

Company No: 111259 H

BUNGAWANG SDN BERHAD
(Incorporated in Malaysia)

ANNUAL REPORT AND FINANCIAL STATEMENTS
30 JUNE 2008

BUNGAWANG SDN BERHAD
(Incorporated in Malaysia)

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BUNGAWANG SDN BERHAD
(Incorporated in Malaysia)**DIRECTORS' REPORT**

The Directors have pleasure in presenting their report and the audited financial statements of the Company for the financial year ended 30 June 2008.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

There has been no significant change in the activity of the Company during the financial year.

FINANCIAL RESULTS

	RM
Net profit for the financial year	<u>887,498</u>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS

The Directors who have held office since the date of the last report are:

Lee Khian Lai
Tan Cheng Yong

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member, or with a Company in which a Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement 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' INTERESTS

According to the Register of Directors' Shareholdings, none of the Directors holding office at the end of the financial year held any shares in the Company or its related companies during and at the end of the financial year.

OTHER STATUTORY INFORMATION

Before the balance sheet and income statement of the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad receivables and the making of allowance for doubtful receivables and satisfied themselves that all known bad receivables had been written off and that adequate allowance had been made for doubtful receivables; and
- (b) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amount written off for bad receivables or the amount of the allowance for doubtful receivables in the financial statements of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to the current assets in the financial statements of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors:

- (a) except as disclosed in the financial statements, the results of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.


AUDITORS

The auditors, Ong Boon Bah & Co, have indicated their willingness to continue in office.

Signed in accordance with a resolution of the Directors dated 16 September 2008.



TAN CHENG YONG
Director



LEE KHIAN LAY
Director

Kuala Lumpur

BUNGAWANG SDN BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, TAN CHENG YONG and LEE KHIAN LAI, being the Directors of BUNGAWANG SDN BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 7 to 20 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 30 June 2008 and of the results and cash flows of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the Directors dated 16 September 2008.



TAN CHENG YONG
Director



LEE KHIAN LAI
Director

Kuala Lumpur

STATUTORY DECLARATION

I, GOH GEOK POEY, the officer primarily responsible for the financial management of BUNGAWANG SDN BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 7 to 20 are, in my opinion, 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.

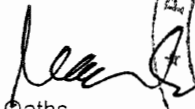
Subscribed and solemnly declared by the abovenamed GOH GEOK POEY at Kuala Lumpur in the Federal Territory on 16 September 2008.



GOH GEOK POEY

Before me

Commissioner for Oaths
Kuala Lumpur



LOT 5.28-5.30, TINGKAT 1
WISMA CENTRAL
JALAN AMPANG
50450 KUALA LUMPUR

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BUNGAWANG SDN BERHAD**

Company No: 111259 H

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Report on the Financial Statements

We have audited the accompanying financial statements of BUNGAWANG SDN BERHAD, which comprise the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 20.

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 provisions of 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 judgement, 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 Company as of 30 June 2008 and of its financial performance and cash flows for the year then ended.

ONG BOON BAH & CO

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUNGAWANG SDN BERHAD (cont'd)

Company No: 111259 H

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Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption. As at 30 June 2008, the Company has a deficit in its shareholders' funds of RM34,775,621 and its current liabilities exceeded its current assets by RM44,951,621, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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.



ONG BOON BAH & CO
AF: 0320
Chartered Accountants



WONG SOO THIAM
1315/12/08(J)
Partner of the Firm

Kuala Lumpur

1 6 SEP 2008

BUNGAWANG SDN BERHAD
(Incorporated in Malaysia)

BALANCE SHEET
AS AT 30 JUNE 2008

	Note	2008 RM	2007 RM
ASSETS			
Non-current assets			
Associated company	5	9,560,000	-
Subsidiary company		-	19,120,000
Investment	6	616,000	616,000
		<u>10,176,000</u>	<u>19,736,000</u>
Current assets			
Other receivables, deposits and prepayments	7	21,354	30,236
Amount due from an associated company	8	32,895,565	-
Amount due from related companies	8	154,423	148,836
Short term deposits with a licensed bank	9	6,312,000	130,000
Cash at bank		69,612	29,639
		<u>39,452,954</u>	<u>338,711</u>
TOTAL ASSETS		<u>49,628,954</u>	<u>20,074,711</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	10	25,000	25,000
Accumulated losses		(34,800,621)	(35,688,119)
Deficit in equity		<u>(34,775,621)</u>	<u>(35,663,119)</u>
Current liabilities			
Other payables and accruals	11	53,622	34,175
Amount due to ultimate holding company	8	24,586,323	-
Amount due to related companies	8	59,359,194	55,687,396
Amount due to a subsidiary company	8	-	14,923
Tax liabilities		405,436	1,336
Total liabilities		<u>84,404,575</u>	<u>55,737,830</u>
TOTAL EQUITY AND LIABILITIES		<u>49,628,954</u>	<u>20,074,711</u>

The accompanying notes form an integral part of the financial statement

BUNGAWANG SDN BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	2008 RM	2007 RM
Revenue	12	53,290	51,513
Other operating income		1,714,863	14,259
Employee benefits expense	13	(5,002)	(4,580)
Other operating expenses		<u>(463,418)</u>	<u>(57,983)</u>
Profit from operations	14	1,299,733	3,209
Finance cost		<u>-</u>	<u>(845)</u>
Profit before taxation		1,299,733	2,364
Taxation	15	<u>(412,235)</u>	<u>(22,946)</u>
Net profit/(loss) for the financial year		<u><u>887,498</u></u>	<u><u>(20,582)</u></u>

The accompanying notes form an integral part of the financial statement

BUNGAWANG SDN BERHAD
(Incorporated in Malaysia)**STATEMENT OF CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Share capital RM	Accumulated losses RM	Total RM
Balance at 1 July 2006	25,000	(35,667,537)	(35,642,537)
Net loss for the financial year	<u>-</u>	<u>(20,582)</u>	<u>(20,582)</u>
Balance at 30 June 2007	25,000	(35,688,119)	(35,663,119)
Net profit for the financial year	<u>-</u>	<u>887,498</u>	<u>887,498</u>
Balance at 30 June 2008	<u>25,000</u>	<u>(34,800,621)</u>	<u>(34,775,621)</u>

The accompanying notes form an integral part of the financial statement

BUNGAWANG SDN BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	2008 RM	2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,299,733	2,364
Adjustments for non-cash items and interests:			
Interest income		(1,697,263)	(14,259)
Interest expense		-	845
Loss on disposal of a subsidiary company		439,797	-
Operating profit/(loss) before working capital changes		42,267	(11,050)
Decrease in other receivables		8,882	554
Increase/(Decrease) in other payables		19,447	(15,986)
Cash generated from/(used in) operations		70,596	(26,482)
Tax paid		(8,135)	(15,876)
Net cash inflow/(outflow) from operating activities		<u>62,461</u>	<u>(42,358)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of a subsidiary company		9,120,203	-
Advances to an associated company		(31,289,578)	-
Advances to related companies		(3,597)	-
Interest received		89,286	6,192
Net cash (outflow)/inflow from investing activities		<u>(22,083,686)</u>	<u>6,192</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from ultimate holding company		24,586,323	-
Advances from/(Repayments to) related companies		3,671,798	(499,905)
Repayments to a subsidiary company		(14,923)	-
Net cash inflow/(outflow) from financing activities		<u>28,243,198</u>	<u>(499,905)</u>
Net increase/(decrease) in cash and cash equivalents		6,221,973	(536,071)
Cash and cash equivalents at beginning of the financial year		159,639	695,710
Cash and cash equivalents at end of the financial year	16	<u>6,381,612</u>	<u>159,639</u>

The accompanying notes form an integral part of the financial statement

BUNGAWANG SDN BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

1. GOING CONCERN

As at 30 June 2008, the Company has a deficit in its shareholders' funds of RM34,775,621 and its current liabilities exceeded its current assets by and RM44,951,621. The ultimate holding company has pledged its continuing financial support to the Company for the next twelve months.

Accordingly, the Directors consider it appropriate to prepare the financial statements of the Company on a going concern basis. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRSs") in Malaysia. At the beginning of the current financial year, the Company had adopted new and revised FRSs as described in Note 3 to the financial statements.

The financial statements of the Company have also been prepared on a historical basis unless otherwise indicated in this summary of significant accounting policies.

The financial statements are presented in Ringgit Malaysia (RM).

(b) Associated company

Associated companies are companies in which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not a control over those policies.

Investment in associated company in the Company's financial statement are stated at cost. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(d).

On disposal of an associated company, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(c) Income tax

Income tax on profit or loss for the year comprise current tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(d) Impairment of assets**

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. Recoverable amounts are estimated for individual assets, or if it is not possible, for cash-generating unit. An impairment loss is 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 asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement.

(e) Financial instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at bank and deposits at call which have insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Other non-current investment

Other non-current investment is stated at cost less allowance for diminution in value of investment to recognise any decline, other than a temporary decline in the value of the investments.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

(iii) Receivables

Receivables are carried at anticipated realisable value. Bad receivables are written off in the period in which they are identified. Allowance for bad and doubtful receivables is made based on estimates of possible losses which may arise from non-collection of certain receivables.

(iv) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(e) Financial instruments (cont'd)****(v) Equity instruments**

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(f) Revenue recognition

Rental income is recognised on an accrual basis in accordance with the substance of the rental agreement.

(g) Employee benefits**(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

The Company's contributions to defined contribution plans are charged to income statement in the period to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs

On 1 July 2007, the Company adopted the following new and revised FRSs, Amendment to FRSs and Interpretations issued by the Malaysian Accounting Standards Board ("MASB"):

(i) FRSs that are mandatory for financial periods beginning on or after 1 October 2006:

FRS 117: Leases
FRS 124: Related Party Disclosures

(ii) FRS and Amendment to FRS that are mandatory for financial periods beginning on or after 1 January 2007:

FRS 6: Exploration for and Evaluation of Mineral Resources
Amendment to FRS 119₂₀₀₄: Employee Benefits - Actual Gains and Losses, Group Plans and Disclosures

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (cont'd)

(iii) FRSs, Amendment to FRS and Interpretations that are mandatory for financial periods beginning on or after 1 July 2007:

FRS 107: Cash Flow Statements
 FRS 111: Construction Contracts
 FRS 112: Income Taxes
 FRS 118: Revenue
 FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
 Amendment to FRS 121: The Effect of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
 FRS 134: Interim Financial Reporting
 FRS 137: Provisions, Contingent Liabilities and Contingent Assets
 IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
 IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
 IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
 IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
 IC Interpretation 7: Applying the Restatement Approach under FRS 129 - Financial Reporting in Hyperinflationary Economies
 IC Interpretation 8: Scope of FRS 2

At the date of authorisation of issue of the financial statements of the Company, accounting standard which has been issued but not yet effective for the Company is FRS 139: Financial Instruments: Recognition and Measurement. FRS 139 is effective for accounting periods beginning on or after 1 January 2010. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Company will apply this standard from financial year ending 30 June 2011.

By virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

The adoption of FRS 6, FRS 111, FRS 117, FRS 120, FRS 134, Amendment to FRS 121 and Interpretations No. 1, 2, 5, 6, 7 and 8 are not applicable to the Company's operations. The adoption of revised FRS 124 and Amendment to FRS 119₂₀₀₄ gave rise to additional disclosures but did not result in significant changes in accounting policies of the Company.

The adoption of the other new and revised FRSs does not have any significant impact on the financial statements of the Company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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:

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(i) Allowance for doubtful receivables

The Company makes allowances for doubtful receivables based on assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be collectible. The identification of doubtful receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such differences will impact carrying value of receivables.

5. ASSOCIATED COMPANY

	2008 RM	2007 RM
Unquoted shares at cost	<u>9,560,000</u>	<u>-</u>

The associated company is:

Name of Company	Country of Incorporation	Holding in Equity		Principal Activity
		2008 %	2007 %	
Lion Mutiara Parade Sdn Bhd *	Malaysia	30	-	Investment holding

* Financial statements of the associated company as at 30 June 2008 is not audited by Ong Boon Bah & Co.

The financial statements of the associated company were not accounted for using the equity method as the Company's shareholders, including those not otherwise entitled to vote, have been informed about, and do not object to the Company not applying the equity method. However, the ultimate holding company, Amsteel Corporation Berhad, a company incorporated in Malaysia, prepares consolidated financial statements.

6. INVESTMENT

	2008 RM	2007 RM
Unquoted shares in Malaysia at cost	<u>616,000</u>	<u>616,000</u>

The investment of the Company has been pledged to a financial institution as security for the issuance of bonds by the ultimate holding company, Amsteel Corporation Berhad.

7. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2008 RM	2007 RM
Other receivables	43,327	52,209
Allowance for doubtful receivables	(34,797)	(34,797)
	<u>8,530</u>	<u>17,412</u>
Deposits	3,099	3,099
Prepayments	9,725	9,725
	<u>21,354</u>	<u>30,236</u>

8. AMOUNT DUE FROM/TO ULTIMATE HOLDING, SUBSIDIARY, ASSOCIATED AND RELATED COMPANIES

The amount due from an associated company which arose mainly from inter-company advances is unsecured, interest bearing at the rate of 6% (2007: interest free) per annum and is repayable on demand.

The amount due from related companies which arose mainly from inter-company advances and payments made on behalf is unsecured, interest bearing at the rate of 6% (2007: 6%) per annum and is repayable on demand.

The amounts due to ultimate holding, subsidiary and related companies which arose mainly from inter-company advances and payments made on behalf are unsecured, interest free and are repayable on demand.

9. SHORT TERM DEPOSITS WITH A LICENSED BANK

The average interest rates of deposits at the balance sheet date is 2.8% (2007: 2.4%) per annum.

The average maturities of deposits as at the end of the financial year is 7 (2007: 7) days.

10. SHARE CAPITAL

	2008 RM	2007 RM
Authorised: 25,000 ordinary shares of RM1.00 each	<u>25,000</u>	<u>25,000</u>
Issued and fully paid: 25,000 ordinary shares of RM1.00 each	<u>25,000</u>	<u>25,000</u>

11. OTHER PAYABLES AND ACCRUALS

	2008 RM	2007 RM
Other payables	52,122	32,675
Accruals	1,500	1,500
	<u>53,622</u>	<u>34,175</u>

12. REVENUE

Revenue of the Company represents rental income.

13. EMPLOYEE BENEFITS EXPENSE

Employee benefits expense of the Company represent wages paid to employees.

14. PROFIT FROM OPERATIONS

Profit from operations is arrived at:

	2008	2007
	RM	RM
After charging:		
Auditors' remuneration	1,500	1,500
Loss on disposal of a subsidiary company	439,797	-
	<u>439,797</u>	<u>-</u>
And crediting:		
Rental income	53,290	51,513
Interest income from:		
- an associated company	1,605,987	-
- related companies	1,990	8,067
- short term deposits with a licensed bank	53,566	6,192
- others	35,720	-
	<u>1,737,263</u>	<u>14,772</u>

15. TAXATION

	2008	2007
	RM	RM
Current year	419,525	16,000
Prior year	(7,290)	6,946
	<u>412,235</u>	<u>22,946</u>

The numerical reconciliation between the average effective tax rate and the applicable tax rate are as follows:

	2008	2007
	RM	RM
Profit before taxation	<u>1,299,733</u>	<u>2,364</u>
	%	%
Applicable tax rate	24	20
Expenses not deductible for tax purposes	8	657
Prior year	(1)	294
	<u>31</u>	<u>971</u>
Average effective tax rate	<u>31</u>	<u>971</u>

The applicable tax rate was increased from 20% to 24% as the Company's issued and fully paid share capital is less than RM2.5 million and the first RM500,000 of the chargeable income is taxed at 20% due to changes in legislation under Budget 2004.

15. TAXATION (cont'd)

The Company has estimated unutilised tax losses and unabsorbed capital allowances carried forward amounting to RM9.7 million (2007: RM9.7 million) and RM5.3 million (2007: RM5.3 million) respectively for which no credit has been taken in the financial statements.

These amounts are subject to agreement with the tax authority.

16. CASH FLOW STATEMENT

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amount:

	2008	2007
	RM	RM
Cash at bank	69,612	29,639
Short term deposits with a licensed bank	6,312,000	130,000
	<u>6,381,612</u>	<u>159,639</u>

17. CORPORATE INFORMATION

- (a) The Company is a private limited liability company incorporated and domiciled in Malaysia.
- (b) The registered office of the Company is located at Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur and the principal place of business of the Company is located at Level 13-14, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur.
- (c) The principal activity of the Company is investment holding.
- (d) The Company is a subsidiary company of Amsteel Corporation Berhad, a public limited liability company incorporated in Malaysia, which is regarded by the Directors as its ultimate holding company.
- (e) The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 16 September 2008.

18. SIGNIFICANT EVENT

On 13 November 2007, the Company entered into a Share Sale and Purchase Agreement ("SSPA") with Elstead Sdn Bhd, Mujur Idaman Sdn Bhd ("Mujur Idaman") and Witmer Limited ("Witmer") for the following:

- i) disposal of 3,000,000 ordinary shares of RM1.00 each and 4,200,000 preference shares of RM0.01 each both fully paid in Lion Mutiara Parade Sdn Bhd ("Lion Mutiara") to Witmer ("Tranche 1 Sale") for a consideration calculated based on the net asset value of Lion Mutiara as at the completion date of the Tranche 1 Sale.

Upon the completion of the Tranche 1 Sale on 7 March 2008, Lion Mutiara ceased to be a subsidiary company of Bungawang Sdn Bhd and become its associated company instead.

18. SIGNIFICANT EVENT (cont'd)

- ii) disposal of the remaining 3,000,000 ordinary shares of RM1.00 each and 4,200,000 preference shares of RM0.01 each both fully paid in Lion Mutiara to Witmer ("Tranche 2 Sale") for a consideration calculated based on the net asset value of Lion Mutiara as at the completion date of the Tranche 2 Sale; and
- iii) joint-venture with Mujur Idaman and Witmer in Lion Mutiara on an equity ratio of 30:20:50 upon the terms and conditions of the Joint-Venture cum Shareholders' Agreement entered into upon the completion of the Tranche 1 Sale on 7 March 2008.

19. RELATED PARTY TRANSACTIONS

Related parties are entities in which a Director or a substantial shareholder of the Company or a person connected to such Director or substantial shareholder has an interest.

Related companies represent subsidiary companies of Amsteel Corporation Berhad.

The related party transactions during the financial year are as follows:

	2008 RM	2007 RM
a) Interest income from		
an associated company:		
- Lion Mutiara Parade Sdn Bhd	<u>1,605,987</u>	<u>-</u>
related companies:		
- Hy-Line Berhad	1,990	1,877
- Amsteel Harta (M) Sdn Bhd	<u>-</u>	<u>6,190</u>
b) Interest expense paid to a subsidiary company		
Lion Mutiara Parade Sdn Bhd	<u>-</u>	<u>845</u>

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no more favourable to the related parties than those arranged with independent third parties.

20. FINANCIAL INSTRUMENTS**Financial risk management policies**

The Company's financial risk management policies seeks to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its risks. The Company operates within clearly defined guideline that are approved by the Board of Directors and the Company's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Company and the policy in respect of the major areas of treasury activity are set out as follows:

20. FINANCIAL INSTRUMENTS (cont'd)**Financial risk management policies (cont'd)****(a) Interest rate risk**

The Company's income and operating cash flow is substantially independent of changes in market interest rates. Interest rate exposure arises from the Company's deposits. Investment in financial assets are short term in nature and are mostly placed as short term deposits with licensed bank.

(b) Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Company's associates to mainly business partners with high creditworthiness. Receivables are monitored on an on-going basis via the Company's management reporting procedures.

The Company does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(c) Liquidity and cash flow risks

The Company seeks to achieve a balance between certainty of funding even in difficult times for the markets or the Company and a flexible, cost-effective borrowing structure. This is to ensure that at the minimum, all projected net borrowing needs are covered by committed facilities. Also, the objective for debt maturity is to ensure that the amount of debt maturing in any one year is not beyond the Company's means to repay and refinance.

Fair values

The carrying amounts of financial assets and financial liabilities of the Company as at the balance sheet date approximated their fair values.

No disclosure is made for:

- (a) unquoted shares as it is impractical to estimate the fair value because of the lack of market information and the assumption used in valuation model to value this investment cannot be reasonably determined; and
- (b) balances with ultimate holding, subsidiary, associated and related companies as it is impractical to determine their fair values in view of the uncertainty as to the timing of future cash flows. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(a) Deposits and cash at bank

The carrying amounts of deposits and cash at bank approximate fair values due to the relatively short term maturity of these instruments.

(b) Other receivables and payables

The carrying amounts of other receivables and payables are reasonable estimates of fair value because of their short maturity.