Accountants of Australia, and a Member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and Financial Planning Association of Malaysia. He has a business degree from Edith Cowan University, Australia.

Mr. Ong has over 30 years of extensive experience in corporate finance, financial management, operational management, merchant banking and auditing. He has served in various senior management positions in public listed companies and large organizations involved in diverse industries ranging from telecommunications, satellite broadcasting, leisure & entertainment, power generation, toll highway operations, infrastructure development, resource-based, property development, merchant banking and auditing. He is currently a business consultant providing business management and financial consultancy related services.

### ADDITIONAL INFORMATION ON DIRECTORS

**Conflict of interest**

None of the Directors of the Company have any conflicts of interest with the Company.

**Convictions for offences (within past 10 years, other than traffic offences)**

None of the Directors have any convictions for offences other than traffic offences.

**Securities held in the Company and its subsidiaries**

The details are disclosed in the Directors' Report on page 22 of this Annual Report

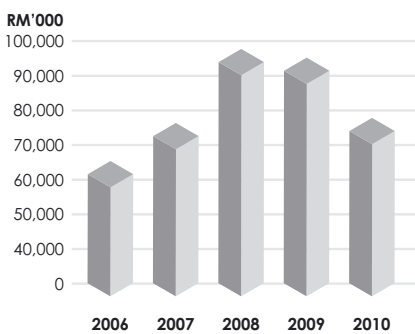
# Financial Highlights

## FIVE-YEAR PERFORMANCE HIGHLIGHTS

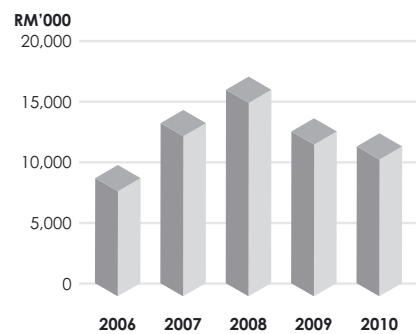
The table below sets out a summary of proforma consolidated results of the WZ Steel Berhad ("WZSTEEL") for the past three (3) years to 30 April 2008 and the consolidated results for the financial year ended 30 April 2009 and 2010:-

	# Proforma 2006 RM'000	# Proforma 2007 RM'000	# Proforma 2008 RM'000	2009 RM'000	2010 RM'000
Revenue	63,097	74,422	93,239	91,845	74,970
GP	9,790	13,980	16,972	12,389	11,433
EBITDA	9,318	11,752	14,648	7,954	7,527
Depreciation and amortisation	(1,983)	(2,166)	(2,549)	(2,964)	(3,033)
Finance costs	(1,764)	(2,091)	(2,356)	(2,542)	(1,619)
PBT	5,571	7,495	9,743	2,448	2,875
Taxation	(1,217)	(1,631)	(1,471)	(728)	(632)
Profit After Tax	4,354	5,864	8,272	1,720	2,243
Number of WZSTEEL Shares in issue* ('000)	77,617	77,617	100,000	100,000	99,992
GP margin (%)	15.52%	18.78%	18.20%	13.49%	15.25%
PAT margin (%)	6.90%	7.88%	8.87%	1.87%	2.99%
Gross EPS (Sen)	7.18	9.66	9.74	2.45	2.88
Net EPS (Sen)	5.61	7.56	8.27	1.72	2.24

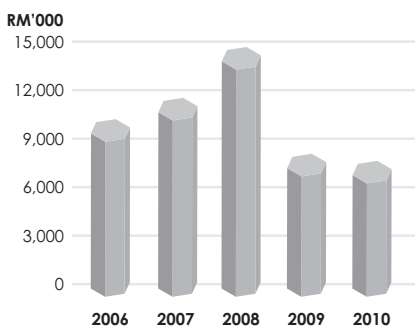
### REVENUE



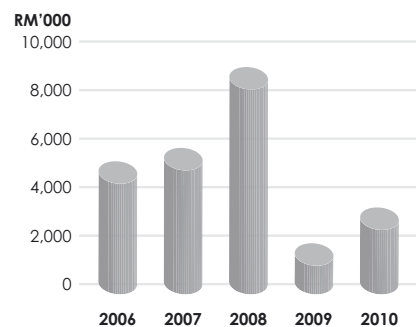
### GP



### EBITDA



### PAT



# The proforma consolidated results are prepared for illustrative purposes only and are based on the audited financial statements of WZSTEEL and its subsidiary companies.

\* net of treasury shares

# Chairman's Statement

“ Dear shareholders

On behalf of the Board of Directors and the management of WZ STEEL GROUP, it is my pleasure to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 30th April 2010.

”

## Financial Performance

For the year ended 30 April 2010, the Company achieved a revenue of RM75.0 million and profit after tax of RM2.24 million as compared to a revenue of RM91.8 million and profit after taxation of RM1.7 million for FY2009. This represents a reduction of revenue by 18.4% and an increase in profit after tax by 30.4%. Included in the preceding year was a write down in the value of inventories which amounted to RM4.6 million

The lower revenue recorded during the year was mainly due to higher inventory costs, weaker demand and lower margins for the Group's steel products all of which were adversely affected by the global financial crisis.

## Operational Review

### Manufacturing Division

For FY2010 the manufacturing division recorded a revenue and profit after taxation of RM42.5 million and RM0.6 million respectively as compared with a revenue and profit after taxation of RM61.5 and RM0.3 million for FY09. The lower revenue was mainly due to a slower than expected recovery in the office automation sector.

Our export revenue also dropped from 11.4 million in FY09 to RM8.4 million in FY10 due to weaker demand in the region. Thailand which is one of our main export markets saw a reduction in demand due to the political instability affecting the country.

### Trading Division

Our trading division achieved revenue of RM32.5 million in FY10, an increase of 8% as compared to previous year revenue of RM30.03 million. The profit after tax was higher at RM1.6 million compared to RM1.4 million in FY09. The improved performance was mainly attributable to successful product launches in East Malaysia and better demand for our cut-to-size steel products.

## Prospects

The Group expects market conditions to remain challenging. The volatility of our raw material prices also adds to the element of uncertainty in the market place. To address this issue we will continue to monitor global steel prices fluctuations closely and act prudently in managing our cash flow and inventory positions.

Moving forward, the Group will continue to develop new products and new markets especially in the automotive industry. As our products meet international product standards we will also concentrate on developing our export business.

The Group is also planning to purchase additional Plant and Machinery to increase our production capacity.

# Chairman's Statement (cont'd)

## Dividend

The Board has recommended a single-tier final dividend of 1 sen per ordinary share of RM0.50 each for the financial year ended 30 April 2010. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting.

## Appreciation

On behalf of the Board of Directors, I would like to express my gratitude and sincere appreciation to the management and staff for their continued dedication, loyalty and commitment.

I would also like to express my sincere appreciation to all our valued shareholders, customers, suppliers, financiers and business associates for their continuous support.

**Dato' Amin Rafie Bin Othman**  
GROUP CHAIRMAN

## Corporate Social Responsibility ("CSR")

It is the philosophy of the Group that "CSR Should Start from Home".

The key aspects of these CSR initiatives are:

### Group Medical and Hospitalisation Policy

All employees are insured under the medical and hospitalization and personal accident insurance programmes in addition to mandatory social security contribution. The sum insured under these programmes are determined based on the level of seniority of each employee.

### Skill Development

In order to upgrade the employees' knowledge and new skill trainings are offered and fully subsidised by the Group.

### Charitable Donation

Monetary contribution was made during the year to various worthy causes. Employees are also encouraged to participate in community services for the needy according to their will and ability.

# Corporate Governance Statement

The Board is fully committed to maintaining high standards of corporate governance practices throughout the Group. To this end, it has applied the corporate governance principles and best practices promulgated in the Malaysian Code on Corporate Governance ("Code") and the Main Market Listing Requirements of the Bursa Securities.

## 1. THE BOARD

The Board is responsible, amongst others, for charting the strategic direction and corporate values of the Group and supervising its affairs to ensure its success, implementing risk management framework and effective internal controls and ensuring compliance with the relevant laws, regulations, guidelines and directives. The Board also reviews management's performance and ensures that financial and human resources are available to meet the Group's objectives.

### 1.1 Composition and Balance

As at 30 April 2010, your Board comprise four Independent Non-Executive Directors including the Chairman, and three Executive Directors. The profiles of the members of the Board, as set out on Pages 4 to 6 of this Annual Report, demonstrates the complement of skills and experience that the Directors are able to bring to bear on issues of oversight, strategy, performance, control, resource allocation and integrity.

The roles of the Non-Executive Chairman and the Managing Director are separated, to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Managing Director has overall responsibilities over the operating units, organizational effectiveness and implementation of Board policies and decisions.

The attendance of the Board members are shown on next page. The Independent Directors play a pivotal role in corporate accountability by providing unbiased views and impartiality in the Board's deliberation and decision-making process in consideration of the interest of all stakeholders in the Group.

### 1.2 Appointments to the Board

In compliance with the Code, the Nomination Committee has the responsibility of proposing new candidates for appointment to the Board. All newly appointed directors are subject to re-election by the shareholders at the next Annual General Meeting in accordance with the Company's Articles of Association. Re-appointments are not automatic and all Directors must retire and submit themselves for re-election by shareholders at least once in every three years. The Articles also provide that at least one-third (1/3), or the number nearest one-third (1/3) of the remaining directors shall retire from office and be eligible for re-election at each Annual General Meeting provided that all Directors shall retire from office at least once in every three years but shall be eligible for re-election.

Pursuant to the Main Market Listing Requirements, each member of the Board holds not more than ten directorships in public listed companies and not more than fifteen directorships in non-public listed companies. This ensures that their commitment, resources and time are focused on the affairs of the Group to enable them to discharge their duties effectively.

### 1.3 Training

The Board encourages its members to enhance their skills and knowledge on relevant new laws, regulations and changing commercial risks and to keep abreast with the developments in the economy, industry and technology. All Directors have attended the Mandatory Accreditation Programme organized by Bursa Malaysia Securities Berhad.

Training, conferences, dialogues and seminars attended by the Directors in the financial year include understanding & implementing of 5S Standard, the excellerated business school for entrepreneurs, Corporate Governance Summit 2009 , Financial Industry Conference, foreign exchange and Microsoft Apac Public Sector Partner Summit.

Going forward further budget will be allocated for Directors' training, to enhance their skill sets and knowledge and to keep abreast on various issues pertaining to the business environment within which the Group operates, areas of corporate governance and regulatory compliances.

# Corporate Governance Statement (cont'd)

## 1.4 Supply of Information and Board Meetings

The Board has full and unrestricted access to all information pertaining to the businesses and affairs, the Management and the Company Secretary to enable them to discharge their duties effectively. The Board may also seek external independent professional advice at the Group's expense.

The Board meets at least once every quarter and on other occasions, as and when necessary, to inter-alia approve quarterly results, the Annual Report, business plans and budgets as well as to review the performance of the Group, its operating subsidiaries and other business development activities. Management and external advisors are invited to attend the Board and Board Committee meetings and to provide their inputs and advices on the relevant agenda items. Prior to Board or Board Committee meetings, the Directors receive a set of board papers to ensure that they have the necessary information on the agenda items to be discussed.

Minutes and board papers of every Board meeting are circulated to all Directors for their perusal prior to meetings to enable the directors to review and discuss the agenda more effectively during the meetings.

The attendance record of individual Directors at the Board and Board Committee meetings for the financial year ended 30 April 2010 is detailed below:

Name	Number of meetings during the financial year			
	Board Meetings	Board Committees		
		Audit	Nomination	Remuneration
Dato' Amin Rafie Bin Othman	4/5		2/2	2/2
Tan Ching Kee	5/5			2/2
Ng Chong Tin	5/5			
Tan Chong Boon	5/5			
Dato' Siow Kim Lun	5/5	6/6	2/2	
Dato' Yeong Kok Hee	4/5	5/6		2/2
Ong Teck Chuan	4/5	5/6	2/2	

## 1.5 Board Committees

To ensure the effective discharge of its fiduciary duties, the Board has delegated specific responsibilities to the following three Board Committees. The Board Committees will deliberate in greater detail and examine the issues within their terms of reference as set out by the Board in compliance with the Code.

### Audit Committee

Composition of the Audit Committee, its terms of reference and a summary of its activities are set out on Pages 16 to 18 of this Annual Report.

### Nomination Committee

The Nomination Committee's primary role is to review the required mix of skills and experience of the Directors on the Board, and determine the appropriate Board balance and size of Non-Executive Directors. The Committee reviews and assesses any proposed appointment of new Board members, and submits its recommendation on the proposed appointment to the Board for approval. The Committee also assists the Board to establish processes towards an annual assessment of the effectiveness of the Board as a whole, the Board committees and for assessing the contribution of each Director.

Members of the Nomination Committee, all of whom are Independent Non-Executive Directors, are:

- Ong Teck Chuan (Chairman)
- Dato' Amin Rafie Bin Othman
- Dato' Siow Kim Lun

## Corporate Governance Statement (cont'd)

### Remuneration Committee

This Committee is primarily responsible for reviewing and recommending the appropriate level of remuneration for the Executive Directors and the Non-Executive Directors. Members of the Remuneration Committee, two of whom are independent Non-Executive Directors, are:

- Dato' Amin Rafie Bin Othman (Chairman)
- Dato' Yeong Kok Hee
- Tan Ching Kee

### 1.6 Board Performance Evaluation and Review

The Board carried out an annual assessment on the overall effectiveness of the Board as a whole, its Board committees and individual Directors. The objective is to improve Board's effectiveness by identifying gaps, addressing weaknesses and maximizing strengths. Using a combination of self and peer assessment, Directors obtained feedback on the level of effectiveness on various performance aspects via a series of questions and answers. Responses from the Directors were analysed and presented to the Board, and areas requiring improvements are to be addressed by the Board and Management

### 1.7 Directors' Remuneration

The Board believes that remuneration should be sufficient to attract, retain and motivate Directors of the necessary caliber, expertise and experience to lead the Group. In line with this philosophy, remuneration for the Executive Directors is aligned to individual and corporate performance. For Non-Executive Directors, the fees are set based on the responsibilities shouldered by the respective Directors.

The Remuneration Committee recommends the policy framework and is responsible for assessing the compensation package for the Executive Directors. The remuneration of the Executive Directors consists of salary, bonus, and benefits-in-kind.

Remuneration for Non-Executive Directors is determined by the Board as a whole. Individual directors do not participate in determining their own remuneration package. The Board, subject to the fees as authorized by the Company's shareholders, determines fees payable to Non-Executive Directors. Non-Executive Directors are also entitled to meeting allowances. Details of the Directors' remuneration for the financial year ended 30 April 2010 are as follows:

	Executive (RM)	Non-Executive (RM)
Fees	-	156,000
Salary, other remuneration and emoluments	1,327,987	23,000
Benefits-in-kind (based on an estimated Monetary value)	50,000	-

The aggregate remuneration paid to Directors by the Company during the year, analyzed into bands of RM50,000 are as follows:

Range of Remuneration	Number of Directors Executive	Number of Directors Non-Executive
Up to RM50,000	-	3
RM50,001 to RM100,000	-	1
RM200,001 to RM250,000	1	-
RM300,001 to RM350,000	1	-
RM800,001 to RM850,000	1	-

# Corporate Governance Statement (cont'd)

## 2. SHAREHOLDERS AND INVESTORS

### 2.1 Communication with Shareholders and Investor Relations

The Board is committed to providing investors accurate, useful and timely information about the Group, its businesses and its activities. The Group, where applicable, communicates with the investor community in conformity with disclosure requirements. The Board believes that clear and consistent communication with investors promotes better appreciation of the Company's business and activities, reduces share price volatility, and allows the Company's business and prospects to be evaluated fairly.

Information on the Group is also published on the Company's website at [www.wengzheng.com](http://www.wengzheng.com). The Group maintains strict confidentiality and employs best efforts to ensure that no disclosure of material information is made selectively to any individuals.

The Board views AGM as the primary forum to communicate with shareholders. Investors may direct their queries to: [sssak@wengzheng.com](mailto:sssak@wengzheng.com). Enquiries also can be posted to Lot 1890 Jalan KPB 9, Kawasan Perindustrian Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan.

The Company will convene its Sixth AGM on 25 October 2010.

## 3. ACCOUNTABILITY AND AUDIT

### 3.1 Financial Reporting

The Board is responsible for presenting a clear, balanced and comprehensive assessment of the Group's financial position, performance and prospects. The Board is also responsible for ensuring that the financial statements give a true and fair view of the results of operations and the financial state of affairs of the Group.

The financial statements of the Group and Company are required to be prepared in compliance with International Financial Reporting Standards.

### 3.2 Internal Control

The Statement on Internal Control is set out on Page 15 of this Annual Report.

### 3.3 Relationship with the Auditors

The Audit Committee's function, role and responsibilities vis-a-vis the internal and external auditors are described in the Audit Committee Report set out on Pages 16 to 18 of this Annual Report.

# Additional Compliance Statement

## Utilisation of Proceeds

No proceeds were raised by the Company from any corporate proposals.

## Share buybacks

The Company had obtained approval from its shareholders for the purchase of its own shares at its Fifth AGM held on 15 October 2009. As this approval would expire at the conclusion of the Sixth AGM, the Company would be seeking the approval of shareholders at the said Sixth AGM to renew this authority.

During the financial year ended 30 April 2010, the Company purchased a total of 149,000 shares from the open market and retained them as treasury shares. The details of the purchase are as follows:

Date	No. Of Shares	Buy Back Price (RM)	Buy Back Price (RM)	Average Cost (RM)	Total Cost (RM)
23/12/2009	20,000	0.300	0.300	0.3024	6,048.70
26/04/2010	129,000	0.310	0.320	0.3201	41,294.58

As at 15 September 2010, being the latest practicable date prior to the printing of this Annual Report, the Company had bought-back a total of 373,100 shares, all of which are retained as treasury shares and none re-sold, for a total cost of RM116,220.32.

## Options, warrant or convertible securities

During the financial year, the Company did not issue any options, warrants or convertible securities.

## American Depository Receipts ("ADR") or Global Depository Receipts ("GDR")

The Company did not sponsor any ADR or GDR programme during the financial year under review.

## Imposition of Sanctions and /or Penalties

There were no material sanctions and /or penalties imposed on the Company, its subsidiaries, Directors or management by any regulatory bodies during the financial year under review.

## Non-Audit Fees

There were no non-audit fees paid or payable to the external auditors by the Group for the financial year ended 30 April 2010.

## Variation in Results

There was no variation between the audited results for the financial year ended 30 April 2010 against the unaudited results for the year ended 30 April 2010 released by the Company previously.

## Profit Guarantee

The Company did not provide any profit guarantee during the financial year.

## Material Contracts

There were no material contracts entered into by the Group and Company involving directors and major shareholders during the financial year.

## Revaluation Policy on Landed Properties

The Company has adopted a policy of revaluation on its landed properties once every five (5) years.

# Statement on **Internal Control**

## **Introduction**

The Statement on Internal Control of the Group is made by the Board of Directors ("the Board") pursuant to the Main Market Listing Requirements of Bursa Securities and in regard to the Group's compliance with the Principles and Best Practices provisions relating to internal controls under the Malaysian Code on Corporate Governance.

## **Board's Responsibility**

The Board acknowledges its responsibility for maintaining a sound system of internal control and for ensuring the system's adequacy and integrity. The Board and Management have taken appropriate measures to strengthen the internal control system taking into account the changes in the internal and external environments of the Group so as to safeguard shareholders' investment and the Group's assets. However, it shall be noted that inherently the system of internal control is designed to manage the Group's risks within an acceptable risk profile rather than eliminate the risk of failure to achieve the policies and business objectives of the Group. Accordingly, the system of internal control can only provide reasonable but not absolute assurance against material misstatement, fraud or losses.

## **Risk Management**

The Board recognizes that risk management is a vital and integral part of the business operations. The Management is responsible for the identification and evaluation, on a continuous basis, of significant risks inherent to the business. Risks identified are brought to the attention of the Board at their scheduled meetings.

The present process of identifying and addressing risk is conducted by the Management. Initiatives are taken to ensure that the Group measures and manages the significant risks affecting the achievement of its business objectives.

## **Internal Audit Function**

The internal audit function is undertaken by an independent internal audit services company approved by the Board and the internal auditor reports directly to the Audit Committee. The internal auditor adopts a risk based approach and presents the annual audit plan to the Audit Committee for approval. Subsequent change of audit areas would be made upon the request of the Audit Committee.

The Audit Committee meets the internal auditors separately without the presence of the management on a quarterly basis. The internal audit findings and corrective action plans are reviewed to ensure that the control weaknesses highlighted in the internal audit report are appropriately addressed by Management.

## **Key Elements of Internal Control**

Key elements of the Group's internal control are described below:-

- Establishment of various Board Committees specifically the Audit Committee and the Remuneration and the Nomination Committee
- Documentation of written policies and procedures for operational guidance and compliance
- Limit of Board and Management approval and authority
- Centralized computerized enterprise resource planning system to provide up-to-date data and information for decision making as well as enabling periodic performance reports to be prepared for monitoring and reporting purposes
- ISO 9001:2008 standards for quality control and assurance
- Monthly review of Group management accounts and performance analysis by Executive Directors and Management
- Quarterly review of financial results by the Board and the Audit Committee
- Review of internal audit reports and findings

For the financial year under review, there were no material losses incurred as a result of any weaknesses in internal control.

This statement was made in accordance with a resolution of the Board of Directors passed on 21 September 2010.

# Audit Committee Report

## 1.0 AUDIT COMMITTEE MEMBERS AND MEETINGS

The Audit Committee was established on 6 November 2007 and the members of the Audit Committee, all of whom are independent non-executive directors are:

Dato' Siow Kim Lun – Chairman  
Ong Teck Chuan  
Dato' Yeong Kok Hee

The Committee meets at least four (4) times in each financial year. At least two (2) members must be present to constitute a quorum. The Company Secretary shall be the Secretary of the Committee.

The Committee shall regulate its own procedures, in particular on the calling of meetings, notice to be given for such meetings, the voting and proceedings of such meetings, the keeping of minutes and the custody, production and inspection of such minutes. The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Committee.

During the financial year, the Committee conducted six (6) meetings. Certain designated members of Senior Management also attended these meetings on invitation of the Committee. The Committee also met twice with the external auditors of the Group, and four (4) times with the internal auditor of the Company, on separate private sessions during the financial year.

## 2.0 TERMS OF REFERENCE

The Committee assists the Board in fulfilling its responsibilities with regard to its oversight responsibilities. The Committee reviews and monitors the integrity of the Group's financial reporting process, its management of risk and system of internal control, its audit process as well as compliance with legal and regulatory matters, and such other matters that may be specifically delegated to the Committee by the Board from time to time.

### 2.1 Composition of the Audit Committee

Members of AC shall be appointed by the Board from amongst the Directors and the Committee shall fulfill the following requirements:-

- (a) Membership shall consist of no fewer than three (3) members;
- (b) All the members shall be independent directors;
- (c) At least one (1) member of the AC must be:-
  - i) a member of the Malaysian Institute of Accountants ("MIA"); or
  - ii) if not a member of the MIA, must have at least three (3) years working experience, and either have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act 1967; or he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - iii) holds a degree / masters / doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or has at least seven (7) years' experience being a Chief Financial Officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; and
- (d) Shall not comprise of any alternate director of the Company.

The Board must review the term of office and performance of the Committee annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

Members of the AC shall elect the Chairman, and all the members of the Committee including the Chairman, shall hold office as long as they serve as Directors of the Company. The appointment of a Committee Member shall terminate when the Member ceases to be a Director of the Company.

In the event of any vacancy in the Committee, the vacancy shall be filled within three (3) months upon the review and recommendation of a suitable Director by the Nomination Committee and approved by the Board.

# Audit Committee Report (cont'd)

## 2.2 Duties and Responsibilities of the Audit Committee

The Committee shall, amongst others, discharge the following functions:-

- (a) Internal Audit
  - Review and monitor the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - Review any appraisal or assessment of the performance of the members of the internal audit function;
  - Approve any appointment or termination of the senior members of the internal audit function; and
  - Take cognizance of any resignation of internal audit staff member and to provide the resigning staff an opportunity to submit his/her reasons for resigning.
- (b) External Audit
  - Assess the qualification, expertise, resources and effectiveness of the external auditors, including their performance and objectivity, and the terms of engagement and remuneration;
  - Review the external auditors' audit program and plan, including any changes to the planned scope of the audit plan;
  - Review the external auditors' evaluation of the system of internal control, their audit reports and major audit issues raised by the external auditors with management;
  - Review the assistance given by Group's employees to the external auditors;
  - Review the nature and extend of external auditors' provision of non-audit services;
  - Consider any questions of resignation or dismissal of the external auditors.
- (c) Financial Reporting
  - Review the quarterly and annual financial statements prior to approval of the Board of Directors, focusing particularly on:-
    - i) changes in or implementation of major accounting policy;
    - ii) significant and unusual events; and
    - iii) compliance with applicable Financial Reporting Standards and other legal and regulatory requirements.
  - Review of matters relating to the accounting, auditing, financial reporting practices and procedures of the Group.
- (d) Related Party Transactions
 

Review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management's integrity

## 2.3 Authority of the Audit Committee

In discharging its function, the Committee is duly authorized by the Board to:

- i. have authority to investigate any matter of the Group within its terms of reference;
- ii. have the resources which are required to perform its duties;
- iii. have full and unrestricted access to any information pertaining to the Company and the Group;
- iv. have access to independent professional or other advice;
- v. have direct communication channels with external auditors and person(s) carrying out the internal audit function or activity;
- vi. be able to convene meetings with the external auditors, internal auditor or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary and
- vii. promptly report to Bursa Securities where the Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities.

# Audit Committee Report (cont'd)

## 3.0 SUMMARY OF ACTIVITIES

The summary of the main activities carried out by the Audit Committee during the financial year under review is as follows:-

- a) Reviewed and recommended the quarterly financial results and the audited financial statements for the Board's approval prior to release of the unaudited results and financial statements to the Bursa Securities;
- b) Reviewed the annual audited financial statement, Directors' and Auditors' Reports and other significant accounting issues arising from the financial year audit;
- c) Reviewed with the external auditors of the Group on their audit plan, the results of their audit and audit report for the year ended 30th April 2010;
- d) Conducted meetings with the external auditors without the presence of the Executive Directors and employees of the Group;
- e) Reviewed the internal audit plan in which the internal audit function should focus on and their findings and management action plans;
- f) Reviewed the Corporate Governance Statement, Audit Committee Report and Statement on Internal Control prior to submission to the Board for consideration and approval for inclusion in the 2010 annual report;
- g) Reviewed the financial impact subsequent to the adoption of new financial reporting standards by the Group;

## 4.0 INTERNAL AUDIT FUNCTION

The internal audit function is essential for assisting the Audit Committee in reviewing the state of the system of internal control maintained by the management.

The Group has established an internal audit function upon listing. Currently, this function is outsourced to an internal audit services company and functionally, the internal auditor team reports to the Committee directly.

The Committee reviews and approves the annual internal audit plan before the internal auditor team carries out its functions. All audit findings are reported to the Committee and areas of improvement and audit recommendations identified are communicated to the management for further action.

The fee incurred during the current financial year for the internal audit function of the Group was RM34,500.

## Statement Of **Directors' Responsibility**

The Directors are responsible for ensuring that:

- i. The annual audited financial statements of the Group and of the Company are drawn up in accordance with applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the Main Market Listing Requirements of the Bursa Securities so as to give a true and fair view of the state of affairs of the Group and the Company for the financial year, and
- ii. Proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy and taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

In the preparation of the financial statements for the financial year ended 30 April 2010, the Directors have adopted appropriate accounting policies and have applied them consistently in the financial statement with reasonable and prudent judgments and estimates. The Directors are also satisfied that all relevant approved accounting standards have been followed in the preparation of the financial statements.

# FINANCIAL STATEMENTS

DIRECTORS' REPORT	21 - 24
STATEMENT BY DIRECTORS	25
STATUTORY DECLARATION	25
INDEPENDENT AUDITORS' REPORTS TO THE MEMBERS	26 - 27
CONSOLIDATED INCOME STATEMENT	28
INCOME STATEMENT	29
CONSOLIDATED BALANCE SHEET	30
BALANCE SHEET	31
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	32
STATEMENT OF CHANGES IN EQUITY	33
CONSOLIDATED CASH FLOW STATEMENT	34 – 35
CASH FLOW STATEMENT	36
NOTES TO THE FINANCIAL STATEMENTS	37 – 64

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30TH APRIL 2010

The Directors present their report and the audited financial statements of the Group and of the Company for the year ended 30th April 2010.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and providing management services. The principal activities of the subsidiary companies are disclosed in Note 11 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS	Group RM	Company RM
Profit for the year after taxation	2,243,361	875,028

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

### DIVIDEND

The Directors propose a final single tier tax exempt dividend of 1 sen per ordinary share of RM0.50 each amounting to RM1,000,000 in respect of the financial year ended 30th April 2010, to be approved at the forthcoming Annual General Meeting of the Company.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

### ISSUE OF SHARES

During the year, no issue of shares was made by the Company.

### TREASURY SHARES

During the financial year, the Company repurchased 149,000 of its issued ordinary shares from the open market at an average price of RM0.32 per share. The total consideration paid for the repurchase including transaction costs was RM47,343. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 30th April 2010, the Company held as treasury shares a total of 149,000 of its 100,000,000 issued ordinary shares. Further relevant details are disclosed in Note 19 to the financial statements.

### OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH APRIL 2010 (cont'd)

## DIRECTORS

The Directors who have served since the date of the last report are:-

DATO' AMIN RAFIE BIN OTHMAN  
 TAN CHING KEE  
 TAN CHONG BOON  
 NG CHONG TIN  
 DATO' SIOW KIM LUN  
 DATO' YEONG KOK HEE  
 ONG TECK CHUAN

In accordance with Article 84 of the Company's Articles of Association, Tan Chong Boon and Ong Teck Chuan retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting of the Company.

## DIRECTORS' INTEREST

The shareholdings in the Company of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:-

Direct Interest	----- Ordinary Shares of RM0.50 each -----			
	As at 1.5.09	Bought	(Sold)	As at 30.4.10
DATO' AMIN RAFIE BIN OTHMAN	1,150,000	-	(150,000)	1,000,000
TAN CHING KEE	39,171,907	-	-	39,171,907
TAN CHONG BOON	6,406,980	-	-	6,406,980
NG CHONG TIN	2,398,356	-	-	2,398,356
DATO' SIOW KIM LUN	150,000	-	-	150,000
DATO' YEONG KOK HEE	650,000	-	(420,000)	230,000
ONG TECK CHUAN	150,000	-	-	150,000

Indirect Interest <sup>1</sup>	----- Ordinary Shares of RM0.50 each -----			
	As at 1.5.09	Bought	(Sold)	As at 30.4.10
TAN CHING KEE	2,367,995	-	-	2,367,995
TAN CHONG BOON	69,000	-	-	69,000

<sup>1</sup> Deemed interests pursuant to Section 134 (12)(c) of the Companies Act, 1965 in compliance with the Companies (Amendment) Act, 2007 by virtue of their spouse direct interests in the Company.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than those benefits disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which the Director has a substantial financial interest other than any benefits which may be deemed to have arisen from the transactions entered into by the Company as mentioned in Note 29 to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH APRIL 2010 (cont'd)

## OTHER STATUTORY INFORMATION

- a) Before the income statement and balance sheet of the Group and of the Company were made out, the Directors took reasonable steps :-
- i) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts;
  - ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- b) At the date of this report, the Directors are not aware of any circumstances which would render :-
- i) the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and the Company inadequate to any substantial extent;
  - ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- c) At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- e) As at the date of this report there does not exist :-
- i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- f) In the opinion of the Directors :-
- i) no contingent liability or other liabilities has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due;
  - ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 31 to the financial statements.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH APRIL 2010 (cont'd)

## AUDITORS

The auditors, Tai, Yapp & Co., have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

TAN CHING KEE

NG CHONG TIN

Balakong

Dated : 25 August 2010

# STATEMENT BY DIRECTORS/ STATUTORY DECLARATION

## STATEMENT BY DIRECTORS

We, TAN CHING KEE and NG CHONG TIN, being two of the Directors of WZ STEEL BERHAD, do hereby state on behalf of the Directors that, in our opinion, the financial statements set out on pages 28 to 64 are drawn up in accordance with Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 30TH APRIL 2010 and of their results, changes in equity and cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the Directors.

TAN CHING KEE

NG CHONG TIN

Balakong  
Dated : 25 August 2010

## STATUTORY DECLARATION

I, SAK SWEE SEONG, the officer primarily responsible for the accounting records and financial management of WZ STEEL BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 28 to 64 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly  
declared by the above named SAK SWEE SEONG at Kuala Lumpur  
in the Federal Territory on

SAK SWEE SEONG

Before me,

SIA TUAN PANG  
No. W483

Pesuruhjaya Sumpah  
Malaysia

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF WZ STEEL BERHAD

(Incorporated in Malaysia) (Company No : 666098-X)

### Report on the Financial Statements

We have audited the financial statements of WZ STEEL BERHAD, which comprise the balance sheets as at 30th April 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 28 to 64.

#### Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes : designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30th April 2010 and of their financial performance and cash flows for the year then ended.

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following :

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF WZ STEEL BERHAD

(Incorporated in Malaysia) (Company No : 666098-X) (cont'd)

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

TAI, YAPP & CO  
AF: 0205  
Chartered Accountants

YAPP HOCK HOE  
No: 723/03/12 (J/PH)  
Partner

Kuala Lumpur  
Dated : 25 August 2010

# CONSOLIDATED INCOME STATEMENT

## FOR THE YEAR ENDED 30TH APRIL 2010

	Note	2010 RM	2009 RM
Revenue	6	74,970,168	91,847,742
Cost of sales		(63,536,877)	(79,458,625)
Gross profit		11,433,291	12,389,117
Other income		312,452	249,388
Distribution costs		(1,024,937)	(970,473)
Administrative expenses		(3,744,336)	(3,942,862)
Other expenses		(2,482,696)	(2,735,301)
Profit from operations		4,493,774	4,989,869
Finance costs		(1,618,764)	(2,541,727)
<b>Profit before taxation</b>	7	2,875,010	2,448,142
Taxation	8	(631,649)	(727,812)
<b>Profit after taxation</b>		2,243,361	1,720,330
Earnings per ordinary share (sen) - Basic	9	2.24	1.72
Dividend paid per share - Gross (sen)	26	-	1.50
Dividend declared per share - Gross (sen)	26	1.00	-

The accompanying notes form an integral part of the financial statements.

# INCOME STATEMENT

## FOR THE YEAR ENDED 30TH APRIL 2010

	Note	2010 RM	2009 RM
Revenue	6	2,260,000	1,008,000
Other income		816,349	840,121
Administrative expenses		(1,595,929)	(1,585,710)
Other expenses		(107,944)	(112,522)
Profit from operations		1,372,476	149,889
Finance costs		-	-
<b>Profit before taxation</b>	7	1,372,476	149,889
Taxation	8	(497,448)	(54,100)
<b>Profit after taxation</b>		875,028	95,789
Dividend paid per share - Gross (sen)	26	-	1.50
Dividend declared per share - Gross (sen)	26	1.00	-

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED BALANCE SHEET

- 30TH APRIL 2010

	Note	2010 RM	2009 RM
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	10	37,894,719	36,525,004
Prepaid lease payments	12	3,414,857	3,476,571
		41,309,576	40,001,575
<b>CURRENT ASSETS</b>			
Inventories	13	35,057,334	45,159,408
Trade receivables	14	20,685,167	17,125,615
Other receivables, deposits and prepayments	15	1,211,744	4,934,510
Tax recoverable		1,165,166	1,227,426
Cash and bank balances	17	1,463,540	400,979
		59,582,951	68,847,938
<b>TOTAL ASSETS</b>		<b>100,892,527</b>	<b>108,849,513</b>
<b>EQUITY</b>			
Share capital	18	50,000,000	50,000,000
Treasury shares	19	(47,343)	-
Share premium		2,232,152	2,232,152
Unappropriated profit		11,098,405	8,855,044
Total equity		63,283,214	61,087,196
<b>NON CURRENT LIABILITIES</b>			
Hire purchase payables	20	-	133,146
Term loans	21	4,439,503	6,705,399
Deferred taxation	22	1,623,393	2,217,238
		6,062,896	9,055,783
<b>CURRENT LIABILITIES</b>			
Trade payables	23	5,472,726	2,863,077
Other payables and accruals	24	792,775	790,651
Hire purchase payables	20	133,146	384,207
Term loans	21	2,353,078	2,166,893
Short term borrowings	25	22,548,454	32,488,706
Taxation		246,238	13,000
		31,546,417	38,706,534
Total liabilities		37,609,313	47,762,317
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>100,892,527</b>	<b>108,849,513</b>

The accompanying notes form an integral part of the financial statements.

# BALANCE SHEET - 30TH APRIL 2010

	Note	2010 RM	2009 RM
<b>NON CURRENT ASSET</b>			
Investment in subsidiary companies	11	41,918,309	38,808,323
		41,918,309	38,808,323
<b>CURRENT ASSETS</b>			
Other receivables, deposits and prepayments	15	1,100	12,182
Amount owing by subsidiary companies	16	11,215,893	14,211,530
Cash and bank balances	17	1,065,108	101,113
		12,282,101	14,324,825
<b>TOTAL ASSETS</b>		<b>54,200,410</b>	<b>53,133,148</b>
<b>EQUITY</b>			
Share capital	18	50,000,000	50,000,000
Treasury shares	19	(47,343)	-
Share premium		2,232,152	2,232,152
Unappropriated profit		1,488,389	613,361
Total equity		53,673,198	52,845,513
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	24	280,975	274,635
Taxation		246,237	13,000
		527,212	287,635
Total liabilities		527,212	287,635
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>54,200,410</b>	<b>53,133,148</b>

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH APRIL 2010

	Note	Non Distributable		Distributable		Total Equity RM
		Share Capital RM	Share Premium RM	Treasury shares RM	Unappropriated Profit RM	
Balance at 1st May 2008		50,000,000	2,232,152	-	8,259,714	60,491,866
Net profit for the year		-	-	-	1,720,330	1,720,330
Dividend paid	26	-	-	-	(1,125,000)	(1,125,000)
Balance at 30th April 2009		50,000,000	2,232,152	-	8,855,044	61,087,196
Net profit for the year		-	-	-	2,243,361	2,243,361
Purchase of treasury shares		-	-	(47,343)	-	(47,343)
Balance at 30th April 2010		50,000,000	2,232,152	(47,343)	11,098,405	63,283,214

The accompanying notes form an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30TH APRIL 2010

	Note	Non Distributable		Distributable		Total Equity RM
		Share Capital RM	Share Premium RM	Treasury shares RM	Unappropriated Profit RM	
Balance at 1st May 2008		50,000,000	2,232,152	-	1,642,572	53,874,724
Net profit for the year		-	-	-	95,789	95,789
Dividend paid	26	-	-	-	(1,125,000)	(1,125,000)
Balance at 30th April 2009		50,000,000	2,232,152	-	613,361	52,845,513
Net profit for the year		-	-	-	875,028	875,028
Purchase of treasury shares		-	-	(47,343)	-	(47,343)
Balance at 30th April 2010		50,000,000	2,232,152	(47,343)	1,488,389	53,673,198

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE YEAR ENDED 30TH APRIL 2010

	2010 RM	2009 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,875,010	2,448,142
Adjustments for :-		
Inventories written down	-	4,642,000
Unrealised loss/(gain) on foreign exchange	278,928	(45,933)
Depreciation of property, plant and equipment	3,033,186	2,964,227
Amortisation of prepaid lease payments	61,714	61,715
Allowance for doubtful debts written back	(192,909)	(61,378)
Gain on disposal of property, plant and equipment	(38,997)	(24,098)
Interest expense	1,618,764	2,541,727
Interest income	(1,046)	(41,669)
Specific allowance for doubtful debts	40,803	1,180,303
Operating profit before working capital changes	7,675,453	13,665,036
Decrease/(Increase) in inventories	10,102,074	(12,008,083)
Decrease in receivables	38,012	7,578,743
Decrease/(Increase) in payables	2,611,806	(6,776,692)
Cash generated from operations	20,427,345	2,459,004
Interest paid	(1,618,764)	(2,541,727)
Interest received	1,046	41,669
Net taxes paid	(929,997)	(1,135,880)
Net cash provided by/(used in) operating activities	17,879,630	(1,176,934)

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH APRIL 2010 (cont'd)

	2010 RM	2009 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	39,000	24,100
Purchase of property, plant and equipment	(4,402,904)	(1,421,271)
Net cash used in investing activities	(4,363,904)	(1,397,171)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of bank borrowings	-	2,120,000
Purchase of treasury shares	(47,343)	-
Repayment of hire purchase payables	(384,207)	(450,584)
Repayment of bank borrowings	(7,111,925)	(9,010,679)
Dividend paid	-	(1,125,000)
Net cash used in financing activities	(7,543,475)	(8,466,263)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	5,972,251	(11,040,368)
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	(8,047,240)	2,993,128
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	(1,652)	-
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	(2,076,641)	(8,047,240)
<b>Note :-</b>		
<b>Cash and cash equivalents :-</b>		
Cash and bank balances	1,463,540	400,979
Bank overdrafts	(3,540,181)	(8,448,219)
	(2,076,641)	(8,047,240)

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 30TH APRIL 2010

	2010 RM	2009 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,372,476	149,889
Adjustments for :-		
Dividend income from subsidiary companies	(1,000,000)	-
Interest income	(816,349)	(840,121)
Operating loss before working capital changes	(443,873)	(690,232)
Decrease/(Increase) in receivables	11,082	(1,646,518)
Increase in payables	6,340	87,837
Cash absorbed in operations	(426,451)	(2,248,913)
Tax paid	(264,210)	(52,100)
Interest received	816,349	840,121
Dividend received from subsidiary companies	-	1,650,000
Net cash provided by operating activities	125,688	189,108
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Repayment by/(Advances to) subsidiary companies	885,650	(3,517,204)
Net cash provided by/(used in) investing activities	885,650	(3,517,204)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Purchase of treasury shares	(47,343)	-
Dividend paid	-	(1,125,000)
Net cash used in financing activities	(47,343)	(1,125,000)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	963,995	(4,453,096)
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	101,113	4,554,209
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	1,065,108	101,113
<b>Note :</b>		
<b>Cash and cash equivalents :-</b>		
Cash and bank balances	1,065,108	101,113
<b>Note :</b>		

The dividend received from subsidiary companies and the funds used to subscribe for additional shares in subsidiary companies were contra off against the debts owing to subsidiary companies.

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010

## 1. GENERAL INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia. It is listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company's registered office is at Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur.

The Company's principal place of business is at Lot 1890, Jalan KPB 9, Kawasan Perindustrian Balakong, 43300 Seri Kembangan, Selangor.

## 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall financial risk management objective is to minimise potential adverse effects on the financial performance of the Group.

The Group does not hold or issue any derivative financial instruments.

### 2.1 Foreign Currency Risk

Foreign currency risk arises as the Group engages in transactions that are denominated in foreign currencies, mainly United States Dollar and New Taiwanese Dollar.

### 2.2 Liquidity Risk

The Group is actively managing its operating cash flow to suit the debt maturity profile so as to ensure all commitments and funding needs are met. As part of the overall liquidity management, it is the Group's policy to ensure continuity in servicing its cash obligations in the future by way of estimating and forecasting its cash commitments and to maintain sufficient levels of cash or cash equivalents to meet its working capital requirements. In addition, the Group also maintains sufficient credit facilities to meet its operational needs.

### 2.3 Interest Rate Risk

The Group's exposure to interest rate fluctuations is in respect of :

- a) hire purchase obligations of which the interest rate is fixed.
- b) bills payable and term loans of which the interest rates vary with reference to the base lending rates and cost of fund of the banks.

The Group manages the fluctuation in interest rates by maintaining a combination of fixed and floating rates.

### 2.4 Credit Risk

This involves the risk that the Group customers may be unable to meet the settlement terms. The Group has no major concentration of credit risk and the Group manages these risks by monitoring credit evaluations and limiting the aggregate exposure to any customer.

The Group places its cash with creditworthy financial institutions.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's exposure to credit risk.

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### 3.1 Statement of Compliance

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on 25th August 2010.

The financial statements of the Group and of the Company have been prepared in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965.

At the date of authorisation of these financial statements, the following FRSs, amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group :

Revised FRS, Amendments to FRS and Interpretations	Effective for financial period beginning on or after
FRS 4 : Insurance Contracts	1st January 2010
FRS 7 : Financial Instruments : Disclosures	1st January 2010
- Amendments to FRS 139 Financial Instruments : Recognition and Measurement, FRS 7 Financial Instruments : Disclosure and IC Interpretation 9 Reassessment of Embedded Derivatives	1st January 2010
- Improving Disclosures about Financial Instruments (Amendments to FRS 7)	1st January 2011
FRS 8 : Operating Segment	1st July 2009
FRS 123 : Borrowing Costs	1st January 2010
FRS 139 : Financial Instruments : Recognition and Measurement	1st January 2010
IC Interpretation 9 : Reassessment of Embedded Derivatives	1st January 2010
IC Interpretation 10 : Interim Financial Reporting and Impairment	1st January 2010
IC Interpretation 11 : FRS 2 – Group and Treasury Share Transaction	1st January 2010
IC Interpretation 12 : Service Concession Arrangements	1st July 2010
IC Interpretation 13 : Customer Loyalty Programmes	1st January 2010
IC Interpretation 14 : FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1st January 2010
IC Interpretation 15 : Agreements for the Construction of Real Estate	1st July 2010
IC Interpretation 16 : Hedges of a Net Investment in a Foreign Operation	1st July 2010
IC Interpretation 17 : Distributions of Non-cash Assets to Owners	1st July 2010
IC Interpretation 18 : Transfer of Assets from Customers	1st January 2011
Amendment to FRS 1 - First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements : cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1st January 2010
- First-time Adoption of Financial Reporting Standards	1st July 2010
- Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters (Amendment to FRS 1)	1st January 2011

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

### 3.1 Statement of Compliance (cont'd)

Revised FRS, Amendments to FRS and Interpretations		Effective for financial period beginning on or after
Amendment to FRS 2	Share-based Payment – Vesting Conditions and Cancellations	1st January 2010
Amendment to FRS 3	Business Combinations	1st July 2010
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1st January 2010
Amendment to FRS 8	Operating Segment	1st January 2010
Amendment to FRS 107	Cash Flow Statements	1st January 2010
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1st January 2010
Amendment to FRS 110	Events After the Balance Sheet Date	1st January 2010
Amendment to FRS 116	Property, Plant and Equipment	1st January 2010
Amendment to FRS 117	Leases	1st January 2010
Amendment to FRS 118	Revenue	1st January 2010
Amendment to FRS 119	Employee Benefits	1st January 2010
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1st January 2010
Amendment to FRS 123	Borrowing Costs	1st January 2010
Amendment to FRS 127	Consolidated and Separate Financial Statements	1st January 2010
Amendment to FRS 128	Investments in Associates	1st January 2010
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies	1st January 2010
Amendment to FRS 131	Interests in Joint Ventures	1st January 2010
Amendment to FRS 132	Financial Instruments : Disclosure and Presentation	1st January 2010
Amendment to FRS 134	Interim Financial Reporting	1st January 2010
Amendment to FRS 136	Impairment of Assets	1st January 2010
Amendment to FRS 138	Intangible Assets	1st January 2010
Amendment to FRS 139	Financial Instruments : Recognition and Measurement	1st January 2010
Amendment to FRS 140	Investment Property	1st January 2010

With the exception of FRS 7, FRS 8 and FRS 139, the adoption of the above new and revised FRSs, amendments to FRSs and Interpretations is expected to have no significant impact on the financial statements of the Group and the Company upon initial application. The Group and the Company have applied the transitional provisions in FRS 7, FRS 8, and FRS 139 which exempt entities from disclosing the possible impact arising from initial application of the respective standards on the financial statements of the Group and the Company.

### 3.2 Basis of Measurement

The financial statements of the Group have been prepared under the historical cost convention and other measurement basis otherwise indicated in the respective accounting policies as set out below.

### 3.3 Functional and Presentation Currency

The financial statements of the Group are presented in Ringgit Malaysia (RM), which is the Group's functional currency.

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

### 3.4 Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the respective notes.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below :

#### (a) Deferred Tax Asset

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgment regarding the future financial performance together with future tax planning strategies.

#### (b) Useful lives of Property, Plant and Equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition the estimation of the useful lives of property, plant and equipment are based on internal evaluation and experience with similar assets. It is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimates useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

#### (c) Allowance for Bad and Doubtful Debts

The policy for allowance for bad and doubtful debts of the Group is based on management's judgment and evaluation of collectibility and ageing analysis of the receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of the debtors were to deteriorate, further allowance may be required.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Share Capital

Incremental costs directly attributable to issue of shares and share options classified as equity are recognised as a deduction from equity.

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 4.2 Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

### 4.3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to the end of the financial year using the purchase method of accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the aggregate of fair values of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination.

The difference between the acquisition price and the fair values of the subsidiary companies' net assets acquired is reflected as goodwill or negative goodwill. Goodwill is stated at cost less accumulated impairment losses. It is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Negative goodwill is recognised immediately in the income statement.

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair values of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will :

- (a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
- (b) recognise immediately in profit or loss any excess remaining after that reassessment.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated income statement.

The gain or loss on disposal of a subsidiary, which is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the consolidated income statement.

Minority interest represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 4.4 Subsidiary Companies

A subsidiary company is a company in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investment in subsidiaries are stated in the Company's balance sheet at cost less impairment losses.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

### 4.5 Property, Plant and Equipment

Freehold land is stated at cost less impairment losses, if any and is not depreciated. Capital work in progress is not depreciated until the assets are ready for its intended use. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day to day servicing of property, plant and equipment are recognised in the income statement as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is calculated to write off the cost of other property, plant and equipment on a straight-line basis over the estimated useful lives of the assets concerned. The principal annual depreciation rates used for this purpose are as follows :-

	%
Freehold buildings	2
Long term leasehold building	2
Low cost apartments	2
Plant and machinery	12 – 20
Factory equipment	12
Cranes	20
Motor vehicles	20
Furniture, fittings and office equipment	10 – 20
Electrical fittings	10
Container/Cabin	20

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

### 4.6 Income Taxes

Income taxes comprise current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 4.6 Income Taxes (cont'd)

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences : the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

### 4.7 Impairment of Assets

The carrying amount of the Group's and Company's assets other than inventories, assets arising from construction contracts, deferred tax asset and financial assets (other than investment in subsidiaries, associates and joint ventures) are reviewed for impairment where there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts and the impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset.

The impairment loss is charged to the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation surplus account to the extent of the surplus credited from the previous revaluation for the same assets with the excess of the impairment loss charged to the income statement. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the assets that would have been determined had no impairment loss been recognised. The reversal is recognised in the income statement immediately except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation surplus account of the same asset.

The impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

### 4.8 Foreign Currencies Conversion

#### 4.8.1 Transactions in Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates ruling at the time of transactions or at contracted rates where applicable. Foreign currency assets and liabilities are converted at the exchange rates ruling at the balance sheet date. All exchange differences are dealt with in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 4.8 Foreign Currencies Conversion (cont'd)

#### 4.8.2 Translation of Foreign Currency Financial Statements

Assets and liabilities of foreign subsidiary companies are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date and the results of foreign subsidiary companies are translated at the average rate of exchange for the year. Exchange differences arising from the retranslation of the opening net investments in foreign subsidiary companies and from the translation of the results of those subsidiary companies at the average rate are dealt with through the Translation Adjustment Account.

The exchange rates ruling at balance sheet date used for each unit of foreign currencies to Ringgit Malaysia are as follows :-

	Year End	
	2010	2009
1 United States Dollar	3.190	3.558
100 New Taiwanese Dollar	10.160	10.739

### 4.9 Inventories

Inventories are stated at the lower of cost and net realisable value after due allowances are made for damaged, obsolete and slow moving items. Cost is principally determined on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of raw materials includes the original purchase price and the incidental expense incurred in bringing the inventories to their present location and condition. The cost of work in progress and finished goods include the cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads.

### 4.10 Receivables

Receivables are carried at anticipated realisable value. Known bad debts are written off and due allowances are made for any debts considered to be doubtful of collection.

### 4.11 Leases

#### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of leases classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as held under a finance lease; and

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 4.11 Leases (cont'd)

#### (ii) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet date as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of assets acquired, are recognised in the income statement over the term of the relevant lease so as to produce a constant periodical rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in note 4.5.

#### (iii) Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land elements in proportion to the relative fair values for leasehold interests in the land element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

### 4.12 Revenue Recognition

Revenue of the Group and of the Company are recognised on the following basis :

- 4.12.1 Revenue from sale of goods are recognised upon the delivery of goods and customer's acceptance.
- 4.12.2 Interest income, rental income and management fees are recognised on accrual basis.
- 4.12.3 Dividend income is recognised when the shareholder's right to receive payment is established.

### 4.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash and bank balances, bank overdraft and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

### 4.14 Segment Information

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 4.14 Segment Information (cont'd)

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between Group enterprises within a single element.

### 4.15 Provision for Liabilities

Provision for liabilities are recognised when the Group has present obligations as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### 4.16 Employee Benefit Costs

#### Short term benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and paid sick leave are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

Short term accumulating compensated absences such as paid annual leaves are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leaves are recognised when the absences occur.

#### Defined contribution plan

Contributions to the Employees' Provident Fund are charged to the income statement in the year to which they relate.

### 4.17 Equity Instruments

#### 4.17.1 Ordinary shares

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### 4.17.2 Treasury Shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

### 4.18 Financial Instruments

#### 4.18.1 Financial instruments recognised on the balance sheet

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

The accounting policies for financial instruments are disclosed in the individual policies associated with each item.

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 4.18 Financial Instruments (cont'd)

#### 4.18.2 Disclosure of fair values

The Group's financial instruments are accounted for under the historical cost convention. Fair value represents the amount at which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.

#### Methodologies

The methodologies and assumptions used in ascertaining the fair values depend on the terms and risk characteristics of the instruments and are briefly set out below.

#### Amounts owing by subsidiary companies

It is not practical to estimate the fair values of the above amounts due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs.

#### Other financial assets and liabilities

The fair values of the other financial assets and liabilities maturing within twelve months are stated at approximately the carrying value as at the balance sheet date.

## 5. PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and providing management services. The principal activities of the subsidiary companies are disclosed in Note 11 to the financial statements.

## 6. REVENUE

### Group

Revenue represents invoiced value of goods sold net of discounts and returns and **services rendered**.

These represent :	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Sales of goods	74,970,168	91,847,742	-	-
Management fees	-	-	1,260,000	1,008,000
Dividend income from subsidiary companies	-	-	1,000,000	-
	<u>74,970,168</u>	<u>91,847,742</u>	<u>2,260,000</u>	<u>1,008,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 7. PROFIT BEFORE TAXATION

This is stated after charging :-	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Auditors' remuneration				
- current year	45,000	41,000	11,000	10,000
- underprovision in prior year	2,000	10,000	-	2,000
Amortisation of prepaid lease payment	61,714	61,715	-	-
Depreciation of property, plant and equipment	3,033,186	2,964,227	-	-
Directors' emoluments	1,350,987	1,347,733	1,350,987	1,342,471
Directors' fees	156,000	156,000	156,000	156,000
Inventories written down	-	4,642,000	-	-
Interest expenses on :				
- Hire purchase	17,607	31,838	-	-
- LC, TR, Revolving credit and BA interest	610,073	1,380,141	-	-
- Term loan interest	608,688	654,788	-	-
- Onshore foreign currency loan interest	-	86,249	-	-
- Overdraft interest	382,396	388,711	-	-
Realised loss on foreign exchange	677,695	51,846	-	-
Unrealised loss on foreign exchange	278,928	-	-	-
Specific allowance for doubtful debts	40,803	1,180,303	-	-
Rental of factory equipment	450	350	-	-
Staff costs	2,838,407	2,948,531	18,502	-
And crediting:-				
Bad debts recovered	1,500	2,245	-	-
Rental income	36,000	36,000	-	-
Allowance for doubtful debts written back	192,909	61,378	-	-
Interest income :				
- subsidiary companies	-	-	816,349	809,742
- fixed deposits	-	30,379	-	30,379
- others	1,046	11,290	-	-
Gain on disposal of property, plant and equipment	38,997	24,098	-	-
Unrealised gain on foreign exchange	-	45,933	-	-
<b>Staff costs</b>				
Salaries and wages	2,518,174	2,652,591	16,000	-
Contributions to defined contribution plan	208,559	206,250	1,920	-
Social security contribution	22,750	22,596	273	-
Other benefits	88,924	67,094	309	-
	2,838,407	2,948,531	18,502	-

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 7. PROFIT BEFORE TAXATION (cont'd)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
<b>DIRECTORS' REMUNERATION</b>				
<b>Executive</b>				
Salaries and other emoluments	1,185,859	1,182,221	1,185,859	1,176,959
Pension costs				
- defined contribution plans	142,128	141,012	142,128	141,012
	<u>1,327,987</u>	<u>1,323,233</u>	<u>1,327,987</u>	<u>1,317,971</u>

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group and the Company amounted to RM50,000 (2009 : RM50,200) and RM50,000 (2009 : RM50,200) respectively.

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
<b>Non-Executive</b>				
- Other emoluments	23,000	24,500	23,000	24,500
- Fees (Provision)	156,000	156,000	156,000	156,000
	<u>179,000</u>	<u>180,500</u>	<u>179,000</u>	<u>180,500</u>

The Directors' remuneration during the financial year ended 30th April 2010 fall within the following bands :-

Range of remuneration RM	No. of Executive Directors	No. of Non-Executive Directors
Below 50,000	-	3
50,001 and 100,000	-	1
200,001 and 250,000	1	-
300,001 and 350,000	1	-
Above 800,000	1	-
Total	<u>3</u>	<u>4</u>

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 8. TAXATION

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Based on the results for the year :-				
<b>Current Tax</b>				
Malaysian Income Tax	706,000	655,000	116,000	607,000
<b>Deferred taxation</b>	(593,845)	86,154	-	(550,000)
	112,155	741,154	116,000	57,000
<b>Under/(Over)provision in prior years</b>				
Malaysian Income Tax	519,494	(13,342)	381,448	(2,900)
<b>Tax expense for the year</b>	631,649	727,812	497,448	54,100

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate :-

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
<b>Profit before taxation</b>	2,875,010	2,448,142	1,372,476	149,889
<b>Tax at Malaysian statutory tax rate of 25% (2009 : 25%)</b>	718,753	612,034	343,119	37,472
Income not subject to tax	-	-	(250,000)	-
Non allowable expenses	82,340	303,353	22,881	19,528
Utilisation of unutilised building allowance	(11,775)	-	-	-
Utilisation of reinvestment allowances	(670,524)	(166,261)	-	-
Tax effect of expenses that qualify for double deduction	(6,639)	(7,972)	-	-
	112,155	741,154	116,000	57,000
Under/(Over)provision in prior years	519,494	(13,342)	381,448	(2,900)
<b>Tax expense for the year</b>	631,649	727,812	497,448	54,100

## 9. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share :-

The basic earnings per ordinary share for the financial year has been calculated based on the consolidated profit after tax divided by the weighted average number of ordinary shares outstanding (adjusted for treasury shares) during the financial year.

	2010 RM	2009 RM
Consolidated profit after tax	2,243,361	1,720,330
Weighted average number of ordinary shares outstanding (adjusted for treasury shares)	99,991,573	100,000,000
Basic earnings per ordinary share (sen)	2.24	1.72



# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Net Book Value		Depreciation Charge	
	2010 RM	2009 RM	2010 RM	2009 RM
Freehold land and buildings	21,645,320	21,773,717	170,396	169,555
Long term leasehold building	2,650,033	2,706,087	56,054	54,067
Low cost apartments	131,599	134,399	2,800	2,800
Plant and machinery	11,652,482	9,529,730	2,219,490	2,146,980
Factory equipment	412,756	507,801	100,545	100,214
Cranes	2	2	-	-
Motor vehicles	842,819	1,236,082	393,262	400,642
Furniture, fittings and office equipment	386,398	445,464	70,054	69,384
Electrical fittings	79,363	99,948	20,585	20,585
Container/Cabin	6	6	-	-
Capital work in progress	93,941	91,768	-	-
	<u>37,894,719</u>	<u>36,525,004</u>	<u>3,033,186</u>	<u>2,964,227</u>

As at the balance sheet date, the titles for the low cost apartments of the Group have yet to be issued by the relevant authority.

Included in property, plant and equipment are the following that were acquired under hire purchase arrangements :-

	2010		2009	
	Cost RM	Net Book Value RM	Cost RM	Net Book Value RM
Plant and machinery	312,388	256,158	597,041	518,521
Motor vehicles	249,035	136,969	816,482	508,329
	<u>561,423</u>	<u>393,127</u>	<u>1,413,523</u>	<u>1,026,850</u>

The cost and net book value of property, plant and machinery pledged to financial institutions for banking facilities granted to the Company as mentioned in Notes 21 and 25 are as follows :-

	2010		2009	
	Cost RM	Net Book Value RM	Cost RM	Net Book Value RM
Long term leasehold building	2,802,677	2,650,033	2,802,677	2,706,087
Freehold land and buildings	22,857,938	21,739,262	22,813,766	21,865,485
Plant and machinery	11,004,655	4,973,399	11,004,655	6,293,958
	<u>36,665,271</u>	<u>29,362,694</u>	<u>36,621,098</u>	<u>30,865,530</u>

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 11. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2010 RM	2009 RM
Unquoted shares, at cost	38,808,323	38,808,323
Addition :		
Allotment of 3,109,986 shares at par of RM1 each	3,109,986	-
	<u>41,918,309</u>	<u>38,808,323</u>

The Company carried out a review of the recoverable amount on its investment in subsidiaries during the financial year. As a result of the review, no impairment loss was deemed necessary. The recoverable amount was based on the net asset value of the subsidiaries.

The subsidiary companies are :-

Name Direct Subsidiary	Place of Incorporation	Effective Interest		Principal activities
		2010 %	2009 %	
Weng Zheng Sdn Bhd	Malaysia	100	100	Manufacturing and processing of cold drawn bright steel products and related steel products
Weng Zheng Trading Sdn Bhd	Malaysia	100	100	Dealers in steel products
Weng Zheng Marketing Sdn Bhd	Malaysia	100	100	Processing and marketing of all types of steel products

## 12. PREPAID LEASE PAYMENTS

Cost	Group	
	2010 RM	2009 RM
At 30th April/1st May	3,600,000	3,600,000
<b>Accumulated Amortisation</b>		
At 1st May	123,429	61,714
Amortisation for the year	61,714	61,715
At 30th April	<u>185,143</u>	<u>123,429</u>
Carrying amount	<u>3,414,857</u>	<u>3,476,571</u>
Analysed as :		
Long term leasehold land	<u>3,600,000</u>	<u>3,600,000</u>

The above leasehold land have been pledged to a licensed bank as security for credit facilities granted to a subsidiary company as disclosed in Notes 21 and 25 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 13. INVENTORIES

At cost	Group	
	2010 RM	2009 RM
Raw materials	9,210,496	14,060,656
Finished goods	25,846,838	7,822,173
	<u>35,057,334</u>	<u>21,882,829</u>
<b>At net realisable value</b>		
Finished goods	-	23,276,579
	<u>35,057,334</u>	<u>45,159,408</u>

The inventories of the Group is net of inventories written down of Nil (2009 : RM4,642,000).

## 14. TRADE RECEIVABLES

	Group	
	2010 RM	2009 RM
Total amount outstanding	23,494,386	20,086,940
Less :		
<b>Specific allowance for doubtful debts</b>		
At 1st May	(2,961,325)	(1,842,400)
Allowance written back	192,909	61,378
Allowance during the year	(40,803)	(1,180,303)
At 30th April	<u>(2,809,219)</u>	<u>(2,961,325)</u>
	<u>20,685,167</u>	<u>17,125,615</u>

The credit terms of trade receivables range from 30 to 120 days. Other credit terms are assessed and approved on a case by case basis.

The Group makes allowance for doubtful debts based on assessment of recoverability and is guided by past experience.

The trade receivables of the Group in the local and foreign denominated currencies are as follows :-

	2010 RM	2009 RM
Ringgit Malaysia	15,696,206	9,370,843
US Dollar	4,988,961	7,754,772
	<u>20,685,167</u>	<u>17,125,615</u>

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Other receivables	620,935	41,246	100	100
Deposits	416,173	432,971	1,000	1,000
Advance payment for purchase of property, plant and equipment	8,000	4,251,565	-	-
Prepayments	166,636	208,728	-	11,082
	<u>1,211,744</u>	<u>4,934,510</u>	<u>1,100</u>	<u>12,182</u>

Included in deposits of the Group is an amount of RM300,000 (2009 : RM300,000) placed as security advance to a supplier of a subsidiary company for purchase of second grade pipes.

## 16. AMOUNT OWING BY SUBSIDIARY COMPANIES

The amount owing by subsidiary companies is unsecured, bears an interest at rate of 6% (2009 : 6%) per annum and repayable upon demand.

## 17. CASH AND BANK BALANCES

The currency exposure profile is as follows :-

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Ringgit Malaysia	1,398,105	285,117	1,065,108	101,113
US Dollar	65,435	115,862	-	-
	<u>1,463,540</u>	<u>400,979</u>	<u>1,065,108</u>	<u>101,113</u>

## 18. SHARE CAPITAL Group and Company

	2010 RM	2009 RM
<b>Authorised :-</b>		
200,000,000 ordinary shares of RM0.50 each	<u>100,000,000</u>	<u>100,000,000</u>
<b>Issued and fully paid :</b>		
100,000,000 ordinary shares of RM0.50 each	<u>50,000,000</u>	<u>50,000,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 19. TREASURY SHARES

### Group and Company

This amount relates to the acquisition cost of treasury shares.

The shareholders of the Company, by a resolution passed at the 5th Annual General Meeting held on 15th October 2009, approved the Company's plan to repurchase its own ordinary shares subject to the following :-

- i) The aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed 10% of the issued and paid up capital of the Company at any point in time; and
- ii) The funds allocated by the Company for the Shares Buy-Back shall not exceed the total retained profit and share premium account of the Company.

During the financial year, the Company repurchased 149,000 (2009 : Nil) of its issued ordinary shares from the open market at an average price of RM0.32 (2009 : Nil) per share. The total consideration paid for the repurchase was RM47,343 (2009 : Nil), comprising consideration paid amounting to RM46,996 (2009 : Nil) and transaction costs of RM347 (2009 : Nil). The repurchase transactions were financed by internally generated funds.

All shares repurchased are held as treasury shares in accordance with Section 67A of the Companies Act, 1965. There had been no resale or cancellation of treasury shares during the financial year.

Of the total 100,000,000 (2009 : 100,000,000) issued and fully paid ordinary shares as at 30th April 2010, 149,000 (2009 : Nil) are held as treasury shares by the Company. As at 30th April 2010, the number of outstanding ordinary shares in issue after the set-off is therefore 99,851,000 (2009 : 100,000,000) ordinary shares of RM0.50.

## 20. HIRE PURCHASE PAYABLES

	2010 RM	Group 2009 RM
Total principal outstanding	133,146	517,353
Less : Repayable within the next twelve months shown under current liabilities	(133,146)	(384,207)
	<hr/>	<hr/>
Repayable after the next twelve months	-	133,146
	<hr/>	<hr/>
Represented by :		
Minimum hire purchase payments :		
- Within one year	135,817	401,814
- After one year but not more than five years	-	135,817
	<hr/>	<hr/>
	135,817	537,631
Less: Future interest charges	(2,671)	(20,278)
	<hr/>	<hr/>
Present value of hire purchase liabilities	133,146	517,353
	<hr/>	<hr/>

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 21. TERM LOANS

	Group	
	2010 RM	2009 RM
Total principal sum outstanding	6,792,581	8,872,292
Less :		
Repayable after the next twelve months shown under non current liabilities	(4,439,503)	(6,705,399)
	<u>2,353,078</u>	<u>2,166,893</u>
Repayable within the next twelve months	2,353,078	2,166,893
Repayments as follows :-		
Within twelve months	2,353,078	2,166,893
Between one to two years	2,380,194	2,270,406
Between two to five years	2,020,353	4,095,295
After five years	38,956	339,698
	<u>6,792,581</u>	<u>8,872,292</u>

The term loans are secured by :-

- i) Legal charges over the leasehold land and building and the freehold land and buildings of certain subsidiary companies as mentioned in Notes 10 and 12;
- ii) Debentures over certain plant and machinery of a subsidiary company as mentioned in Note 10;
- iii) A director's fixed deposit;
- iv) Third party legal charge over a leasehold land and building belonging to a company in which certain directors have an interest;
- v) Joint and several guarantees by certain directors of the Company.

The above term loans bear interest rates ranging from 4.05% to 6.55% (2009 : 3.38% to 7.50%) per annum and are repayable over periods of between 36 to 120 monthly instalments from the date of full drawdown of the term loan.

## 22. DEFERRED TAXATION

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
At 1st May	2,217,238	2,131,084	-	550,000
Recognised in income statement (Note 8)	(593,845)	86,154	-	(550,000)
	<u>1,623,393</u>	<u>2,217,238</u>	<u>-</u>	<u>-</u>
At 30th April	1,623,393	2,217,238	-	-

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 22. DEFERRED TAXATION (cont'd)

The components and movements of deferred tax liabilities/(assets) of the Group are as follows :-

Deferred tax liabilities/(assets) of the Group :	Accelerated capital allowances RM	Other temporary differences RM	Fair value adjustment RM	Unabsorbed reinvestment allowance RM	Total RM
At 1st May 2009	1 781 200	-	666,738	(230,700)	2,217,238
Recognised in income statement	202,700	(69,700)	(13,345)	(713,500)	(593,845)
At 30th April 2010	1,983,900	(69,700)	653,393	(944,200)	1,623,393

Deferred tax liabilities/(assets) of the Group :	Accelerated capital allowances RM	Fair value adjustment RM	Unabsorbed reinvestment allowance RM	Total RM
At 1st May 2008	1,451,000	680,084	-	2,131,084
Recognised in income statement	330,200	(13,346)	(230,700)	86,154
At 30th April 2009	1,781,200	666,738	(230,700)	2,217,238

## 23. TRADE PAYABLES

The credit terms of trade payables range from 14 to 120 days.

The trade payables of the Group in the local and foreign denominated currencies are as follows :-

	Group	
	2010 RM	2009 RM
Ringgit Malaysia	5,469,830	2,861,558
New Taiwanese Dollar	2,896	1,519
	5,472,726	2,863,077

## 24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Other payables	252,444	198,250	12,946	10,880
Accrual	531,331	583,401	268,029	263,755
Deposit received	9,000	9,000	-	-
	792,775	790,651	280,975	274,635

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 25. SHORT TERM BORROWINGS

	Group	
	2010 RM	2009 RM
<b>Secured</b>		
Term loan	-	2,120,000
Revolving credit facilities	-	2,718,487
Bank overdrafts	3,292,722	7,920,770
Bankers' acceptance	16,533,273	16,691,000
	19,825,995	29,450,257
<b>Unsecured</b>		
Bankers' acceptance	2,475,000	2,511,000
Bank overdrafts	247,459	527,449
	22,548,454	32,488,706

The secured short term borrowings of the Group are secured by :-

- i) Legal charges over the leasehold land and building and the freehold land and building of certain subsidiary companies as mentioned in Notes 10 and 12;
- ii) Third party legal charge over a leasehold land and building belonging to a company in which certain directors have an interest.
- iii) A director's fixed deposit;
- iv) Corporate guarantee given by the Company and a subsidiary company; and
- v) Joint and several guarantee by certain directors of the Company.

	2010 RM %	2009 RM %
Interest rates per annum :		
Bank overdrafts	6.05 to 7.80	6.05 to 8.75
Bankers' acceptance	2.69 to 3.89	2.27 to 4.75
Revolving credit	-	4.75 to 5.08
Onshore foreign currency loan	-	3.38 to 3.90

## 26. DIVIDEND

	Group and Company	
	2010 RM	2009 RM
Dividend declared and paid in respect of ordinary shares are as follows :-		
In respect of the financial year 30th April 2008 : - final dividend of 1.5 sen per ordinary share less income tax of 25%, paid on 7th November 2008	-	1,125,000

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 26. DIVIDEND (cont'd)

	Group and Company			
	2010		2009	
	Gross per share Sen	Amount of dividend RM	Gross per share Sen	Amount of dividend RM
Dividend declared or proposed are as follows:				
Proposed final dividend*	1	1,000,000	-	-

\* The financial statements for the current financial year do not reflect this dividend. This dividend will be accounted for as appropriation of unappropriated profit in the financial year ending 30th April 2011.

## 27. SEGMENTAL REPORTING

(a) Segment information is presented in respect of the Group's business and geographical segments. The primary segment information is in respect of business segments as the Group risk and rates of return are affected predominantly by differences in the products it produces, while the secondary information is reported geographically.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise finance cost and corporate administration expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

(b) The inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(c) Primary reporting format - Business Segment

The Group's operations comprise the following main business segments :

Manufacturing	Manufacturing of steel products
Trading and investment	Trading of steel products and investment holding

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other segment information by business segments :

2010	Manufacturing RM	Trading and investment RM	Elimination RM	Consolidation RM
<b>Revenue</b>				
External sales	41,644,704	33,325,464	-	74,970,168
Inter-segment sales	834,972	13,054,689	(13,889,661)	-
Total	42,479,676	46,380,153	(13,889,661)	74,970,168

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 27. SEGMENTAL REPORTING (cont'd)

2010	Manufacturing RM	Trading and investment RM	Elimination RM	Consolidation RM
<b>Results</b>				
Segment results (external)	1,724,241	4,585,884	(1,816,351)	4,493,774
Finance costs				(1,618,764)
Profit before taxation				2,875,010
Taxation				(631,649)
Profit after taxation				2,243,361
<b>Other information</b>				
Segment assets	64,275,488	49,122,994	(12,505,955)	100,892,527
Segment liabilities	28,639,969	21,475,299	(12,505,955)	37,609,313
Capital expenditure	4,362,295	40,609		4,402,904
Depreciation and amortisation	2,856,328	238,572		3,094,900
Non-cash expenses other than depreciation and amortisation	27,569	13,234		40,803
<b>2009</b>				
	Manufacturing RM	Trading and investment RM	Elimination RM	Consolidation RM
<b>Revenue</b>				
External sales	61,930,024	29,917,718	-	91,847,742
Inter-segment sales	13,030,325	5,837,429	(18,867,754)	-
Total	74,960,349	35,755,147	(18,867,754)	91,847,742
<b>Results</b>				
Segment results (external)	2,901,118	2,898,493	(809,742)	4,989,869
Finance costs				(2,541,727)
Profit before taxation				2,448,142
Taxation				(727,812)
Profit after taxation				1,720,330

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 27. SEGMENTAL REPORTING (cont'd)

2009	Manufacturing RM	Trading and investment RM	Elimination RM	Consolidation RM
<b>Other information</b>				
Segment assets	75,574,070	48,210,061	(14,934,618)	108,849,513
Segment liabilities	40,742,523	21,954,412	(14,934,618)	47,762,317
Capital expenditure	1,456,312	214,869		1,671,181
Depreciation and amortisation	2,758,057	267,885		3,025,942
Non-cash expenses other than depreciation and amortisation	685,085	495,218		1,180,303

(d) Secondary reporting format - Geographical Segments

The Group's business segments are in the following geographical areas :

	Sales		Total Assets		Capital Expenditure	
	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM
Domestic	66,552,781	80,313,164	100,892,527	108,849,513	4,402,904	1,671,181
Overseas	8,417,387	11,534,578	-	-	-	-
	<u>74,970,168</u>	<u>91,847,742</u>	<u>100,892,527</u>	<u>108,849,513</u>	<u>4,402,904</u>	<u>1,671,181</u>

In determining the geographical segments of the Group, sales are based on country in which the customer is located. There are no sales between segments. Total assets and capital expenditure are determined based on where the assets are located.

## 28. FINANCIAL INSTRUMENTS

### a) Credit Risk

The Group's credit risk is minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group Management reporting procedures.

At balance sheet date, the Group has trade receivables (net of allowance for doubtful debts) of RM1,884,910 (2009 : RM4,891,396) which have been outstanding for more than 120 days which is the normal credit period. Other than as mentioned above, the Group has no significant exposure to credit risk. The Group also has no significant concentration of credit risk and places its cash with creditworthy financial institutions.

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 28. FINANCIAL INSTRUMENTS (cont'd)

### b) Fair Values

The carrying amounts of the financial assets and liabilities of the Group and of the Company as at 30th April 2010 approximate their fair values on the balance sheet of the Group and of the Company except as set out below :-

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
<b>Financial Assets</b>				
Amount owing by subsidiary companies	11,215,893	14,211,530	#	#

# It is not practical to estimate the fair values of the above amounts due principally to a lack of fixed repayment term entered by the parties involved and without incurring additional costs.

## 29. RELATED PARTY DISCLOSURES

For the purpose of the financial statements of the Group and the Company, a party is considered related to the Group and the Company if :-

- directly or indirectly, the party controls, is controlled by, or is under common control within the Group;
- the party is member of the key management personnel of the Group and of the Company; or
- the party is a close member of the family or any individual referred to in (a) or (b) above.

The Group has a related party relationship with:-

- its subsidiary and related company; and
- The directors who are the key management personnel

Transactions	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
<b>i) Key Management Personnel :</b>				
Executive Directors	1,389,069	1,373,433	1,389,069	1,368,171
Salaries and other emoluments	1,185,859	1,182,221	1,185,859	1,176,959
Provision costs – Defined Contributions plans	142,128	141,012	142,128	141,012
Estimated money value of benefits-in-kind	50,000	50,200	50,000	50,200
	1,377,987	1,373,433	1,377,987	1,368,171
<b>ii) Subsidiary companies</b>				
Management fees			1,260,000	1,008,000
Dividend income			1,000,000	-
Interest income			816,349	809,742

The management fees were charged based on recovery of costs incurred on behalf of the subsidiary companies and interest were charged on terms and conditions not materially different from those obtainable in transactions with unrelated parties.

# NOTES TO THE FINANCIAL STATEMENTS

– 30TH APRIL 2010 (cont'd)

## 30. CONTINGENT LIABILITIES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
<b>Secured</b>				
Banker's guarantees in favour of third parties	97,000	137,250	-	-
<b>Unsecured</b>				
Corporate guarantees given to financial institution in respect of credit facilities granted to subsidiary companies	-	-	51,083,000	14,000,000
Amount of banking facilities utilised by subsidiary companies as at the financial year end	-	-	18,287,149	10,138,910

## 31. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 28th January 2010, the Company subscribed for additional ordinary shares of RM1 each in the following subsidiary companies:-

- i) 649,988 ordinary shares of RM1 each in Weng Zheng Sdn Bhd at a total consideration of RM649,988.
- ii) 1,500,000 ordinary shares of RM1 each in Weng Zheng Marketing Sdn Bhd at a total consideration of RM1,500,000.
- iii) 959,998 ordinary shares of RM1 each in Weng Zheng Trading Sdn Bhd at a total consideration of RM959,998.

## 32. CAPITAL COMMITMENT

In respect of purchase of property, plant and equipment :

	Group	
	2010 RM	2009 RM
Authorised and contracted for	2,744,000	-
Authorised and not contracted for	2,500,000	-

# LIST OF PROPERTIES

AS AT 30 APRIL 2010

Location	Tenure	Land area/ Built-up Area (sq ft)	Description /Land Use	Net Book Value (RM'000)	Age of Building	Year Acquired/ Revalued
Lot 1850 Jalan KPB 10 Kawasan Perindustrian Balakong 43300 Seri Kembangan Selangor Darul Ehsan	Freehold	102,154/ 79,759	Manufacturing Plant cum Warehouse	9,522	10 years	2007
Lot 1882 Jalan KPB 9 Kawasan Perindustrian Balakong 43300 Seri Kembangan Selangor Darul Ehsan	Leasehold (Expires 17.8.2065)	81646/ 40,860	Warehouse cum factory	6,065	3 year	2007
Lot 1890 Jalan KPB 9 Kawasan Perindustrian Balakong 43300 Seri Kembangan Selangor Darul Ehsan	Freehold	78,642/ 59,992	Corporate office cum Warehouse	8,615	6 years	2007
Lot 1897 Jalan KPB 9 Kawasan Perindustrian Balakong 43300 Seri Kembangan Selangor Darul Ehsan	Freehold	83,002	Vacant Agriculture Land	3,508	N/A	2007
B2-1 Block B Jalan Damai Perdana 2/8 Bandar damai Perdana 56100 Kuala Lumpur	Freehold	650	Apartment / Staff Quarters	66	7 years	2007
B2-1 Block B Jalan Damai Perdana 2/8 Bandar damai Perdana 56100 Kuala Lumpur	Freehold	650	Apartment / Staff Quarters	66	7 years	2007

# ANALYSIS OF SHAREHOLDINGS

## AS AT 15 SEPTEMBER 2010

### ANALYSIS BY SIZE OF SHAREHOLDINGS

		NO. OF HOLDERS	%	NO. OF SHARES	%
1	- 99	3	0.20%	100	0.00%
100	- 1,000	464	30.59%	447,900	0.45%
1,001	- 10,000	663	43.70%	3,186,600	3.20%
10,001	- 100,000	308	20.30%	11,129,404	11.17%
100,001	- 4,999,999	77	5.08%	39,934,009	40.08%
5,000,000 AND ABOVE		2	0.13%	44,928,887	45.10%
(5% OF ISSUED SECURITIES)					
		1,517	100%	99,626,900	100%

### DIRECTORS' SHAREHOLDING

	Direct	%	Indirect <sup>1</sup>	%
Dato' Amin Rafie Bin Othman	1,000,000	1.00%	-	0
Tan Ching Kee	39,171,907	39.32%	2,367,995	2.38%
Tan Chong Boon	6,406,980	6.43%	69,000	0.07%
Ng Chong Tin	2,398,356	2.41%	-	0
Dato' Siow Kim Lun	150,000	0.15%	-	0
Dato' Yeong Kok Hee	230,000	0.23%	-	0
Ong Teck Chuan	150,000	0.15%	-	0

Note:

1 : Deemed interest pursuant to Section 134 (12) (c) of the Companies Act, 1965 in compliance with the Companies (Amendment) Act, 2007 by virtue of their spouse direct interests in the Company

### SUBSTANTIAL SHAREHOLDERS

	Direct	%	Indirect <sup>1</sup>	%
Tan Ching Kee	39,171,907	39.32%	2,367,995	2.38%
Tan Chong Boon	6,406,980	6.43%	69,000	0.07%

Note:

1 : Deemed interest pursuant to Section 134 (12) (c) of the Companies Act, 1965 in compliance with the Companies (Amendment) Act, 2007 by virtue of their spouse direct interests in the Company

# ANALYSIS OF SHAREHOLDINGS

AS AT 15 SEPTEMBER 2010 (cont'd)

	NAME	NO OF SHARES	PERCENTAGE (%)
1	TAN CHING KEE	38,521,907	38.666
2	TAN CHONG BOON	6,406,980	6.430
3	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HAMZAH BIN MOHD SALLEH (BSL)	2,888,000	2.898
4	NG CHONG TIN	2,398,356	2.407
5	NG LAY HOON	2,317,995	2.326
6	CHONG POH SAM	2,284,595	2.293
7	ABD HAMID BIN ABD RAHMAN	2,050,900	2.058
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RIO CAPITAL SDN. BHD.	2,000,000	2.007
9	HENG HUN JIAT	1,540,500	1.546
10	TAN AI CHOO	1,539,400	1.545
11	KENANGA NOMINEES (TEMPATAN) SDN BHD KENANGA CAPITAL SDN BHD FOR ZAINAL ABIDIN BIN ZAKARIA	1,251,500	1.256
12	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR JOHAR BIN MURAT @ MURAD (SFC)	1,175,500	1.179
13	YAP HOO	1,033,995	1.037
14	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR AMIN RAFIE BIN OTHMAN (SMART)	1,000,000	1.003
15	YEONG KING HUI	960,000	0.963
16	PHANG CHIN KHIONG	942,300	0.945
17	NG SEE KAM	901,000	0.904
18	TAN LEE HWA	730,000	0.732
19	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR MELATI MERIAH SDN BHD (PB)	700,000	0.702
20	TENGGU UZIR BIN TENGGU UBAILLAAH	665,600	0.668
21	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR ALI BIN ABDUL KADIR (SMART)	600,000	0.602
22	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR BERINGIN AUTOMOBIL SDN BHD (MAXIS)	588,000	0.590
23	BORHAN BIN UJANG	562,500	0.564
24	CHUAH TAI EU	500,000	0.501
25	KENANGA NOMINEES (TEMPATAN) SDN BHD TAN CHING KEE	500,000	0.501
26	MD ZAIN BIN PIEE	500,000	0.501
27	TAN JING FENG	477,000	0.478
28	TAN CHEOW HONG	457,384	0.459
29	TAN AI CHOO	456,884	0.458
30	SHALIZA BINTI SABTU	421,000	0.422
	<b>SUB TOTAL</b>	<b>76,371,296</b>	<b>76.657</b>

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Sixth Annual General Meeting of WZ Steel Berhad will be held at Langkawi Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil 57000 Kuala Lumpur on Monday, 25 October 2010 at 10.00 a.m. for the following purposes:-

## A G E N D A

### AS ORDINARY BUSINESS

1. To receive and adopt the audited financial statements for the financial year ended 30 April 2010 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of a single-tier final dividend of 1.0 sen per ordinary share for the financial year ended 30 April 2010. **Resolution 2**
3. To approve the payment of Directors' fees amounting to RM156,000 for the financial year ended 30 April 2010. **Resolution 3**
4. To approve the proposed increase and payment of Directors' fees totalling up to RM204,000 for the financial year ending 30 April 2011, to be payable monthly in arrears. **Resolution 4**
5. To re-elect the following Directors retiring in accordance with Article 84 of the Company's Articles of Association and who being eligible, have offered themselves for re-election:-
  - i. Tan Chong Boon **Resolution 5**
  - ii. Ong Teck Chuan **Resolution 6**
6. To re-appoint Messrs Tai, Yapp & Co. as the Company's auditors and to authorise the Directors to fix their remuneration. **Resolution 7**

### AS SPECIAL BUSINESS

To consider and if thought fit, pass the following Resolutions, with or without modifications:-

#### 7. Ordinary Resolution

##### Authority to Directors to issue shares

"**THAT** subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, at their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued." **Resolution 8**

#### 8. Ordinary Resolution

##### Proposed renewal of authority for the Company to purchase up to 10% of its own shares in the issued and paid-up share capital ("Proposed Renewal of Share Buy-Back Authority")

"**THAT**, subject to the approval of the relevant authorities, approval be and is hereby given for the Company to acquire its own ordinary share of RM0.50 each of up to 10% of its issued and paid up share capital ("WZSteel Shares") from the market of Bursa Malaysia Securities Berhad ("Bursa Securities"), as may be determined by the Directors of the Company from time to time, in the manner set out in Section 2 of Part A of the Circular to Shareholders dated 1 October 2010 ("the Circular").

"**THAT**" such authority shall commence upon the passing of this resolution and shall continue to be in force until:

- i the conclusion of the next Annual General Meeting at which time the authority will lapse, unless by an ordinary resolution passed at the next Annual General Meeting, the authority is renewed; or
- ii the expiration of the period within which the next Annual General Meeting after that date is required by law to be held; or
- iii revoked or varied by an ordinary resolution of the Company's shareholders in a general meeting,

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

## 8. Ordinary Resolution (cont'd)

### Proposed renewal of authority for the Company to purchase up to 10% of its own shares in the issued and paid-up share capital ("Proposed Renewal of Share Buy-Back Authority) (cont'd)

whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date.

**THAT** the Directors of the Company be and are hereby authorised to take all such steps and do all acts and deeds and to execute, sign and deliver on behalf of the Company, all necessary documents to give full effect to and for the purpose of completing or implementing the Proposed Renewal of Share Buy-Back Authority in the manner set out in Section 2 of Part A of the Circular, which would include the maximum funds to be allocated by the Company for this purpose.

**AND THAT** following completion of the purchase(s) of the WZSteel Shares by the Company, the Directors be and are empowered to cancel or retain as treasury shares, any or all of the WZSteel Shares so purchased, resell on Bursa Securities or distribute as dividends to the Company's shareholders or subsequently cancel, any or all of the treasury shares, with full power to assent to any condition, revaluation, modification, variation and/or amendment in any manner as may be required by any relevant authority or otherwise as they deem fit in the best interests of the Company."

**Resolution 9**

## 9. Special Resolution

### Proposed amendment to the Articles of Association of the Company

**"THAT** the amendment to the Articles of Association of the Company as set out in Appendix II of Part B of the Circular to Shareholders dated 1 October 2010 be and is hereby approved."

**Resolution 10**

10. To transact any other ordinary business of which due notice shall have been given.

## NOTICE OF FINAL DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a single-tier final dividend of 1.0 sen per ordinary share of RM0.50 each for the financial year ended 30 April 2010, if approved by shareholders at the Sixth Annual General Meeting, will be paid on 15 November 2010 to the depositors whose names appear in the Record of Depositors of the Company at the close of business on 1 November 2010.

A depositor shall qualify for entitlement to the dividend in respect of:-

- (a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 1 November 2010 in respect of the transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

**TAN LEH KIAH**  
**CHAN YOKE PENG**  
 Company Secretaries

Kuala Lumpur  
 Date: 1 October 2010

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

## Notes:

1. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Act shall not apply.
2. To be valid the Form of Proxy, duly completed must be deposited at the Registered Office of the Company at Suite 13.03, 13th Floor, Menara Tan & Tan, 207, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(d) of the Act are complied with.
4. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or its attorney duly authorised.

## Explanatory Notes on Special Business:-

**Resolution 8** - The proposed Resolution 8, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. The authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

The Company wishes to renew the mandate on the authority to issue shares in general pursuant to the Section 132D of the Companies Act, 1965 at the Fifth Annual General Meeting held on 15 October 2009 (hereinafter referred to as the "General Mandate"). The previous mandate granted by the shareholders had not been utilised and hence no proceeds was raised therefrom.

The purpose to seek the General Mandate is to enable the Directors to issue and allot shares at any time for possible fund raising activities, including but not limited to private placement to such persons in their absolute discretion so as to avoid delay and cost of convening further general meeting to approve the issuance of such shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

**Resolution 9** - The proposed Resolution 9, if passed, will empower the Director to buy-back and/or hold up to a maximum of 10% of the Company's issue and paid-up share capital at any point of time, by utilizing the funds allocated which shall not exceed the total retained profits and/or share premium of the Company. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM of the Company, or the expiration of period within which the next AGM is required by law to be held, whichever is earlier.

**Resolution 10** - The proposed Resolution 10, if passed, will give authority for the Company to amend its Articles of Association in order to align with the amendments of the Listing Requirements pursuant to the directive from Bursa Malaysia Securities Berhad on the implementation of payment of electronic cash dividend, for clarification and enhancements and, where relevant, to render consistency throughout the Articles.

**For further details of the Resolutions 9 and 10, please refer to the Circular to Shareholders dated 1 October 2010, which is dispatched together with the Company's 2010 Annual Report.**

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## NAME OF DIRECTORS STANDING FOR RE-ELECTION

The following are directors standing for re-election at the forthcoming AGM:

- i) Tan Chong Boon
- ii) Ong Teck Chuan

The profile of the directors are set out on pages 4 to 6 of this Annual Report.

## DETAILS OF BOARD MEETINGS

Five (5) Board Meetings were held during financial year ended 30 April 2010. Details of the meetings are as follows:

## DETAILS OF BOARD MEETINGS

Five (5) Board Meetings were held during financial year ended 30 April 2010. Details of the meetings are as follows:

Date of Meeting	Venue
25 June 2009	Lot 1890, Jalan KPB 9, Kawasan Perindustrian Balakong 43300 Seri Kembangan, Selangor Darul Ehsan
6 August 2009	Lot 1890, Jalan KPB 9, Kawasan Perindustrian Balakong 43300 Seri Kembangan, Selangor Darul Ehsan
17 September 2009	Lot 1890, Jalan KPB 9, Kawasan Perindustrian Balakong 43300 Seri Kembangan, Selangor Darul Ehsan
21 December 2009	Lot 1890, Jalan KPB 9, Kawasan Perindustrian Balakong 43300 Seri Kembangan, Selangor Darul Ehsan
18 March 2010	Lot 1890, Jalan KPB 9, Kawasan Perindustrian Balakong 43300 Seri Kembangan, Selangor Darul Ehsan

## DETAILS OF ATTENDANCE OF DIRECTORS

Details of attendance of Directors at the Board Meetings held in the financial year ended 30 April 2010 are as follows:

Name of Directors	No. of Meetings Attended
Dato' Amin Rafie Bin Othman	4/5
Tan Ching Kee	5/5
Tan Chong Boon	5/5
Ng Chong Tin	5/5
Dato' Siow Kim Lun	5/5
Dato' Yeong Kok Hee	4/5
Ong Teck Chuan	4/5

This page has been left blank intentionally.



**WZ STEEL BERHAD**

(666098-X)

(Incorporated in Malaysia under the Companies Act, 1965)

**FORM OF PROXY**

Number of ordinary shares held

I/We, \_\_\_\_\_ I.C No./Co. No./CDS No. \_\_\_\_\_

of \_\_\_\_\_

being a Member/Members of **WZ STEEL BERHAD**, hereby appoint \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_ or failing him / her,

\_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ or failing him / her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Sixth Annual General Meeting of the Company to be held at Langkawi Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Monday, 25 October 2010 at 10:00 a.m. and at any adjournment thereof. My / Our proxy is to vote as indicated below:-

Resolutions	For	Against
1. To receive and adopt the Financial Statements and the Reports of the Directors and Auditors thereon.		
2. To approve the payment of a single-tier final dividend of 1.0 sen per ordinary share for the financial year ended 30 April 2010.		
3. To approve the payment of Directors' fees.		
4. To approve the proposed increase and payment of Directors' fees for the financial year ending 30 April 2011.		
5. To re-elect Tan Chong Boon as Director.		
6. To re-elect Ong Teck Chuan as Director.		
7. To re-appoint Messrs Tai, Yapp & Co. as the Company's auditors and to authorise the Directors to fix their remuneration.		
8. To authorise the Directors to allot and issue shares.		
9. To approve the proposed renewal of share buy-back authority.		
10. To approve the proposed amendment to the Articles of Association.		

*(Please indicate an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his direction)*

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2010

\_\_\_\_\_  
Signature

(If shareholder is a corporation, this part should be executed under seal)

**Notes :**

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. To be valid, this form, duly completed must be deposited at the Company's Registered Office at Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur not less than 48 hours before the time for holding the meeting Provided That in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).
3. A member may appoint one (1) or more proxies to attend and vote at the same meeting, provided always that each member of the Company, including a member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 is only entitled to appoint one proxy for every securities account that the member holds with ordinary shares of the Company standing to the credit of the said securities account. If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

FOLD THIS FLAP FOR SEALING

---

FOLD HERE

---

Affix  
stamp

The Company Secretaries  
**WZ STEEL BERHAD**  
Suite 13.03, 13th Floor  
Menara Tan & Tan  
207 Jalan Tun Razak  
50400 Kuala Lumpur

FOLD HERE

---