

Company No.: 656862-M

**MUN XIN SDN. BHD.
(Incorporated in Malaysia)**

**REPORTS AND FINANCIAL STATEMENTS
FOR
THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

**TH DING & CO
CHARTERED ACCOUNTANTS**

Company No.: 656862-M

**MUN XIN SDN. BHD.
(Incorporated in Malaysia)**

REPORTS AND FINANCIAL STATEMENTS

FOR

THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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CORPORATE INFORMATION

DIRECTORS

Lee Wen Mun
Tai Tue Gor
Chong Chee Chew
Chai Keat Voon
Tan Soo Soon

SECRETARY

Ng Chee Fook

AUDITORS

TH Ding & Co.
21-B Jalan SS 21/56B
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

REGISTERED OFFICE

21-A, Jalan SS21/56B
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

CORPORATE OFFICE

No. 17, Jalan Permai Utama
Taman Industrial Bukit Permai
Cheras
56100 Kuala Lumpur

BANKERS

Malayan Banking Berhad
Alliance Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad
Public Bank Berhad
Hong Leong Bank Berhad
Standard Chartered Bank Malaysia Berhad

Company No.: 656862-M

MUN XIN SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is principally engaged as distributors, traders, importers, exporters and dealers of all kinds of food and beverages.

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

RESULTS

	RM
Net profit before taxation	956,211
Taxation	(314,179)
Net profit for the year	<u>642,032</u>

DIVIDENDS

	RM
For the year ended 31.12.2010, final single tier dividend of RM0.05 per share on 2,499,999 ordinary shares paid in May 2011	<u>125,000</u>

The directors recommend the payment of a final single tier dividend in respect of the financial year ended 31 December 2011 of RM 0.05 per share on 3,500,000 ordinary shares amounting to RM 175,000, subject to the approval of members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND/OR DEBENTURES

During the financial year, the following shares were issued:-

Date of issue	Purpose of issue	Class of shares	Issue Price	Number of shares	Terms of issue
05.07.2011	Working capital	Ordinary shares of RM 1 each	RM 1.00	1,000,001	Cash

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ISSUE OF SHARES AND/OR DEBENTURES (CONT'D)

The new shares issued rank pari passu with the existing shares in respect of the distribution of dividends and repayment of capital.

The Company did not issue any debentures during the financial year.

DIRECTORS

The Directors in office since the date of the last report are:-

Lee Wen Mun
Tai Tue Gor
Chong Chee Chew
Chai Keat Voon
Tan Soo Soon

The retirement and re-election of directors by rotation will be in accordance with the provisions of the Articles of Association of the Company.

DIRECTORS' INTERESTS

According to the register of directors' shareholding, the interests of directors in office at the end of the financial year in the ordinary shares of the Company were as follows: -

Direct interest in the Company	No. of ordinary shares of RM 1 each			
	At 01.01.2011	Bought	Sold	At 31.12.2011
Lee Wen Mun	1,499,999	600,001	-	2,100,000
Tai Tue Gor	250,000	100,000	-	350,000
Chong Chee Chew	250,000	100,000	-	350,000
Chai Keat Voon	250,000	100,000	-	350,000
Tan Soo Soon	250,000	100,000	-	350,000

DIRECTORS' BENEFITS

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

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DIRECTORS' BENEFITS (CONT'D)

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed in the Note 17 to the financial statements) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Company were made out, the Directors took reasonable steps: -

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there are no bad debts to be written off and provision for doubtful debts is not required; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts 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 render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

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 Directors, will or may affect the ability of the Company to meet its obligations as and when they fall due.

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 liability of other person; or
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

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OTHER STATUTORY INFORMATION

The Directors state that: -

At the date of this report, they are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

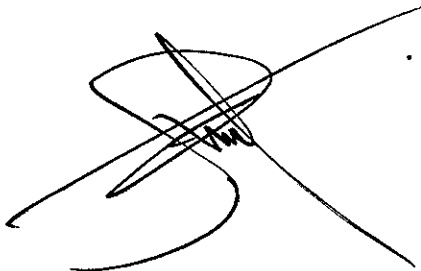
In their opinion: -

- (a) the result 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 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 retiring auditors, Messrs.TH Ding & Co., have indicated their willingness to be re-appointed in accordance with Section 172(2) of the Companies Act, 1965.

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



LEE WEN MUN
Director



CHAI KEAT VOON
Director

Petaling Jaya
Date: 29 FEB 2012

Company No.: 656862-M

MUN XIN SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, **LEE WEN MUN** and **CHAI KEAT VOON**, being the two Directors of **MUN XIN SDN. BHD.**, state that in our opinion, the financial statements set out on pages 10 to 31 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2011 and of the results of the operations, changes in equity and cash flow of the Company for the financial year ended on that date and in accordance with the applicable approved accounting standards for private entities in Malaysia and the provisions of the Companies Act, 1965.

On behalf of the Board,



LEE WEN MUN
Director



CHAI KEAT VOON
Director

Petaling Jaya
Date: 29 FEB 2012

STATUTORY DECLARATION

I, **LEE WEN MUN**, I/C No. 671002-10-6413, the Director primarily responsible for the financial management of **MUN XIN SDN. BHD.**, do solemnly and sincerely declare that the financial statements set out on pages 10 to 31 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 Declaration Act, 1960.

Subscribed and solemnly declared by)
the above named at Petaling Jaya)
on 29 FEB 2012)



LEE WEN MUN
Director

Before me,

Commissioner for Oaths



NO: 69A, JALAN SS 21/37
DAMANSARA UTAMA,
47400 PETALING JAYA,
SELANGOR DARUL EHSAN.

Company No.: 656862-M

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MUN XIN SDN. BHD.
(Incorporated in Malaysia)**

Report on the Financial Statements

We have audited the financial statements of **MUN XIN SDN. BHD.**, which comprise the balance sheet as at 31 December 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 31.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 entity's preparation of financial statements that give a true and fair view 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 entity'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.

Company No.: 656862-M

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MUN XIN SDN. BHD.
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Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity 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 31 December 2011 and of its 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 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.


TH DING & CO
(No: AF 1180)
Chartered Accountants


DING TAI HEAN
Chartered Accountant
(1877/03/13 (J))

Petaling Jaya
Date: 29 FEB 2012

Company No.: 656862-M

MUN XIN SDN. BHD.
(Incorporated in Malaysia)

BALANCE SHEET
AS AT 31 DECEMBER 2011

	Notes	2011 RM	2010 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	<u>7,131,465</u>	<u>5,670,054</u>
CURRENT ASSETS			
Inventories	5	4,372,186	2,873,512
Trade and other receivables	6	5,824,420	4,332,291
Deposits, cash and bank balances		<u>5,071,114</u>	<u>4,808,052</u>
		<u>15,267,720</u>	<u>12,013,855</u>
CURRENT LIABILITIES			
Trade and other payables	8	1,908,301	1,115,036
Amount due to directors	9	386,918	899,520
Borrowings	10	12,181,088	9,527,824
Taxation		<u>182,283</u>	<u>140,521</u>
		<u>14,658,590</u>	<u>11,682,901</u>
NET CURRENT ASSETS			
		<u>609,130</u>	<u>330,954</u>
		<u>7,740,595</u>	<u>6,001,008</u>
FINANCED BY:-			
Share capital	11	3,500,000	2,499,999
Reserves		<u>2,343,879</u>	<u>1,039,783</u>
Shareholders' equity		<u>5,843,879</u>	<u>3,539,782</u>
NON-CURRENT LIABILITIES			
Amount due to a director	9	-	500,000
Borrowings	10	1,838,249	1,884,740
Deferred taxation	12	<u>58,467</u>	<u>76,486</u>
		<u>1,896,716</u>	<u>2,461,226</u>
		<u>7,740,595</u>	<u>6,001,008</u>

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

Company No.: 656862-M

MUN XIN SDN. BHD.
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INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Notes	2011 RM	2010 RM
Revenue	13	77,403,462	68,652,631
Cost of sales	14	(74,348,909)	(65,910,963)
Gross profit		<u>3,054,553</u>	<u>2,741,668</u>
Other operating income		2,396,523	2,099,962
Administration expenses		(3,382,359)	(3,067,891)
Other operating expenses		(479,097)	(413,961)
Profit from operations	15	<u>1,589,620</u>	<u>1,359,778</u>
Finance costs	18	(633,409)	(475,784)
Profit before taxation		<u>956,211</u>	<u>883,994</u>
Taxation	19	(314,179)	(273,232)
Net profit for the year		<u><u>642,032</u></u>	<u><u>610,762</u></u>

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

MUN XIN SDN. BHD.
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**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	Notes	SHARE CAPITAL RM	NON- DISTRIBUTABLE REVALUATION RESERVE RM	DISTRIBUTABLE RETAINED PROFIT RM	TOTAL RM
Balance as at 01.01.2010		2,499,999	-	522,771	3,022,770
Net profit for the year		-	-	610,762	610,762
Dividend: final dividend for the year ended 31.12.2009	20	-	-	(93,750)	(93,750)
Balance 31.12.2010		2,499,999	-	1,039,783	3,539,782
Balance 01.01.2011		2,499,999	-	1,039,783	3,539,782
Issuance of shares		1,000,001	-	-	1,000,001
Net gain not recognised in the income statement - Surplus on revaluation of leasehold land	21	-	787,064	-	787,064
Net profit for the year		-	-	642,032	642,032
Dividend: final dividend for the year ended 31.12.2010	20	-	-	(125,000)	(125,000)
Balance as at 31.12.2011		3,500,000	787,064	1,556,815	5,843,879

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

MUN XIN SDN. BHD.
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CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Notes	2011 RM	2010 RM
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		956,211	883,994
Adjustments for:-			
Depreciation of property, plant and equipment		461,021	399,441
Bad debt recovered		-	(789)
Bad debts written off		18,076	15,309
Profit on disposal of property, plant and equipment		(63,541)	-
Interest payable		633,409	475,784
Interest receivable		(96,305)	(44,735)
Operating profit before working capital changes		<u>1,908,871</u>	<u>1,729,004</u>
Increase in inventories		(1,498,674)	(520,128)
Increase in trade and other receivables		(1,510,205)	(107,955)
Increase in trade and other payables		793,265	50,510
(Decrease)/Increase in amount due to directors		<u>(1,012,602)</u>	<u>484,035</u>
Cash (absorbed by)/generated from operations		<u>(1,319,345)</u>	<u>1,635,466</u>
Interest paid		(633,409)	(475,784)
Interest received		96,305	44,735
Tax paid		<u>(290,436)</u>	<u>(174,073)</u>
Net Cash (Used In)/From Operating Activities		<u>(2,146,885)</u>	<u>1,030,344</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(1,160,127)	(1,523,847)
Proceed on disposal of property, plant and equipment		88,300	-
Placement in fixed deposits		<u>(441,826)</u>	<u>(1,758,794)</u>
Net Cash Used In Investing Activities		<u>(1,513,653)</u>	<u>(3,282,641)</u>

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

MUN XIN SDN. BHD.
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CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

	Notes	2011 RM	2010 RM
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of shares		1,000,001	-
Dividend paid		(125,000)	(93,750)
Increase in banker's acceptance		2,570,000	1,507,000
Financing from hire purchase		341,000	510,000
Repayments of hire purchase payables		(204,850)	(209,796)
Financing from term loan		-	510,000
Repayments of term loans		(99,377)	(77,789)
Net Cash From Financing Activities		<u>3,481,774</u>	<u>2,145,665</u>
Net decrease in cash and cash equivalents		(178,764)	(106,632)
Cash and cash equivalents			
- at beginning of year		<u>529,097</u>	<u>635,729</u>
- at end of year	7	<u><u>350,333</u></u>	<u><u>529,097</u></u>

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

MUN XIN SDN. BHD.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

1. PRINCIPAL ACTIVITIES

The Company is principally engaged as distributors, traders, importers, exporters and dealers of all kinds of food and beverages.

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

2. FINANCIAL RISK MANAGEMENT POLICIES

The Company has no formal risk management policies because there is no major exposure to financial risk except for the following:-

a) Interest rate risk

The Company's policy is to borrow principally on the floating rates basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of upward changes in interest rates while enabling benefits to be enjoyed if interest rates fall.

b) Liquidity and cash flow risks

The Company is exposed to some liquidity risk as it is dependent upon the financial support of its shareholders to meet its obligations as and when they fall due.

The Company seeks to achieve a balance between certainty of funding 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.

c) Foreign currency risk

The Company is not exposed to foreign currency risk as a result of its normal trading activities where the currency denomination differs from the local currency, Ringgit Malaysia (RM). If any, the Company's policy is to minimise the exposure of transaction risk by matching local currency income against local currency costs.

d) Credit risk

The Company's policy is to conduct an internal credit review if the credit risk is deemed material, particularly major trade receivables. An internal review includes consideration of credit limits, credit approvals, credit worthiness, past experiences and monitoring procedures on an ongoing basis.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention unless otherwise indicated and comply with the applicable approved accounting standards for private entities in Malaysia and the provisions of the Companies Act, 1965.

The statement of cash flow has been prepared by using the indirect method.

b) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Leasehold land is subsequently shown at market value, based on triennial valuations by external valuers, less accumulated depreciation and subsequent accumulated impairment losses, if any. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any.

Surplus arising on revaluation is credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is recognised as an expense in the income statement.

On disposal of revalued property, plant and equipment, any amount in revaluation reserve relating to that property, plant and equipment is transferred to retained profit.

Depreciation is provided on the straight-line method in order to write off the cost of each asset to its residual value over its estimated useful life. No depreciation is provided on the freehold land and building in progress. The principal rates used are as follows:-

Freehold building	2 %
Leasehold building	2 %
Computers	33.3 %
Forklifts	20 %
Furniture and fittings	20 %
Motor vehicles	20 %
Office equipment	20 %
Renovations	20 %
Warehouse equipment and racking systems	20 %

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b) Property, plant and equipment (Cont'd)

Leasehold land is depreciated over the remaining term of the lease (01.01.2008 to 09.10.2066).

Property, plant and equipment are written down to recoverable amounts if, the recoverable amounts are less than their carrying values. Recoverable amount is the higher of an asset's net selling price and its value in use.

c) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

d) Trade and other receivables

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off in the year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the year end.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances (excluding fixed deposits pledged with licensed banks). Cash equivalents are short term, highly liquid investments and are readily convertible into cash with insignificant risk of change in value.

f) Leases and hire purchase

Leases (including hire purchase) of property, plant and equipment are classified as finance lease where substantially all the risks and benefits incidental to the ownership of the assets, but not the legal ownership, are transferred to the Company.

Finance leases (including hire purchase) are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual value.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f) Leases and hire purchase (Cont'd)

Assets under finance lease (including hire purchase) are depreciated on a straight-line basis over the shorter of the lease terms or their useful lives. Lease interest is recognised as an expense in the income statement over the lease period so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

All other leases are classified as operating lease and the lease rentals are recognised as an expense in the income statement on a straight-line basis over the lease periods.

g) Impairment of assets

The carrying amounts of assets, other than inventories, assets arising from construction contracts, deferred tax assets and financial assets (other than investments in subsidiaries, associates and jointly controlled entity if any) are reviewed for impairment when 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. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual asset, or if it is not possible, for the cash-generating unit.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

h) Related parties

Related parties are entities with common directors or shareholders wherein one party has the ability to control or exercise significant influence over the other parties in financial or operating policy decisions.

i) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

j) Employee benefits

i) Short-term employee benefits

Wages, salaries, sick leave, bonuses and non-monetary employee benefits are accrued in the financial period in which the associated services are rendered by employees of the Company.

ii) Post-employment benefits – Defined contribution plans

The Company's contributions to defined contribution plans, including the national defined contribution plan, the Employees' Provident Fund ("EPF"), are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

k) Borrowing costs

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use.

All other interest costs and incidental costs of borrowing incurred are expensed off.

l) Income taxes

Income tax on the profit for the year comprises current and deferred tax.

Current tax expense is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates at the balance sheet date.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities and their tax bases at the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

MUN XIN SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

l) Income taxes (Cont'd)

Deferred tax assets and liabilities are not recognised on temporary differences arising from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity. In this case the deferred tax is charged or credited directly in equity. When the deferred tax arises from a business combination that is an acquisition, it is included in the resulting goodwill or negative goodwill.

m) Revenue recognition

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income is recognised on an accrual basis (taking into account the effective yield on the asset) unless its collectibility is in doubt.

n) Financial instruments

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. The recognition methods adopted are disclosed in the respective accounting policy statements where applicable. Fair value is the amount at which a financial asset could be exchanged or a financial liability could be settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the balance sheet date.

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NOTES TO THE FINANCIAL STATEMENTS
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4. PROPERTY, PLANT AND EQUIPMENT

Cost/Valuation	Freehold land RM	Freehold building RM	Leasehold land RM	Leasehold building RM	Computers RM	Forklifts RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Renovations RM	Warehouse equipment and racking systems RM	Building in progress RM	Total RM
Balance at 01.01.2011	2,588,380	-	1,000,000	600,000	94,299	85,000	24,450	1,709,795	55,603	71,566	86,878	575,111	6,891,082
Additions	30,000	362,608	-	-	11,034	25,000	2,757	442,548	19,275	151,180	8,800	106,925	1,160,127
Disposals	-	-	-	-	-	-	-	(235,000)	(1,400)	-	-	-	(236,400)
Revaluation surplus	-	-	787,064	-	-	-	-	-	-	-	-	-	787,064
Balance at 31.12.2011	2,618,380	362,608	1,787,064	600,000	105,333	110,000	27,207	1,917,343	73,478	222,746	95,678	682,036	8,601,873
Accumulated depreciation													
Balance at 01.01.2011	-	-	51,063	36,000	63,783	75,516	16,032	803,370	34,312	66,286	74,666	-	1,221,028
Charge for the year	-	7,252	31,140	12,000	19,881	10,732	3,990	325,383	8,945	33,359	8,339	-	461,021
Disposals	-	-	-	-	-	-	-	(211,081)	(560)	-	-	-	(211,641)
Balance at 31.12.2011	-	7,252	82,203	48,000	83,664	86,248	20,022	917,672	42,697	99,645	83,005	-	1,470,408
Net book value													
Balance at 31.12.2011	2,618,380	355,356	1,704,861	552,000	21,669	23,752	7,185	999,671	30,781	123,101	12,673	682,036	7,131,465
Balance at 31.12.2010	2,588,380	-	948,937	564,000	30,516	9,484	8,418	906,425	21,291	5,280	12,212	575,111	5,670,054
Balance as at 01.01.2010													
Cost	1,941,978	-	1,000,000	600,000	63,608	85,000	21,714	1,014,444	48,734	71,566	81,288	438,903	5,367,235
Accumulated depreciation	-	-	34,042	24,000	48,686	66,116	11,732	492,691	25,427	61,315	57,578	-	821,587
Net book value	1,941,978	-	965,958	576,000	14,922	18,884	9,982	521,753	23,307	10,251	23,710	438,903	4,545,648
Depreciation charge for Year 2010	-	-	17,021	12,000	15,097	9,400	4,300	310,679	8,885	4,971	17,088	-	399,441

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4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	2011 RM	2010 RM
Net book value of revalued land and buildings, had these assets been carried at cost less accumulated depreciation:		
- Leasehold land	<u>931,916</u>	<u>-</u>
Net book value of assets pledged as securities for bank borrowings:-		
- Freehold land	2,588,380	2,588,380
- Leasehold land	1,704,861	948,937
- Leasehold building	552,000	564,000
- Building in progress	682,036	575,111
	<u>5,527,277</u>	<u>4,676,428</u>

Borrowing costs of RM 66,300 (2010 : RM 61,304) arising on financing specifically entered into for the purchase of a building under construction were capitalised during the year and included in additions during the year.

	2011 RM	2010 RM
Details of assets under hire-purchase:		
Motor vehicles		
- Additions during the year	442,548	695,351
- Net book value at year end	989,585	870,733
- Amount financed	<u>341,000</u>	<u>510,000</u>

Several of the motor vehicles with a total net book value of RM 1 (2010: RM 23,920) at the year end are registered in the names of third parties, holding in trust for the Company. Also, the leasehold land and building is held in trust for the Company by two directors.

5. INVENTORIES

	2011 RM	2010 RM
Inventories consist of:-		
Trading goods at cost	<u>4,372,186</u>	<u>2,873,512</u>

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6. TRADE AND OTHER RECEIVABLES

	2011 RM	2010 RM
Trade receivables	5,754,442	4,255,199
Allowance for doubtful debts	(5,558)	(5,558)
	<u>5,748,884</u>	<u>4,249,641</u>
Other receivables	27,930	488
Deposits	7,350	47,200
Prepayments	40,256	34,962
	<u>5,824,420</u>	<u>4,332,291</u>

The Company's normal trade credit terms range from 30 to 60 days.

Other credit terms are assessed and approved on a case by case basis.

The Company has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors, apart from those disallowed as doubtful debts.

7. CASH AND CASH EQUIVALENTS

	2011 RM	2010 RM
Deposits with licensed banks	4,720,781	4,278,955
Cash and bank balances	350,333	529,097
	<u>5,071,114</u>	<u>4,808,052</u>
Deposits with licensed banks	(4,720,781)	(4,278,955)
	<u>350,333</u>	<u>529,097</u>

The deposits are pledged to the banks for banking facilities (Note 10). A total amount of RM 692,545 (2010 : RM 675,387 - Restated) of the deposits is held under the names of two directors in trust for the Company.

The weighted average effective interest rate of the deposits at the balance sheet date was as follows:-

	2011 %	2010 %
Licensed banks	<u>2.00</u>	<u>2.50</u>

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8. TRADE AND OTHER PAYABLES

	2011 RM	2010 RM
Trade payables	1,128,454	676,145
Other payables	420,384	220,199
Accruals	359,463	218,692
	<u>1,908,301</u>	<u>1,115,036</u>

The normal trade credit terms granted to the Company range from 30 to 60 days.

9. AMOUNT DUE TO DIRECTORS

Amount due to directors bears no interest, unsecured and with no fixed terms of repayment.

An amount of RM 500,000 due to a director was fully repaid to enable the director to pay for the new shares issued to him during the financial year.

10. BORROWINGS

	2011 RM	2010 RM
Current - Secured		
Banker's acceptance	11,826,000	9,256,000
Hire purchase payables	251,563	174,279
Term loans	103,525	97,545
	<u>12,181,088</u>	<u>9,527,824</u>
Non-current - Secured		
Hire purchase payables	505,399	446,533
Term loans	1,332,850	1,438,207
	<u>1,838,249</u>	<u>1,884,740</u>
Total - Secured		
Banker's acceptance	11,826,000	9,256,000
Hire purchase payables	756,962	620,812
Term loans	1,436,375	1,535,752
	<u>14,019,337</u>	<u>11,412,564</u>

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10. BORROWINGS (CONT'D)

	2011 RM	2010 RM
Maturity of borrowings (excluding hire purchase):		
Within one year	11,929,525	9,353,545
More than one year and less than 5 years	392,954	461,699
5 years and more	939,896	976,508
	<u>13,262,375</u>	<u>10,791,752</u>

The borrowings (excluding hire purchase) are secured over the leasehold and freehold properties of the Company, a freehold property of a director, fixed deposits of the Company and are jointly and severally guaranteed by all the Directors of the Company and partially guaranteed by Syarikat Jaminan Pembiayaan Perniagaan Berhad.

	2011 RM	2010 RM
Hire purchase liabilities		
Minimum hire purchase payments		
- not later than 1 year	287,306	206,624
- later than 1 year and not later than 5 years	537,604	483,572
	<u>824,910</u>	<u>690,196</u>
Future finance charges on hire purchase	(67,948)	(69,384)
Present value of hire purchase liabilities	<u>756,962</u>	<u>620,812</u>
Present value of finance liabilities		
- not later than 1 year	251,563	174,279
- later than 1 year and not later than 5 years	505,399	446,533
	<u>756,962</u>	<u>620,812</u>
Analysed as follows:-		
Secured		
- Current	251,563	174,279
- Non-Current	505,399	446,533
	<u>756,962</u>	<u>620,812</u>

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10. BORROWINGS (CONT'D)

Hire purchase liabilities are effectively secured as the rights to the hire purchase assets revert to the lessors in the event of default.

Effective interest rates on the hire purchase for the year range from 1.88% to 4.02% (2010: 4.73% to 7.87%) per annum. Effective interest rates on the other borrowings range from 5.75% to 7.40% (2010: 5.75% to 7.10%) per annum.

11. SHARE CAPITAL

	No. of shares		Amount	
	2011	2010	2011 RM	2010 RM
Authorised ordinary shares of RM 1 each				
As at 1 January / 31 December	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid ordinary shares of RM1 each				
As at 1 January	2,499,999	2,499,999	2,499,999	2,499,999
Issued during the year	<u>1,000,001</u>	<u>-</u>	<u>1,000,001</u>	<u>-</u>
As at 31 December	<u>3,500,000</u>	<u>2,499,999</u>	<u>3,500,000</u>	<u>2,499,999</u>

12. DEFERRED TAXATION

	2011 RM	2010 RM
Balance at the beginning of the year	76,486	42,190
Amount recognised in the income statement (Note 19)	<u>(18,019)</u>	<u>34,296</u>
Balance at the end of the year	<u>58,467</u>	<u>76,486</u>
Tax effects of the excess of property, plant and equipment's carrying amounts over its tax written down value	<u>58,467</u>	<u>76,486</u>

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13. REVENUE

Revenue represents the net invoiced value of sales made less discounts and returns.

14. COST OF SALES

	2011	2010
	RM	RM
Cost of inventories sold	<u>74,348,909</u>	<u>65,910,963</u>

15. PROFIT FROM OPERATIONS

The following items have been charged/(credited) in arriving at profit from operations : -

	2011	2010
	RM	RM
Auditors' remuneration	12,000	10,200
Auditors' remuneration overprovided in previous year	(200)	-
Bad debts written off	18,076	15,309
Depreciation of property, plant and equipment	461,021	399,441
Directors' remuneration	585,006	501,007
Property, plant and equipment written off	-	-
Rental of office equipment	2,040	2,520
Rental of premises	27,900	29,400
Staff costs	1,975,621	1,796,149
Bad debt recovered	-	(789)
Fixed deposit interest	(96,305)	(44,735)
Profit on disposal of property, plant and equipment	<u>(63,541)</u>	<u>-</u>

16. STAFF COSTS

	2011	2010
	RM	RM
Wages and salaries	1,710,741	1,516,645
Social security costs	11,565	9,973
Pension costs - defined contribution plans	87,888	77,685
Other staff related expenses	<u>165,427</u>	<u>191,846</u>
	<u>1,975,621</u>	<u>1,796,149</u>

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16. STAFF COSTS (CONT'D)

	2011 RM	2010 RM
Number of employees (excluding directors), at the end of the financial year	<u>47</u>	<u>47</u>

17. DIRECTORS' REMUNERATION

	2011 RM	2010 RM
Salaries, bonuses and allowances	530,142	457,951
Pension costs - defined contribution plans	<u>54,864</u>	<u>43,056</u>
	<u>585,006</u>	<u>501,007</u>

18. FINANCE COSTS

	2011 RM	2010 RM
Interest expense on:		
Bank overdraft	1,148	228
Banker's acceptance	568,543	406,797
Hire purchase	39,601	41,945
Term loans	<u>90,417</u>	<u>88,118</u>
	699,709	537,088
Less: Amount capitalised in qualifying assets: - property, plant and equipment	<u>(66,300)</u>	<u>(61,304)</u>
	<u>633,409</u>	<u>475,784</u>

19. TAXATION

	2011 RM	2010 RM
Tax expenses for the year		
Malaysia	332,198	238,936
Deferred tax		
Relating to origination and reversal of temporary differences (Note 12)	<u>(18,019)</u>	<u>34,296</u>
	<u>314,179</u>	<u>273,232</u>

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19. TAXATION (CONT'D)

Subject to the agreement by the Inland Revenue Board, the Company has approximately RM Nil (2010: RM 5,500) tax credit under S108 of the Income Tax Act, 1967 to frank future dividend payments.

The numeric reconciliation between the applicable statutory income tax rate to the effective income tax rate of the Company is as follows:-

	2011 RM	2010 RM
Profit before taxation	<u>956,211</u>	<u>883,994</u>
Tax calculated at 25%	239,053	220,999
Tax effects in respect of:-		
Tax benefit applicable to small company	-	(25,000)
Expenses not deductible for tax purpose	68,592	84,034
Under/(Over) provision of deferred tax in prior year	<u>6,534</u>	<u>(6,801)</u>
	<u>314,179</u>	<u>273,232</u>

20. DIVIDENDS

	2011 RM	2010 RM
Final dividend paid less taxation - year ended 31 December 2009	-	93,750
Final single tier dividend - year ended 31 December 2010	<u>125,000</u>	<u>-</u>
	<u>125,000</u>	<u>93,750</u>

The directors recommend the payment of a final single tier dividend in respect of the financial year ended 31 December 2011 of RM 0.05 per share on 3,500,000 ordinary shares amounting to RM 175,000, subject to the approval of members at the forthcoming Annual General Meeting.

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21. REVALUATION RESERVE

	2011 RM	2010 RM
<u>Non-distributable</u>		
Revaluation reserve		
- Leasehold land	<u>787,064</u>	<u>-</u>

The movements in revaluation reserve are as follows:-

	2011 RM	2010 RM
Leasehold land		
As at beginning of the year	-	-
Revaluation surplus	787,064	-
As at end of the year	<u>787,064</u>	<u>-</u>

22. COMMITMENTS

At the year end, the Company has the following capital expenditures in respect of:-

	2011 RM	2010 RM
Authorised and contracted	<u>478,930</u>	<u>478,930</u>
Analysed as follows:-		
Property, plant and equipment	<u>478,930</u>	<u>478,930</u>

23. FINANCIAL INSTRUMENTS

a) Derivative financial instruments

There were no derivative financial instruments at the balance sheet date.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

23. FINANCIAL INSTRUMENTS (CONT'D)

b) Financial risks

i) Credit risk

At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amounts of the recognized financial assets.

ii) Liquidity risk

As part of its overall prudent liquidity management, the Company maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

iii) Interest rate risk

The investments in financial assets comprising mostly of short-term deposits with licensed financial institutions are relatively short term in nature and they are not held for speculative purposes.

c) Fair values

i) Recognised financial instruments

The fair value of financial assets and financial liabilities approximate their respective carrying values at the balance sheet date.

ii) Unrecognised financial instruments

There were no unrecognized financial instruments at the balance sheet date.

24. DATE OF AUTHORISATION OF ISSUE

The financial statements were authorised for issue by the Board of Directors on 29 February 2012.