

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.1 The Maxwell Group (Continued)**

9.1.4 The audited consolidated cash flow statement of the Maxwell Group for the FYE 2009 and 1H 2010 are as follows:-

	FYE 2009		1H 2010	
	RMB'000	RM'000	RMB'000	RM'000
<b>Cash Flows from Operating Activities</b>				
Profit before taxation	159,535	82,272	83,181	40,168
Adjustments for:				
Amortisation of prepaid lease payments	116	60	61	29
Depreciation expenses	2,803	1,446	1,380	666
Loss on disposal of property, plant and equipment	85	44	41	20
Interest expense	784	404	431	208
Foreign exchange gain				
- Unrealised	(69)	(36)	-	-
Interest income	(230)	(119)	(142)	(68)
Property, plant and equipment written off	-	-	282	136
Operating profit before working capital changes	163,024	84,071	85,234	41,159
<b>Changes in Working Capital</b>				
Inventories	1,644	848	(11,239)	(5,427)
Receivables	(62,956)	(32,466)	(60,994)	(29,454)
Payables	13,812	7,123	54,724	26,426
	115,524	59,576	67,725	32,704
Interest paid	(784)	(404)	(431)	(208)
Interest received	230	119	142	68
Tax paid	(38,895)	(20,058)	(16,757)	(8,092)
Net Operating Cash Flows	76,075	39,233	50,679	24,472
<b>Cash Flows from Investing Activities</b>				
Purchase of property, plant and equipment	(733)	(378)	(588)	(284)
Proceed from disposal of property, plant and equipment	278	143	97	47
Net Investing Cash Flows	(455)	(235)	(491)	(237)

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## 9.1.4 (Continued)

	FYE 2009		1H 2010	
	RMB'000	RM'000	RMB'000	RM'000
<b>Cash Flows from Financing Activities</b>				
Net change in amount due to former holding company	(9,497)	(4,898)	-	-
Net change in amount due to a former related company	(42,815)	(22,080)	-	-
Net change in short term loans	13,000	6,704	(5,000)	(2,415)
Net Financing Cash Flows	(39,312)	(20,274)	(5,000)	(2,415)
<b>Net change in cash and cash equivalents</b>	36,308	18,724	45,188	21,820
Effect of the exchange rate changes	-	(955)	(48)	(2,903)
Cash and cash equivalents at the beginning of the financial year/period	69,914	35,544	106,222	53,313
<b>Cash and cash equivalents at the end of the financial year/period</b>	106,222	53,313	151,362	72,230
<b>Analysis of Cash and Cash Equivalents</b>				
Cash and bank balances	106,222	53,313	151,362	72,230

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Revenue represents sales of goods and services net of discounts and value-added-tax.

**(b) Other income**

	FYE 2009		1H 2010	
	RMB'000	RM'000	RMB'000	RM'000
Interest income	230	119	142	68
Other incentives	152	79	14	8
Unrealised foreign exchange gain	69	36	-	-
Others	72	36	3	1
	<u>523</u>	<u>270</u>	<u>159</u>	<u>77</u>

**(c) Finance Costs**

	FYE 2009		1H 2010	
	RMB'000	RM'000	RMB'000	RM'000
Interest expenses	784	404	431	208
Bank charges	4	2	1	1
	<u>788</u>	<u>406</u>	<u>432</u>	<u>209</u>

**(d) Profit before Taxation**

Profit before taxation is arrived at after charging/(crediting):-

	FYE 2009		1H 2010	
	RMB'000	RM'000	RMB'000	RM'000
Audit fee				
Statutory				
- current year	48	25	-	-
- underaccrual in prior year	-	-	35	17
Non-statutory	-	-	435	210
- current year				
Amortisation of prepaid lease payments	116	60	61	29

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	FYE 2009		1H 2010	
	RMB'000	RM'000	RMB'000	RM'000
Depreciation	2,803	1,446	1,380	666
Directors' remuneration				
- fees	33	17	124	60
- salaries paid by Zhenxing Shoes	120	62	60	29
Foreign exchange (gain)/loss				
- realised	836	431	25	12
- unrealised	(69)	(36)	-	-
Incorporation fee	128	66	-	-
Listing expenses	2,319	1,196	1,174	567
Loss on disposal of Property, plant and equipment	85	44	41	20
Property, plant and equipment written off	-	-	282	136
Staff costs (Note 9.1.5(e))	56,903	29,345	31,632	15,275
Rental of office	448	231	6	3

(e) **Staff Costs**

	FYE 2009		1H 2010	
	RMB'000	RM'000	RMB'000	RM'000
Wages and salaries	52,668	27,161	29,354	14,175
Defined contribution	4,035	2,081	2,220	1,072
Other staff related expenses	200	103	58	28
	56,903	29,345	31,632	15,275
Included in personnel expenses were remunerations paid to key management personnel	335	173	330	159

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	FYE 2009		1H 2010	
	RMB'000	RM'000	RMB'000	RM'000
PRC subsidiary's income tax - current year	40,801	21,041	21,218	10,246

A reconciliation of income tax expense applicable to profit before taxation at the PRC statutory income tax rate to income tax expense at the effective income tax rate of the Maxwell Group is as follows:

	FYE 2009		1H 2010	
	RMB'000	RM'000	RMB'000	RM'000
Profit before taxation	159,535	82,272	83,181	40,168
Taxation at applicable statutory tax rate of 25%	39,884	20,568	20,795	10,042
Tax effect of:				
- non-taxable income	(76)	(39)	(39)	(19)
- non-deductible expenditure	993	512	462	223
Tax expense for the financial year/period	40,801	21,041	21,218	10,246

As at the end of 31 December 2009 and 30 June 2010, no deferred tax has been provided as the Maxwell Group does not have any material temporary differences between the tax bases of assets and liabilities and their carrying amounts, which give rise to a deferred tax asset or liability in the financial statements.

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Cost	Plant and Machinery		Office Equipment		Motor Vehicles		Renovation		Buildings		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
At 1 January 2009	11,168	5,678	2,107	1,071	930	473	384	195	61,297	31,163	75,886	38,580
Additions	662	342	47	24	-	-	-	-	24	12	733	378
Disposals	(1,369)	(707)	-	-	-	-	-	-	-	-	(1,369)	(707)
Exchange differences	-	(62)	-	(14)	-	(6)	-	(2)	-	(399)	-	(484)
At 31 December 2009	10,461	5,250	2,154	1,081	930	467	384	193	61,321	30,776	75,250	37,767
Additions	76	37	78	38	216	104	218	105	-	-	588	284
Write off	-	-	-	-	-	-	(384)	(185)	-	-	(384)	(185)
Disposals	-	-	(194)	(94)	-	-	-	-	-	-	(194)	(94)
Exchange differences	-	(258)	-	(53)	-	(25)	-	(9)	-	(1,513)	-	(1,858)
At 30 June 2010	10,537	5,029	2,038	972	1,146	546	218	104	61,321	29,263	75,260	35,914

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Accumulated Depreciation	Plant and Machinery		Office Equipment		Motor Vehicles		Renovation		Buildings		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
At 1 January 2009	3,089	1,571	393	200	120	61	26	12	7,360	3,742	10,988	5,586
Charge for the financial year	896	461	354	183	168	86	38	20	1,347	695	2,803	1,446
Disposals	(1,006)	(520)	-	-	-	-	-	-	-	-	(1,006)	(520)
Exchange differences	-	(17)	-	(8)	-	(3)	-	(1)	-	(67)	-	(96)
At 31 December 2009	2,979	1,495	747	375	288	144	64	31	8,707	4,370	12,785	6,416
Charge for the financial period	408	196	165	81	90	43	51	25	665	321	1,380	666
Write off	-	-	-	-	-	-	(102)	(49)	-	-	(102)	(49)
Disposals	-	-	(56)	(27)	-	-	-	-	-	-	(56)	(27)
Exchange differences	-	(74)	-	(19)	-	(7)	-	(1)	-	(219)	-	(320)
At 30 June 2010	3,387	1,617	856	409	378	180	13	6	9,372	4,472	14,007	6,684



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	Plant and Machinery RMB'000	Office Equipment RMB'000	Motor Vehicles RMB'000	Renovation RMB'000	Buildings RMB'000	Total RMB'000
At 31 December 2009	7,482	1,407	642	320	52,614	62,465
At 30 June 2010	7,150	1,182	768	205	51,949	61,254
						29,230

## Net Book Value

All property, plant and equipment held by Zhenxing Shoes are located in the PRC and denominated in Chinese Renminbi.

Certain motor vehicles with net book value of RM355,297 or RMB702,634 (2009: RM283,887 or RMB565,624) were held in trust by the employees of Zhenxing Shoes.



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	As at		As at	
	31 December 2009		30 June 2010	
	RMB'000	RM'000	RMB'000	RM'000
<b>Cost</b>				
At 1 January	5,800	2,949	5,800	2,911
Exchange differences	-	(38)	-	(143)
At 31 December/30 June	5,800	2,911	5,800	2,768
<b>Accumulated amortisation</b>				
At 1 January	949	483	1,065	535
Amortisation for the financial year/period	116	60	61	29
Exchange differences	-	(8)	-	(26)
At 31 December /30 June	1,065	535	1,126	538
<b>Net Book Value</b>				
At 31 December /30 June	4,735	2,376	4,674	2,230

The prepaid lease payments of the Maxwell Group refer to leasehold land located at Zhushuxia Industrial Zone, Jinjiang City Fujian Province, PRC (中国福建省晋江市竹树下工业区).

At 30 June 2010, a leasehold land with a net book value of RM507,153 is pledged as security to secure short-term loans as disclosed in Note 9.1.5(s).

**(i) Inventories**

	As at		As at	
	31 December 2009		30 June 2010	
	RMB'000	RM'000	RMB'000	RM'000
<b>Cost</b>				
Raw material	1,162	583	10,238	4,886
Work-in-progress	2,300	1,155	2,288	1,092
Finished goods	626	314	2,802	1,337
	4,088	2,052	15,328	7,315

The inventories of the Maxwell Group are denominated in Chinese Renminbi.

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Trade receivables are non-interest bearing and the Maxwell Group's normal trade credit terms ranges from 30 days to 120 days. Other credit terms are assessed and approved on a case-by-case basis. The credit period varies from customers to customers after taking into consideration their payment track record, financial background, length of business relationship and size of transactions. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The currency exposure profile of trade receivables are as follows:-

	As at 31 December 2009		As at 30 June 2010	
	RMB'000	RM'000	RMB'000	RM'000
United State Dollars	3,675	1,844	6,372	3,040
Chinese Renmimbi	204,191	102,484	262,698	125,360
	<u>207,866</u>	<u>104,328</u>	<u>269,070</u>	<u>128,400</u>

The ageing analysis of the trade receivables as at 30 June 2010 were as follows:-

	As at 30 June 2010	
	RMB'000	RM'000
Neither past due nor impaired	<u>269,070</u>	<u>128,400</u>

The Maxwell Group believes that, no impairment loss is necessary in respect of these non past due trade receivables. Majority of the balances are owed by the customers that have a good payment record with the Maxwell Group.

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	As at 31 December 2009		As at 30 June 2010	
	RMB'000	RM'000	RMB'000	RM'000
<b>Cost</b>				
Advance to suppliers	99	50	24	11
Other receivables	803	403	604	289
Prepayments	45	22	112	53
	<u>947</u>	<u>475</u>	<u>740</u>	<u>353</u>

The currency exposure profile of other receivables and prepayments are as follows:-

	As at 31 December 2009		As at 30 June 2010	
	RMB'000	RM'000	RMB'000	RM'000
Ringgit Malaysia	-	-	34	16
Chinese Renmimbi	947	475	706	337
	<u>947</u>	<u>475</u>	<u>740</u>	<u>353</u>

**(l) Cash and Bank Balances**

	As at 31 December 2009		As at 30 June 2010	
	RMB'000	RM'000	RMB'000	RM'000
Cash in hand	88	44	109	52
Cash at banks	106,134	53,269	151,253	72,178
	<u>106,222</u>	<u>53,313</u>	<u>151,362</u>	<u>72,230</u>

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The currency exposure profile of cash and bank balances are as follows:-

	As at		As at	
	31 December 2009		30 June 2010	
	RMB'000	RM'000	RMB'000	RM'000
United State Dollars	1	^	1	#
Chinese Renminbi	106,212	53,308	151,352	72,225
Singapore Dollars	*	+	>	<
Ringgit Malaysia	9	5	9	5
	106,222	53,313	151,362	72,230

^ RM 334

# RM 320

\* RMB 40

+ RM 19

> RMB 38

< RM 18

The Chinese Renminbi is not freely convertible into foreign currencies under PRC Foreign Exchange Regulations and Administration of Settlement Sales and Payment of Foreign Exchange Regulations, Zhenxing Shoes is only permitted to exchange Chinese Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

The bank balances of the Maxwell Group generally have an effective interest rate of 0.36% per annum for the financial year/period under review.

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	Maxwell	
	Number of	
	Ordinary Shares	
	Unit '000	RM'000
Ordinary shares of RM0.40 each		
Authorised:		
At date of incorporation / 31 December 2009		
30 June 2010	1,250,000	500,000
Issued and fully paid-up:		
At date of incorporation	#	^
Issued pursuant to the acquisition of Zhenxing Shoes	336,250	134,500
At 31 December 2009 / 30 June 2010	336,250	134,500

# *Represent five (5) ordinary shares.*^ *Represent RM2 (equivalent to RMB4).*

During the FYE 2009, the issued and paid up share capital of Maxwell was increased from RM2 to RM134,500,000 from the issuance of 336,249,995 ordinary shares of RM0.40 each pursuant to the acquisition of the entire equity interests of Zhenxing Shoes. The new shares rank pari-passu with the existing shares of Maxwell.

(n) **Merger Deficit**

The merger deficit arises from the difference between the nominal value of shares issued by Maxwell as purchase consideration and the paid-up share capital Zhenxing Shoes consolidated under the merger method of accounting pursuant to the acquisition of Zhenxing Shoes.

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In accordance with relevant laws and regulations of the PRC, Zhenxing Shoes is required to transfer 10% of its net profit for the financial year prepared in accordance with the accounting regulation of the PRC to the statutory reserve. The transfer will continue until the reserve balance reaches 50% of its registered capital. Such reserve may be used to offset accumulated losses or increase the registered capital of this subsidiary, subject to the approval from the PRC authority, and are not available for dividend distribution to the shareholders of Zhenxing Shoes.

**(p) Currency Translation Reserve**

Currency translation reserve represents translation differences arising from translation of foreign subsidiary into the Maxwell Group's presentation currency.

**(q) Trade Payables**

Trade payables are non-interest bearing and the normal trade credit term granted to Zhenxing Shoes ranges from 30 to 90 days. Trade payables are denominated in Chinese Renminbi.

**(r) Other Payables and Accruals**

	As at 31 December 2009		As at 30 June 2010	
	RMB'000	RM'000	RMB'000	RM'000
Advances from customers	133	67	132	63
Accrued operating expenses	472	237	761	363
Other payables	11,871	5,958	10,974	5,237
	<u>12,476</u>	<u>6,262</u>	<u>11,867</u>	<u>5,663</u>

Advances from customers represents advances from customers for sales and other sales related reimbursements. The advance from customers is denominated in United States Dollars.

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The currency exposure profile of other payables and accruals are as follows:-

	As at		As at	
	31 December 2009	31 December 2009	30 June 2010	30 June 2010
	RMB'000	RM'000	RMB'000	RM'000
United State Dollars	133	67	132	63
Chinese Renmimbi	9,611	4,824	10,801	5,154
Ringgit Malaysia	2,732	1,371	934	446
	<u>12,476</u>	<u>6,262</u>	<u>11,867</u>	<u>5,663</u>

**(s) Short Term Loans**

The carrying amounts of interest-bearing short-term loans of the Maxwell Group are denominated in Renminbi.

The short-term loan of RM3,817,600 or RMB8,000,000 (2009: RM7,528,500 or RMB15,000,000) is secured by corporate guarantees from related parties and third parties. As at 30 June 2010, the Group has a short-term loan of RM954,000 or RMB2,000,000 (2009: Nil) which is secured over the prepaid lease payments as disclosed in Note 9.1.5(h). The interest rates of the short term loans are range from 6.42% to 6.64% (2009: 5.11% to 6.46%) per annum.

**(t) Significant Related Parties Transactions**

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with the Maxwell Group or that have an interest in the Maxwell Group that give it significant influence over the Maxwell Group's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in the Maxwell Group resides with, directly or indirectly.

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The natures of the relationship with the related parties are as follows:-

<b>Related Parties</b>	<b>Nature of Relationship</b>
Jiayi (Fujian) Imp. & Exp. Trade Co., Ltd. (福建省晋江市加怡进出口贸易有限公司)	It is a company incorporated in the PRC and is a wholly-owned subsidiary of Sports Asia Limited. It is a company in which a director and also a shareholder of Maxwell namely Li Kwai Chun (李桂真) has interest.
Sports Asia Limited	It is a company incorporated in the Republic of Singapore. Li Kwai Chun (李桂真), is the shareholder and director of Sports Asia

During the financial year/period under review, the significant related party transactions were as follows:-

	<b>FYE 2009</b>		<b>IH 2010</b>	
	<b>RMB'000</b>	<b>RM'000</b>	<b>RMB'000</b>	<b>RM'000</b>
Sales to Jiayi Trading	1,066	550	-	-
Purchases from Jiayi Trading	80	41	-	-

The director of Maxwell is of the opinion that all the transactions above 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.



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The Maxwell Group does not have written risk management and guidelines. However, the board of directors meet periodically to analyse and formulate measures to manage the Maxwell Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Maxwell Group employs a conservative strategy regarding risk management. As the Maxwell Group's exposure to market risk kept at a minimum level, the Maxwell Group has not used any derivatives financial instruments for trading purposes.

**(a) Credit Risk**

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Maxwell Group.

The maximum exposure to credit risk for each of the financial assets was as follows:-

	<b>Carrying amount</b>	
	<b>As at</b>	
	<b>30 June 2010</b>	
	<b>RMB'000</b>	<b>RM'000</b>
Trade receivables	269,070	128,400
Other receivables	628	300
Cash and cash equivalents	151,362	72,230
	<u>421,060</u>	<u>200,930</u>

The Maxwell Group does not hold any collateral as security and other credit enhancements for the above financial assets.

**Receivables**

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Maxwell Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis.

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 9.1.5(j).

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.1 The Maxwell Group (Continued)****9.1.5 Notes to the audited consolidated financial statements of the Maxwell Group (Continued)****(u) Financial Instruments (Continued)****(i) Financial Risk Management and Objectives (Continued)****(a) Credit Risk (Continued)****Cash and Cash Equivalents**

The management adopts policy of dealing only with reputable financial institutions.

**(b) Liquidity and Cash Flow Risk**

Liquidity risk is the risk that the Maxwell Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Maxwell Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities.

The Maxwell Group adopts prudent liquidity risk management by maintaining sufficient cash, and available funding through an adequate amount of committed credit facilities. Due to dynamic nature of the underlying businesses, the Maxwell Group aims at maintaining flexibility in funding by keeping committed credit lines available.

The analysis of financial instruments by remaining contractual maturities is as follows:-

	Carrying amount		Contractual cash flows		6 months or less		6-12 months	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
30 June 2010								
<b>Non-derivative financial liabilities</b>								
Secured short-term loans	10,000	4,772	(10,000)	(4,772)	.	.	(10,000)	(4,772)
Trade payables	103,976	49,617	(103,976)	(49,617)	(103,976)	(49,617)	.	.
Other payables and accruals	11,867	5,663	(11,867)	(5,663)	(11,867)	(5,663)	.	.
	<u>125,843</u>	<u>60,052</u>	<u>(125,843)</u>	<u>(60,052)</u>	<u>(115,843)</u>	<u>(55,280)</u>	<u>(10,000)</u>	<u>(4,772)</u>

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report

9. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 9.1 **The Maxwell Group (Continued)**
- 9.1.5 **Notes to the audited consolidated financial statements of the Maxwell Group (Continued)**
- (u) **Financial Instruments (Continued)**
- (i) **Financial Risk Management and Objectives (Continued)**
- (c) **Interest rate risk**

Interest risk is the risk that the fair value or future cash flows of the Maxwell Group's financial instruments will fluctuate because of changes in market interest rates. The Maxwell Group's exposure to interest rate risk arises primarily from short term loans.

The Maxwell Group's policy is to manage interest cost using mix of fixed and floating rate debts, which depends on the interest rates market and economic conditions. For interest income from cash deposits, the Maxwell Group managed the interest rate risks by placing cash deposits with reputable financial institutions on varying maturities and interest rate terms.

The interest rate profile of the interest-bearing financial instruments was as follows:-

	<b>Carrying amount</b>	
	<b>As at</b>	
	<b>30 June 2010</b>	
	<b>RMB'000</b>	<b>RM'000</b>
<b>Fixed rate instrument</b>		
Short term loans	10,000	4,772

The short-term loans are fixed rate instruments and therefore a change in interest rates at the reporting date would not affect the statement of comprehensive income.

The carrying amounts of short-term loans with a maturity of less than one year are assumed to approximate their fair values because of the short period to maturity

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**8. ACCOUNTANTS' REPORT (Cont'd)**

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**MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report

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**9. AUDITED FINANCIAL STATEMENTS (Continued)**

**9.1 The Maxwell Group (Continued)**

**9.1.5 Notes to the audited consolidated financial statements of the Maxwell Group (Continued)**

**(u) Financial Instruments (Continued)**

**(i) Financial Risk Management and Objectives (Continued)**

**(d) Foreign currency risk**

The Maxwell Group is exposed to transactional currency risk primarily through sales that are denominated in United States Dollars other than the functional currency of the operations to which they relate. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

As at 30 June 2010, 2.4% of our trade receivables were denominated in United States Dollars whilst the remaining trade receivables are denominated in Chinese Renminbi, which is the functional currency of Zhenxing Shoes, the wholly-owned subsidiary.

The Maxwell Group also hold cash and cash equivalents denominated in foreign currencies as disclosed in Note 9.1.5(1).

The directors believe that the impact of foreign exchange fluctuations will not significantly affect our profitability.

**(ii) Fair Values**

**(a) Recognised Financial Instruments**

The fair values of financial assets and financial liabilities of the Maxwell Group approximate their carrying values on the statement of financial position of the Maxwell Group.

**(b) Unrecognised Financial Instruments**

There were no unrecognised financial instruments as at 30 June 2010.

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.1 The Maxwell Group (Continued)****9.1.5 Notes to the audited consolidated financial statements of the Maxwell Group (Continued)****(v) Capital Management**

The primary objective of the Maxwell Group's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the Maxwell Group with the funds to fund its expansion and growth.

The Maxwell Group manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, Maxwell may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts, reduce existing debts.

Maxwell monitors the level of dividends to be paid to shareholders. Maxwell's objective is also to pay out regular dividends to the shareholders based on the level of its profitability and cash flows.

The capital structure of the Maxwell Group consists of equity attributable to equity holders of Maxwell, comprising share capital, statutory reserve and retained earnings, and total liabilities which represents current liabilities.

The debt-to-equity ratio is as follows:

	As at 30 June 2010	
	RMB'000	RM'000
Total liabilities	139,670	66,651
Equity attributable to equity holders of Maxwell	362,758	173,107
Debt-to-equity ratio	38.5%	38.5%

There were no changes in the Maxwell Group's approach to capital management during the financial year/period under review.

The Maxwell Group is not subject to externally imposed capital requirements.

**(w) Comparative Figures**

The consolidated financial statements of the Maxwell Group for FYE 2009 were presented on a full year basis as if the Maxwell Group was in existence throughout the reported financial year notwithstanding the fact that Maxwell was incorporated on 3 November 2009 and acquired the subsidiary on 18 November 2009 as in substance, the combined entities continue to trade as before but with a new legal parent.

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Maxwell**

9.2.1 The audited statements of comprehensive income of Maxwell for the financial period from its incorporation date on 3 November 2009 to 31 December 2009 and 1H 2010 are as follows:-

	Note	FPE from 3.II.2009 to 31.I2.2009 RM'000	1H 2010 RM'000
Revenue		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Other income		-	-
Selling and distribution expenses		-	-
Administrative expenses		(1,366)	(879)
Other expenses		-	-
Finance costs		-	-
<b>Loss before taxation</b>	9.2.5(a)	(1,366)	(879)
Taxation	9.2.5(c)	-	-
<b>Net loss for the financial periods</b>		(1,366)	(879)
<b>Other comprehensive income</b>		-	-
Total comprehensive income for the financial periods		(1,366)	(879)
Gross profit margin (%)		N/A	N/A
Profit before taxation margin (%)		N/A	N/A
Effective tax rate (%)		N/A	N/A
Weighted average number of ordinary shares in issue at the end of the financial period ('000)		30,453	336,250
Gross earnings per share (sen)		(4.49)	(0.52) ^
Net earnings per share (sen)		(4.49)	(0.52) ^

^ Annualised to twelve (12) for comparison purposes.

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Maxwell (Continued)**

9.2.2 The audited statements of financial position of Maxwell as at 31 December 2009 and 30 June 2010 are as follows:-

	Note	As at 31 December 2009 RM'000	As at 30 June 2010 RM'000
<b>Non-current assets</b>			
Investment in a subsidiary	9.2.5(d)	134,500	134,500
<b>Total non-current assets</b>		<u>134,500</u>	<u>134,500</u>
<b>Current assets</b>			
Other receivables		-	16
Cash and bank balances		5	5
<b>Total current assets</b>		<u>5</u>	<u>21</u>
<b>TOTAL ASSETS</b>		<u>134,505</u>	<u>134,521</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holder of Maxwell</b>			
Share capital	9.2.5(e)	134,500	134,500
Accumulated losses		(1,366)	(2,245)
<b>Total equity</b>		<u>133,134</u>	<u>132,255</u>
<b>Current liabilities</b>			
Other payables and accruals	9.2.5(f)	1,371	446
Amount due to a subsidiary company	9.2.5(g)	-	1,820
<b>Total current liabilities</b>		<u>1,371</u>	<u>2,266</u>
<b>Total liabilities</b>		<u>1,371</u>	<u>2,266</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>134,505</u>	<u>134,521</u>

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**

## Accountants' Report

**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Maxwell (Continued)**

9.2.3 The audited statements of changes in equity of Maxwell for the financial period from its incorporation date on 3 November 2009 31 December 2009 and 1H 2010 are as follows:-

	<b>Distributable</b>		
	<b>Share Capital RM'000</b>	<b>Accumulated Losses RM'000</b>	<b>Total Equity RM'000</b>
At date of incorporation	*	-	*
<b>Total comprehensive income for the financial period</b>	-	(1,366)	(1,366)
Transaction with owner:			
Arising from acquisition of Zhenxing Shoes	134,500	-	134,500
<b>Total transaction with owner</b>	134,500	-	134,500
Balance at 31 December 2009	134,500	(1,366)	133,134
<b>Total comprehensive income for the financial period</b>	-	(879)	(879)
Balance at 30 June 2010	134,500	(2,245)	132,255

\* RM2.





**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Maxwell (Continued)**

9.2.4 The audited statements of cash flow of Maxwell for the financial period from its incorporation date on 3 November 2009 31 December 2009 and 1H 2010:-

	<b>FPE from 3.11.2009 to 31.12.2009 RM'000</b>	<b>1H 2010 RM'000</b>
<b>Cash Flow from Operating Activities</b>		
Loss before taxation / Operating loss before working capital changes	(1,366)	(879)
Changes in Working Capital		
Receivables	-	(16)
Payables	1,371	(925)
Net Operating Cash Flows	<u>5</u>	<u>(1,820)</u>
<b>Cash Flows from Investing Activities</b>	-	-
<b>Cash Flows from Financing Activity</b>		
Net change in amount due to a subsidiary company	-	1,820
Net Financing Cash Flows	<u>-</u>	<u>1,820</u>
<b>Net change in cash and cash equivalents</b>	5	-
Cash and cash equivalents at date of incorporation / 1 January 2010	*	5
<b>Cash and cash equivalents at the end of the financial periods</b>	<u>5</u>	<u>5</u>
<b>Analysis of Cash and Cash Equivalents</b>		
Cash and bank balances	<u>5</u>	<u>5</u>

\* RM2.

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report9. **AUDITED FINANCIAL STATEMENTS (Continued)**9.2 **Maxwell (Continued)**9.2.5 **Notes to the audited financial statements of Maxwell**(a) **Loss before Taxation**

Loss before taxation is arrived after charging:-

	FPE from 3.11.2009 to 31.12.2009 RM'000	1H 2010 RM'000
Audit fee		
Statutory		
- current year	20	-
- unceraccrual in prior year	-	17
Non-statutory		
- current year	-	210
Directors' fees	17	60
Incorporation fee	66	-
Listing expenses	1,196	567
Staff costs (Note 9.2.5(b))	45	69
	<u>          </u>	<u>          </u>

(b) **Staff Costs**

	FPE from 3.11.2009 to 31.12.2009 RM'000	1H 2010 RM'000
Salaries	42	60
Defined contribution	2	7
Other staff related expenses	1	2
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

Staff costs comprise mainly the remunerations paid to the key management personnel.

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report9. **AUDITED FINANCIAL STATEMENTS (Continued)**9.2 **Maxwell (Continued)**9.2.5 **Notes to the audited financial statements of Maxwell (Continued)**(c) **Taxation**

Maxwell does not derive any income during the current financial periods under review.

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of Maxwell is as follows:

	FPE from 3.11.2009 to 31.12.2009 RM'000	1H 2010 RM'000
Loss before taxation	(1,366)	(879)
Taxation at applicable statutory tax rate of 25%	(342)	(220)
Tax effect of:		
- non-deductible expenditure	342	220
Tax expense for the financial period	-	-

(d) **Investment in a Subsidiary**

	As at 31 December 2009 RM'000	As at 30 June 2010 RM'000
Unquoted shares, at cost	134,500	134,500

Maxwell's equity interest in the subsidiary, country of incorporation and its principal activities are disclosed in Note 3.3.

On 18 November 2009, Maxwell and Sports Asia Limited ("Sport Asia"), a company incorporated in Singapore, entered into an Agreement to acquire from Sports Asia the entire interests in the registered capital of Zhenxing Shoes for a purchase consideration of RM134,499,998. The purchase consideration was satisfied via the issuance of 336,249,995 new ordinary shares of RM0.40 each of Maxwell. Upon the completion of the said acquisition, Sports Asia ceased to be the holding company of Zhenxing Shoes and Maxwell became the new holding company of Zhenxing Shoes.

The acquisition of Zhenxing Shoes by Maxwell resulted in a business combination involving common control entities as disclosed in Note 7C(ii).

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report9. **AUDITED FINANCIAL STATEMENTS (Continued)**9.2 **Maxwell (Continued)**9.2.5 **Notes to the audited financial statements of Maxwell (Continued)**(e) **Share Capital**

	<b>Maxwell</b>	
	<b>Number of</b>	
	<b>Ordinary Shares</b>	
	<b>Unit '000</b>	<b>RM'000</b>
Ordinary shares of RM0.40 each		
Authorised:		
At date of incorporation / 31 December 2009		
30 June 2010	1,250,000	500,000
Issued and fully paid-up:		
At date of incorporation	#	^
Issued pursuant to the acquisition of Zhenxing Shoes	336,250	134,500
At 31 December 2009 / 30 June 2010	336,250	134,500

# *Represent five (5) ordinary shares.*^ *Represent RM2 (equivalent to RMB4).*

During the financial period, the issued and paid up share capital of Maxwell was increased from RM2 to RM134,500,000 from the issuance of 336,249,995 ordinary shares of RM0.40 each pursuant to the acquisition of the entire equity interests of Zhenxing Shoes. The new shares rank pari-passu with the existing shares of Maxwell.

(f) **Other Payables and Accruals**

	<b>As at</b>	<b>As at</b>
	<b>31 December 2009</b>	<b>30 June 2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Accrued operating expenses	35	279
Other payables	1,336	167
	1,371	446

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**8. ACCOUNTANTS' REPORT (Cont'd)**

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**MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report

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**9. AUDITED FINANCIAL STATEMENTS (Continued)**

**9.2 Maxwell (Continued)**

**9.2.5 Notes to the audited financial statements of Maxwell (Continued)**

**(g) Amount Due to a Subsidiary**

Amount due to a subsidiary represent payments made on behalf which are unsecured, interest free and repayable on demand.

**(h) Financial Instruments**

**(i) Financial Risk Management and Objectives**

Maxwell does not have written risk management and guidelines. Maxwell has limited number of transactions and does not have significant exposure to financial risks. Financial support from Zhenxing Shoes, the subsidiary, is available as and when required.

**(ii) Fair Values**

**(a) Recognised Financial Instruments**

The fair values of financial assets and financial liabilities of Maxwell approximate their carrying values on the statement of financial position of Maxwell.

**(b) Unrecognised Financial Instruments**

There were no unrecognised financial instruments as at 30 June 2010.

**8. ACCOUNTANTS' REPORT (Cont'd)**

MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY  
Accountants' Report

**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes**

9.3.1 The audited statement of comprehensive income of Zhenxing Shoes based on the four (4) FYE 2006, FYE 2007, FYE 2008 and FYE 2009 and the six (6) month FPE 30 June 2010 are as follows:-

	Note	FYE 2006		FYE 2007		FYE 2008		FYE 2009		1H 2010	
		RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Revenue	9.3.5(a)	159,971	73,539	317,538	143,464	452,492	218,056	583,718	301,023	307,434	148,460
Cost of sales		(116,532)	(53,570)	(228,619)	(103,290)	(323,356)	(155,825)	(409,406)	(211,131)	(215,993)	(104,303)
<b>Gross profit</b>		43,439	19,969	88,919	40,174	129,136	62,231	174,312	89,893	91,441	44,157
Other income	9.3.5(b)	491	226	475	214	1,322	637	523	270	159	77
Selling and distribution expenses		(796)	(366)	(934)	(422)	(2,946)	(1,420)	(1,811)	(934)	(1,104)	(533)
Administrative expenses		(3,652)	(1,679)	(4,572)	(2,066)	(10,099)	(4,867)	(9,131)	(4,709)	(4,694)	(2,267)
Other expenses		(1,443)	(663)	(5,972)	(2,698)	(421)	(203)	(922)	(476)	(345)	(167)
Finance costs	9.3.5(c)	(1,001)	(460)	(1,302)	(588)	(901)	(434)	(788)	(406)	(432)	(209)
<b>Profit before taxation</b>	9.3.5(d)	37,038	17,027	76,614	34,614	116,091	55,944	162,183	83,638	85,024	41,058



**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.1 (Continued)**

	Note	FYE 2006		FYE 2007		FYE 2008		FYE 2009		1H 2010	
		RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Profit before taxation		37,038	17,027	76,614	34,614	116,091	55,944	162,183	83,638	85,024	41,058
Taxation	9.3.5(f)	(11,132)	(5,118)	(21,044)	(9,508)	(29,622)	(14,275)	(40,801)	(21,041)	(21,218)	(10,246)
<b>Net profit for the financial years/period</b>		<b>25,906</b>	<b>11,909</b>	<b>55,570</b>	<b>25,106</b>	<b>86,469</b>	<b>41,669</b>	<b>121,382</b>	<b>62,597</b>	<b>63,806</b>	<b>30,812</b>
Gross profit margin (%)		27.15	27.15	28.00	28.00	28.54	28.54	29.86	29.86	29.74	29.74
Profit before taxation margin (%)		23.15	23.15	24.13	24.13	25.66	25.66	27.78	27.78	27.66	27.66
Effective tax rate (%)		30.06	30.05	27.47	27.47	25.52	25.52	25.16	25.16	24.96	24.96
Gross earning per paid-up capital (times)		1.39	1.42	2.20	2.20	1.95	2.02	2.72	3.02	2.85	2.97
Net earning per paid-up capital (times)		0.98	0.99	1.60	1.60	1.45	1.51	2.03	2.26	2.14	2.23

^ Annualised to twelve (12) months for comparison purposes.

**8. ACCOUNTANTS' REPORT (Cont'd)**

MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY  
Accountants' Report

**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)**

9.3.2 The audited statement of financial positions of Zhenxing Shoes as at 31 December 2006, 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 are as follows:-

Note	As at									
	31.12.2006		31.12.2007		31.12.2008		31.12.2009		30.6.2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
<b>Non-current assets</b>	51,498	23,231	63,175	28,643	69,749	35,460	67,200	33,727	65,928	31,460
Property, plant and equipment	46,415	20,938	58,208	26,391	64,898	32,994	62,465	31,351	61,254	29,230
Prepaid lease payments	5,083	2,293	4,967	2,252	4,851	2,466	4,735	2,376	4,674	2,230
<b>Total non-current assets</b>	51,498	23,231	63,175	28,643	69,749	35,460	67,200	33,727	65,928	31,460
<b>Current assets</b>	32,921	14,850	16,370	7,422	5,732	2,914	4,088	2,052	15,328	7,315
Inventories	53,506	24,136	67,101	30,423	106,538	54,164	207,866	104,328	269,070	128,400
Trade receivables										
Other receivables and prepayments	5,444	2,456	7,704	3,493	39,250	19,955	947	475	706	337
Amount due from related parties	31,108	14,034	39,054	17,707	-	-	-	-	-	-
Amount due from directors	-	-	27,997	12,695	-	-	-	-	-	-
Amount due from holding company	-	-	-	-	-	-	-	-	3,837	1,831
Cash and bank balances	2,390	1,078	3,461	1,569	69,914	35,544	106,212	53,308	151,353	72,225
<b>Total current assets</b>	125,369	56,554	161,687	73,309	221,434	112,577	319,113	160,163	440,294	210,108
<b>TOTAL ASSETS</b>	176,867	79,785	224,862	101,952	291,183	148,037	386,313	193,890	506,222	241,568







**8. ACCOUNTANTS' REPORT (Cont'd)**

**MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report

**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)**

9.3.3 The audited statements of changes in equity of Zhenxing Shoes based on the four (4) FYE 2006, FYE 2007, FYE 2008 and FYE 2009 and the six (6) months FPE 30 June 2010 are as follows:-

	Share Capital	Translation Reserve	Statutory Reserve	Retained Earnings	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2006 #	11,981	-	469	1,943	14,140
Net profit for the financial year	-	-	-	11,909	11,909
Transfer to statutory reserve	-	-	2,591	(1,191)	-
Dividend payable	-	-	-	(19,300)	(8,872)
Currency translation differences	-	-	(97)	-	(97)
Balance at 31 December 2007	11,981	-	3,060	8,243	37,862
Increase in paid-up capital	3,727	-	-	-	8,250
Net profit for the financial year	-	-	-	25,106	25,106
Transfer to statutory reserve	-	-	5,557	(5,557)	-
Currency translation differences	-	-	-	-	141
Dividend payable	-	-	-	(30,700)	(13,870)
Balance at 31 December 2008	15,708	44	8,617	12,514	70,982
Increase in paid-up capital	11,973	-	-	-	24,846
Net profit for the financial year	-	-	-	86,469	86,469
Transfer to statutory reserve	-	-	8,647	(8,647)	-
Currency translation differences	-	-	6,854	-	6,854
Balance at 31 December 2009	27,681	6,898	17,264	105,378	182,297

# For the purpose of this report, total equity has been converted to Ringgit Malaysia at the closing rate as at 1 January 2006.

**8. ACCOUNTANTS' REPORT (Cont'd)**

MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY  
Accountants' Report

**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.3 (Continued)**

	Share Capital	Translation Reserve	Statutory Reserve	Retained Earnings	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009	59,655	-	17,264	105,378	182,297
Net profit for the financial year	-	-	-	121,382	121,382
Transfer to statutory reserve	-	-	12,138	(6,260)	-
Currency translation differences	-	(2,861)	-	-	(2,861)
Balance at 31 December 2009	59,655	4,037	29,402	106,354	152,416
Net profit for the financial period	-	-	-	63,806	63,806
Transfer to statutory reserve	-	-	6,381	(3,081)	-
Currency translation differences	-	(7,866)	-	-	(7,866)
Balance at 30 June 2010	59,655	(3,829)	35,783	134,085	175,362

**8. ACCOUNTANTS' REPORT (Cont'd)**

MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY  
Accountants' Report

**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)**

9.3.4 The audited cash flow statements of Zhenxing Shoes based on the four (4) FYE 2006, FYE 2007, FYE 2008 and FYE 2009 and the six (6) months FPE 30 June 2010 are as follows:-

	FYE 2006		FYE 2007		FYE 2008		FYE 2009		1H 2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
<b>Cash Flows from Operating Activities</b>										
Profit before taxation	37,058	17,027	76,614	34,614	116,091	55,944	162,183	83,638	85,024	41,058
Adjustments for:										
Amortisation of land use rights	116	53	116	52	116	56	116	60	61	29
Bad debts written off	63	29	4,863	2,197	262	126	-	-	-	-
- trade	1,563	718	1,739	786	2,384	1,149	2,803	1,446	1,380	666
Depreciation expenses	-	-	484	219	-	-	85	44	41	20
Loss on disposal of property, plant and equipment	-	-	9	4	-	-	-	-	282	136
Property, plant and equipment written off	959	441	1,276	577	890	429	784	404	431	208
Interest expense	(59)	(27)	(325)	(147)	(852)	(411)	(69)	(36)	-	-
Foreign exchange gain	(257)	(118)	(40)	(18)	(283)	(136)	(230)	(119)	(142)	(68)
- Unrealised										
Interest income										
Operating profit before working capital changes	39,423	18,123	84,736	38,284	118,608	57,157	165,672	85,437	87,077	42,049



**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.4 (Continued)**

	FYE 2006		FYE 2007		FYE 2008		FYE 2009		1H 2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Changes in Working Capital										
Inventories	(1,898)	(873)	16,550	7,477	10,638	5,127	1,644	848	(11,240)	(5,427)
Receivables	(35,912)	(16,509)	(20,394)	(9,214)	(71,102)	(34,264)	(62,956)	(32,467)	(60,962)	(29,439)
Payables	3,803	1,748	(24,789)	(11,200)	10,506	5,063	11,153	5,752	56,641	27,352
	5,416	2,490	56,103	25,347	68,650	33,082	115,513	59,570	71,516	34,535
Interest paid	(959)	(441)	(1,276)	(577)	(890)	(429)	(784)	(404)	(431)	(208)
Interest received	257	118	40	18	283	136	230	119	142	68
Tax paid	(1,637)	(752)	(27,229)	(12,302)	(26,370)	(12,708)	(38,895)	(20,059)	(16,757)	(8,092)
Net Operating Cash Flows	3,077	1,415	27,638	12,486	41,673	20,081	76,064	39,226	54,470	26,303

**Cash Flows from Investing Activities**

Purchase of property, plant and equipment	(2,532)	(1,164)	(14,235)	(6,431)	(9,074)	(4,373)	(733)	(378)	(588)	(284)
Proceed from disposal of property, plant and equipment	-	-	211	95	-	-	277	143	97	47
Net Investing Cash Flows	(2,532)	(1,164)	(14,024)	(6,336)	(9,074)	(4,373)	(456)	(235)	(491)	(237)



**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.4 (Continued)**

	FYE 2006	FYE 2007	FYE 2008	FYE 2009	1H 2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash Flows from Financing Activity					
Cash deposit released / (held) as security values	8,300	(1,400)	2,600	-	-
Net change in amount due to holding company	-	-	10,204	(9,496)	(3,838)
Net change in amount due to a related company	5,589	14,662	(1,548)	(42,814)	-
Net change in amount due to related parties	(13,646)	(7,946)	38,304	-	-
Net change in amount due from/to directors	10,334	(28,859)	27,997	-	-
Net change in short term loans	(1,460)	(450)	(11,550)	13,000	(5,000)
Net change in bills payable	(9,790)	1,800	(4,400)	-	-
Proceeds from issuance of shares	-	8,250	24,847	-	-
Dividends paid	-	-	(50,000)	-	-
Net Financing Cash Flows	(673)	(13,943)	36,454	(39,310)	(8,838)
			17,568	(20,273)	(4,267)

**8. ACCOUNTANTS' REPORT (Cont'd)**

MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY  
Accountants' Report

**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.4 (Continued)**

	FYE 2006		FYE 2007		FYE 2008		FYE 2009		1H 2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Net change in cash and cash equivalents	(128)	(58)	(329)	(148)	69,053	33,276	36,298	18,718	45,141	21,799
Effect of the exchange rate changes	-	(23)	-	2	-	1,878	-	(954)	-	(2,882)
Cash and cash equivalents at the beginning of the financial year/period	1,318	618	1,190	537	861	390	69,914	35,544	106,212	53,308
Cash and cash equivalents at the end of the financial years/period	1,190	537	861	390	69,914	35,544	106,212	53,308	151,353	72,225
ANALYSIS OF CASH AND CASH EQUIVALENTS										
Analysis of Cash and Cash Equivalents	2,390	1,078	3,461	1,569	69,914	35,544	106,212	53,308	151,353	72,225
Cash and bank balances	(1,200)	(541)	(2,600)	(1,179)	-	-	-	-	-	-
Less: Cash deposits held as security value	1,190	537	861	390	69,914	35,544	106,212	53,308	151,353	72,225

**8. ACCOUNTANTS' REPORT (Cont'd)**

MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY  
Accountants' Report

**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes****(a) Revenue**

Revenue represents sales of goods and services net of discounts and value-added-tax.

**(b) Other Income**

	FYE 2006	FYE 2007	FYE 2008	FYE 2009	IH 2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	257	118	18	230	142
Other incentives	175	81	50	152	79
Unrealised foreign exchange gain	59	27	147	69	36
Others	-	-	52	72	36
	491	226	214	523	270
			1,322		159
			637		77

**(c) Finance Costs**

	FYE 2006	FYE 2007	FYE 2008	FYE 2009	IH 2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest expenses	959	441	577	784	431
Bank charges	42	19	11	4	1
	1,001	460	588	788	432
			901		406
			434		209







**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes****(e) Staff Costs**

Included in personnel expenses are the following:-

	FYE 2006		FYE 2007		FYE 2008		FYE 2009		IH 2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Wages and salaries	26,237	12,061	37,409	16,901	45,176	21,770	52,709	27,182	29,230	14,115
Defined contribution	111	51	108	49	3,371	1,625	4,028	2,077	2,205	1,065
Other staff related expenses	197	91	236	107	213	103	200	103	46	22
	26,545	12,203	37,753	17,057	48,760	23,498	56,937	29,362	31,481	15,202
Included in personnel expenses comprised amounts paid to										
- executive directors	132	61	223	101	-	-	-	-	-	-
- key management personnel	70	32	80	36	296	143	368	190	186	90
	202	93	303	137	296	143	368	190	186	90



**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes****(f) Taxation**

	FYE 2006	FYE 2007	FYE 2008	FYE 2009	IH 2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
PRC income tax					
- current year	10,620	21,044	29,622	40,801	21,218
- prior year	512	-	-	-	-
	11,132	21,044	29,622	40,801	21,218

A reconciliation of income tax expense applicable to profit before taxation at the PRC corporate income tax rate to income tax expense at the effective income tax rate of Zhenxing Shoes is as follows:

	FYE 2006	FYE 2007	FYE 2008	FYE 2009	IH 2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation	37,038	76,614	116,091	162,183	85,024
Taxation at applicable statutory tax rate of 27%/25%	10,000	20,686	29,023	40,546	21,256
Tax effect of:					
- non-taxable income	(9)	(10)	(184)	(75)	(38)
- non-deductible expenditure	629	368	783	330	171
- Under accrual in prior year	512	-	-	-	-
Tax expense for the financial years/period	11,132	21,044	29,622	40,801	21,218

**8. ACCOUNTANTS' REPORT (Cont'd)**

**MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report

**9. AUDITED FINANCIAL STATEMENTS (Continued)**

**9.3 Zhenxing Shoes (Continued)**

**9.3.5 Notes to the audited financial statements of Zhenxing Shoes**

**(f) Taxation (Continued)**

The provision for PRC income tax was calculated based on the applicable income tax rate of 27% (for FYE 2006 and FYE 2007) on the assessable income, which include 24% enterprise income tax and 3% local income tax.

Pursuant to the PRC Enterprise Income Tax Law passed by the Tenth National People's Congress on 16 March 2007, the new tax rate for domestic enterprises and foreign investment enterprises are unified at 25% and was effective from 1 January 2008.

As at the end of 31 December 2006, 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, there are no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(g) Property, Plant and Equipment**

Cost	Plant and Machinery		Office Equipment		Motor Vehicles		Renovation		Buildings		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
At 1 January 2006	5,511	2,486	200	90	27	12	-	-	45,989	20,746	51,727	23,334
Additions	459	211	148	68	5	2	-	-	1,920	883	2,532	1,164
Exchange differences	-	(4)	-	(1)	-	-	-	-	-	(17)	-	(22)
At 31 December 2006	5,970	2,693	348	157	32	14	-	-	47,909	21,612	54,259	24,476
Additions	696	316	18	8	133	60	-	-	13,388	6,070	14,235	6,454
Write-offs	-	-	(10)	(4)	-	-	-	-	-	-	(10)	(4)
Disposals	(1,672)	(758)	-	-	-	-	-	-	-	-	(1,672)	(758)
Exchange differences	-	14	-	1	-	-	-	-	-	110	-	124
At 31 December 2007	4,994	2,265	356	162	165	74	-	-	61,297	27,792	66,812	30,292
Additions	6,174	3,139	1,751	890	765	389	384	195	-	-	9,074	4,613
Exchange differences	-	274	-	19	-	10	-	-	-	3,371	-	3,674
At 31 December 2008	11,168	5,678	2,107	1,071	930	473	384	195	61,297	31,163	75,886	38,580
Additions	662	342	47	24	-	-	-	-	24	12	733	378
Disposals	(1,369)	(707)	-	-	-	-	-	-	-	-	(1,369)	(707)
Exchange differences	-	(62)	-	(14)	-	(6)	-	(2)	-	(399)	-	(484)
At 31 December 2009	10,461	5,250	2,154	1,081	930	467	384	193	61,321	30,776	75,250	37,767
Additions	76	37	78	38	216	104	218	105	-	-	588	284
Write-off	-	-	-	-	-	-	(384)	(185)	-	-	(384)	(185)
Disposals	-	-	(194)	(94)	-	-	-	-	-	-	(194)	(94)
Exchange differences	-	(288)	-	(53)	-	(25)	-	(9)	-	(1,513)	-	(1,858)
At 30 June 2010	10,537	5,029	2,038	972	1,146	346	218	104	61,321	29,263	75,260	35,914

^ RM74.



**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(g) Property, Plant and Equipment (Continued)**

	Plant and Machinery		Office Equipment		Motor Vehicles		Renovation		Buildings		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Accumulated Depreciation												
At 1 January 2006	2,275	1,026	96	43	1	1	-	-	3,909	1,763	6,281	2,833
Charge for the financial year	507	233	52	24	5	2	-	-	999	459	1,563	718
Exchange differences	-	(4)	-	^	-	¥	-	-	-	(9)	-	(13)
At 31 December 2006	2,782	1,255	148	67	6	3	-	-	4,908	2,213	7,844	3,538
Charge for the financial year	570	258	47	21	16	7	-	-	1,106	500	1,739	786
Write-offs	-	-	(1)	(1)	-	-	-	-	-	-	(1)	(1)
Disposals	(978)	(443)	-	-	-	-	-	-	-	-	(978)	(443)
Exchange differences	-	7	-	+	-	#	-	-	-	14	-	21
At 31 December 2007	2,374	1,077	194	87	22	10	-	-	6,014	2,727	8,604	3,901
Charge for the financial year	715	345	199	96	98	47	26	12	1,346	649	2,384	1,149
Exchange differences	-	149	-	17	-	4	-	-	-	366	-	536
At 31 December 2008	3,089	1,571	393	200	120	61	26	12	7,360	3,742	10,988	5,586

^ RM443.

¥ RM43.

+ RM340

# RM51.



**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(g) Property, Plant and Equipment (Continued)**

Accumulated Depreciation	Plant and Machinery		Office Equipment		Motor Vehicles		Renovation		Buildings		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
At 1 January 2009	3,089	1,571	393	200	120	61	26	12	7,360	3,742	10,988	5,586
Charge for the financial year	896	461	354	183	168	86	38	20	1,347	695	2,803	1,446
Disposals	(1,006)	(520)	-	-	-	-	-	-	-	-	(1,006)	(520)
Exchange differences	-	(17)	-	(8)	-	(3)	-	(1)	-	(67)	-	(96)
At 31 December 2009	2,979	1,495	747	375	288	144	64	31	8,707	4,370	12,785	6,416
Charge for the financial period	408	196	165	81	90	43	51	25	665	321	1,380	666
Write-off	-	-	-	-	-	-	(102)	(49)	-	-	(102)	(49)
Disposals	-	-	(56)	(27)	-	-	-	-	-	-	(56)	(27)
Exchange differences	-	(74)	-	(19)	-	(7)	-	(1)	-	(219)	-	(320)
At 30 June 2010	3,387	1,617	856	409	378	180	13	6	9,372	4,472	14,007	6,684

**8. ACCOUNTANTS' REPORT (Cont'd)**

MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY  
Accountants' Report

**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(g) Property, Plant and Equipment (Continued)**

Net Book Value	Plant and Machinery		Office Equipment		Motor Vehicles		Renovation		Buildings		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
At 31 December 2006	3,188	1,438	200	90	26	11	-	-	43,001	19,399	46,415	20,938
At 31 December 2007	2,620	1,188	162	75	143	64	-	-	55,283	25,065	58,208	26,391
At 31 December 2008	8,079	4,107	1,714	871	810	412	358	183	53,937	27,421	64,898	32,994
At 31 December 2009	7,482	3,755	1,407	706	642	323	320	162	52,614	26,406	62,465	31,351
At 30 June 2010	7,150	3,412	1,182	563	768	366	205	98	51,949	24,791	61,254	29,230

All property, plant and equipment held by Zhenxing Shoes are located in the PRC.

Certain motor vehicles with net book value of approximately RM10,820 (RMB23,985), RM8,451 (RMB18,640), RM360,501 (RMB709,090), RM283,887 (RMB565,624) and RM335,297 (RMB702,634) as at 31 December 2006, 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 respectively were held in trust by the employees of Zhenxing Shoes.





**8. ACCOUNTANTS' REPORT (Cont'd)**

MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY  
Accountants' Report

**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(h) Prepaid Lease Payments**

	As at				
	31.12.2006	31.12.2007	31.12.2008	31.12.2009	30.6.2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost</b>					
At 1 January	5,800	2,616	5,800	2,616	5,800
Exchange differences	-	-	13	-	-
At 31 December / 30 June	5,800	2,616	5,800	2,629	5,800
				320	(38)
				5,800	2,949
				5,800	2,911
				5,800	5,800
				5,800	2,768
<b>Accumulated amortisation</b>					
At 1 January	601	271	717	323	833
Amortisation for the financial year	116	53	116	52	116
Exchange differences	-	(1)	-	2	-
At 31 December / 30 June	717	323	833	377	949
				483	535
				1,065	1,126
				535	538
<b>Net Book Value</b>					
At 31 December / 30 June	5,083	2,293	4,967	2,252	4,851
				2,466	2,376
				4,735	4,674
				2,376	2,230

The prepaid lease payments refer to land located at Zhushuxia Industrial Zone, Jinjiang City Fujian Province, PRC (中国福建省晋江市竹树下工业区).

At 30 June 2010, a leasehold land with a net book value of RM507,153 (RMB1,062,769) is pledged as security to secure short-term loans as disclosed in Note 9.3.5(w).

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(i) Inventories**

	As at					
	31.12.2006	31.12.2007	31.12.2008	31.12.2009	30.6.2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Raw material	23,510	10,606	15,628	7,086	1,718	874
Work-in-progress	5,773	2,604	499	226	3,097	1,574
Finished goods	3,638	1,640	243	110	917	466
	32,921	14,850	16,370	7,422	5,732	2,914
					4,088	2,052
					15,328	7,315

**(j) Trade Receivables**

Trade receivables are non-interest bearing and Zhenxing Shoes's normal trade credit terms range from 30 days to 120 days. Other credit terms are assessed and approved on a case-by-case basis after taking into consideration their payment track record, financial background, length of business relationship and size of transactions. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The currency exposure profile of trade receivables are as follows:-

	As at					
	31.12.2006	31.12.2007	31.12.2008	31.12.2009	30.6.2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
United State Dollars	4,207	1,898	576	261	1,001	509
Chinese Renminbi	49,299	22,238	66,525	30,162	105,537	53,655
	53,506	24,136	67,101	30,423	106,538	54,164
					207,866	104,328
					269,070	128,400

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(i) Trade Receivables (Continued)**

The ageing analysis of the trade receivables as at 30 June 2010 were as follows:-

	Gross As at 30.6.2010
	RMB      RM
Neither past due nor impaired	269,070    128,400

Zhenxing Shoes believes that, no impairment loss is necessary in respect of these non past due trade receivables. Majority of the balances are owed by the customers that have a good payment record with Zhenxing Shoes.

**(k) Other Receivables, Deposit and Prepayments**

	As at					
	31.12.2006	31.12.2007	31.12.2008	31.12.2009	30.6.2010	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Advances to suppliers	3,572	1,611	6,077	2,755	584	297
Other receivables	1,669	753	1,297	588	503	256
Deposit	-	-	-	38,000	19,319	-
Prepayments	136	62	330	150	163	83
Tax claimable	67	30	-	-	-	-
	5,444	2,456	7,704	3,493	39,250	19,955
				947	475	706
						337

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
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On 5 April 2008, Zhenxing Shoes entered into a memorandum of understanding for the acquisition of assets (资产收购意向书) with Shuhui Complex Shoes Material Co., Ltd. (福建省晋江市树辉鞋材有限公司) ("Shuhui") to acquire Shuhui's non-moveable assets (which includes plant and machinery, office equipment, motor vehicles, office building, factory building, land and other non-moveable assets) located at the PRC for a total purchase consideration of RMB80,000,000 ("Acquisition of Assets"). Pursuant to the said memorandum of understanding, a deposit of RMB38,000,000 was paid to Shuhui during the FYE 2008. The balance of the purchase consideration is disclosed as capital commitments in Note 9.3.5(y).

On 8 November 2009, Zhenxing Shoes and Shuhui had entered into a termination agreement (资产收购终止协议), under which the parties mutually agreed to terminate the Acquisition of Assets under the memorandum of understanding dated 5 June 2008 and the deposit paid by Zhenxing Shoes had been subsequently fully refunded on 11 December 2009.

**(l) Amount Due from/(to) Related Parties**

	As at				
	31.12.2006	31.12.2007	31.12.2008	31.12.2009	30.6.2010
	RMB'000	RM'000	RMB'000	RM'000	RMB'000
<b>Amount due from related parties</b>					
Fujian Jimi Jiang Sodeng Shoe Co., Ltd. (福建省江速鞋业有限公司)	31,099	14,029	38,845	17,612	-
Li Jinrong (李锦容)	9	4	209	95	-
	31,108	14,033	39,054	17,707	-

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(l) Amount Due from/(to) Related Parties (Continued)**

	As at					
	←	31.12.2006	31.12.2007	31.12.2008	31.12.2009	30.6.2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amount due to related parties		750	338	750	340	-
Fujian Jinjiang Fynex Shoe Industries Development Co., Ltd (福建晋江凤竹鞋业发展有限公司)						

The amounts due from/(to) related parties represent advances and payments made on behalf of Zhenxing Shoes, which are unsecured, interest free and have no fixed terms of repayment.

The nature of the relationships with the above related parties is disclosed in Note 9.3.5(z).

**(m) Amount Due from/(to) Directors**

Amount due from/(to) directors represent payments made on behalf which are unsecured, interest free and have no fixed terms of repayment.

**8. ACCOUNTANTS' REPORT (Cont'd)**

MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY  
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**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(n) Holding Company and Related Company Transactions**

Zhenxing Shoes and Jiayi (Fujian) Imp. & Exp. Trade Co., Ltd. (福建省晋江市 加怡进出口贸易有限公司) ("Jiayi Trading") became wholly-owned subsidiaries of Sports Asia Limited ("Sports Asia") during the FYE 2008 following the completion of the Equity Transfer Agreements entered into between Chun Hing Industry (Hong Kong) Ltd., the former holding company of Zhenxing Shoes, and Sports Asia Pte. Ltd. on 2 January 2008. Sports Asia is a company incorporated and domiciled in Singapore.

On 18 November 2009, Maxwell and Sports Asia entered into a Restructuring Agreement to acquire from Sports Asia the entire interests in the registered capital of Zhenxing Shoes for a purchase consideration of RM134,499,998. The purchase consideration was satisfied via the issuance of 336,249,995 new Maxwell ordinary shares of RM0.40 each. Upon the completion of the said acquisition, Sports Asia ceased to be the holding company of Zhenxing Shoes and Maxwell becomes the new holding company of Zhenxing Shoes.

The amount due from holding company represents advances which are unsecured, interest free and has no fixed term of repayment.

The amount due to former holding company represents advances which are unsecured, interest free and has no fixed term of repayment. The carrying amount of the amount owing to former holding company is denominated in Singapore Dollars.

Jiayi Trading became a related company of Zhenxing Shoes during the 2008 financial year following the completion of the abovementioned Equity Transfer Agreements. As disclosed in Note 9.3.5(ac), the comparative figures for the amount due to Jiayi Trading for the 2006 and 2007 financial year were reclassified to conform with the presentation for the 2008, 2009 and 2010 financial years/period. Following the completion of the acquisition of the entire interests in Zhenxing Shoes by Maxwell, Jiayi Trading ceased to be the related company of Zhenxing Shoes.

The amount due to a former related company represents advances which are unsecured, interest free and has no fixed term of repayment.

**8. ACCOUNTANTS' REPORT (Cont'd)**

MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY  
Accountants' Report

9. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 9.3 **Zhenxing Shoes (Continued)**
- 9.3.5 **Notes to the audited financial statements of Zhenxing Shoes (Continued)**
- (n) **Holding Company and Related Company Transactions (Continued)**

Significant transactions between Zhenxing Shoes and its former related company during the financial years/period under review were as follows:-

	FYE 2006	FYE 2007	FYE 2008	FYE 2009	1H 2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Purchases from Jiayi Trading	1,316	605	830	375	564
Sales to Jiayi Trading	6,868	3,157	2,000	904	4,142
				272	80
				1,996	1,066
					41
					550

The director of Zhenxing Shoes is of the opinion that all the transactions above 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.

**(o) Cash and Bank Balances**

	As at				
	31.12.2006	31.12.2007	31.12.2008	31.12.2009	30.6.2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash in hand	886	400	721	327	156
Cash at bank	304	137	140	63	69,758
Fixed deposits	1,200	541	2,600	1,179	-
	2,390	1,078	3,461	1,569	69,914
				35,544	106,212
				53,308	151,353
					72,225

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
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9. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 9.3 **Zhenxing Shoes (Continued)**
- 9.3.5 **Notes to the audited financial statements of Zhenxing Shoes (Continued)**
- (o) **Cash and Bank Balances (Continued)**

The Chinese Renminbi is not freely convertible into foreign currencies under PRC Foreign Exchange Regulations and Administration of Settlement Sales and Payment of Foreign Exchange Regulations, Zhenxing Shoes is only permitted to exchange Chinese Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

The bank balances generally have an effective interest at a rate of 0.36% per annum for the financial years/period under review.

Fixed deposits with a licensed bank have varying maturity dates of between one (1) to twelve (12) months. Fixed deposits bear effective interest rates of 2.07% and 2.43% per annum for FYE 2006 and FYE 2007 respectively. The fixed deposits have been pledged to a licensed bank to secure the credit facilities granted to Zhenxing Shoes during the FYE 2006 and FYE 2007 respectively.

The currency exposure profile of cash and bank balances are as follows:-

	As at					
	← 31.12.2006	31.12.2007	31.12.2008	31.12.2009	30.6.2010	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chinese Renminbi	2,390	1,078	3,461	1,569	69,914	35,544
US Dollars	*	#	#	^	^	^
Singapore Dollars	-	-	-	∞	∞	∞
	2,390	1,078	3,461	1,569	69,914	35,544
				106,212	53,307	151,352
				∞	∞	∞
				151,353	72,224	72,225

\* RMB159 (equivalent to RM72).

# RMB272 (equivalent to RM123).

^ RMB975 (equivalent to RM496).

∞ RMB38 (equivalent to RM19).





**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(q) Statutory Reserve**

In accordance with relevant laws and regulations of the PRC, Zhenxing Shoes is required to transfer 10% of its net profit for the financial years/period prepared in accordance with the accounting regulation of the PRC to the statutory reserve. The transfer will continue until the reserve balance reaches 50% of its registered capital. Such reserve may be used to offset accumulated losses or increase the registered capital of Zhenxing Shoes, subject to the approval from the PRC authority, and are not available for dividend distribution to the shareholders of Zhenxing Shoes.

**(r) Foreign Currency Translation Reserve**

Foreign currency translation reserve represents translation differences arising from translation of Zhenxing Shoes into the Maxwell Group's presentation currency.

**(s) Trade Payables**

Trade payables are non-interest bearing and the normal trade credit term granted to Zhenxing Shoes ranges from 30 to 90 days.

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(i) Other Payables and Accruals**

	As at									
	31.12.2006	31.12.2007	31.12.2008	31.12.2009	30.6.2010					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RM'000				
Advances from customers	109	49	334	151	1,984	1,009	132	67	133	63
Accrued operating expenses	2,770	1,250	75	34	220	112	402	202	176	85
Other payables	28,483	12,849	8,131	3,687	8,829	4,488	9,209	4,622	10,625	5,070
	31,362	14,148	8,540	3,872	11,033	5,609	9,743	4,891	10,934	5,218

Advances from customers represents advanced payments from customers for sales and other sales related reimbursements. The advances from customers as at 31 December 2009 and 30 June 2010 are denominated in United States Dollars.

Included in other payables as at 31 December 2006 were amounts totalling RM9,070,432 (RMB20,107,364) which represents amounts payable to contractors for the construction of factory buildings.

**(u) Dividends Payable**

During the FYE 2006 and FYE 2007, Zhenxing Shoes declared dividends of RM8,872,210 (RMB19,300,000) and RM13,870,260 (RMB30,700,000) respectively to its shareholders. These dividends payable were fully settled on 25 June 2008.

**(v) Bills Payable**

Bill payables as at 31 December 2006 and 31 December 2007 were secured by fixed deposits of RM541,320 (RMB1,200,000) and RM1,178,840 (RMB2,600,000) respectively.



**8. ACCOUNTANTS' REPORT (Cont'd)**

MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY  
Accountants' Report

**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(w) Short Term Loans**

The short-term loan of RMB8,000,000 or RM3,817,600 (2009: RMB15,000,000 or RM7,528,500) is secured by corporate guarantees from related parties and third parties. As at 30 June 2010, Zhenxing Shoes has a short-term loan of RM954,400 (RMB2,000,000) which is secured over the prepaid lease payments as disclosed in Note 9.3.5(h). The interest rates range of the short term loans are as follows:-

Financial Years / Period	Interest Rate Range
31 December 2007	7.34% to 9.20%
31 December 2008	9.20% to 9.71%
31 December 2009	5.11% to 6.46%
30 June 2010	6.42% to 6.64%

The carrying amounts of interest-bearing bank borrowings are denominated in Chinese Renminbi.

**(x) Contingent Liabilities**

As at 31 December 2006, Zhenxing Shoes had given a corporate guarantee to a licensed bank to secure credit facilities granted to Jiayi Trading. The said corporate guarantee was fully discharged 30 June 2007.



**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(y) Capital Commitments**

	← 31.12.2006 RMB'000	31.12.2007 RMB'000	31.12.2008 RMB'000	31.12.2009 RMB'000	30.6.2010 RMB'000
	As At				
Capital expenditure approved and contracted for but not provided for in the financial statements	-	-	42,000	-	-
- at balance sheet date	-	-	21,353	-	-
- further capital commitments subsequent to the balance sheet date	-	-	662	337	-

**(z) Significant Related Parties Transactions**

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with Zhenxing Shoes or that has an interest in Zhenxing Shoes that gives it significant influence over Zhenxing Shoes's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in Zhenxing Shoes resides with, directly or indirectly.

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report

9. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 9.3 **Zhenxing Shoes (Continued)**
- 9.3.5 **Notes to the audited financial statements of Zhenxing Shoes (Continued)**
- (z) **Significant Related Parties Transactions (Continued)**

The natures of the relationship with the related parties are as follows:

<b>Related Parties</b>	<b>Nature of Relationship</b>
Fujian Jinjiang Sodeng Shoe Co., Ltd. (福建晋江速登鞋业有限公司)	It is a company incorporated as a wholly foreign owned entity in the PRC, and is wholly-owned by Li Yin Chung, Hughes (李延松), the son of the Managing Director of Zhenxing Shoes, Li Kwai Chun (李桂真).
Fujian Jinjiang Fynex Shoe Industries Development Co., Ltd. (福建晋江风竹鞋业发展有限公司)	It is a company incorporated in the PRC, and is wholly-owned by Li Huoming (李火明), the brother of the Managing Director of Zhenxing Shoes, Li Kwai Chun (李桂真).
Li Jinrong (李锦容)	The sister-in-law of the Managing Director of Zhenxing Shoes, Li Kwai Chun (李桂真).
Sports Asia	It is a company incorporated in the Republic of Singapore. Li Kwai Chun (李桂真), is the shareholder and also director of Sports Asia.
Jiayi Trading	It is a company incorporated in the PRC and is a wholly-owned subsidiary of Sports Asia Limited. It is a company in which a director and also a shareholder of Maxwell namely Li Kwai Chun (李桂真) has interest.

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
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During the financial years/period under review, the significant related party transactions are as follows:-

	FYE 2006	FYE 2007	FYE 2008	FYE 2009	1H 2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Purchases from					
- Fujian Jirjiang Fynex Shoe Industries Development Co., Ltd. (福建晋江凤竹鞋业发展有限公司)	900	414	-	-	-
- Jiayi Trading	1,316	595	830	375	564
Sales to Jiayi Trading	6,868	3,157	2,000	904	4,142
				272	80
				1,996	41
				1,066	550

The director of Zhenxing Shoes is of the opinion that all the transactions above 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.

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(aa) Financial Instruments****(i) Financial Risk Management and Objectives**

Zhenxing Shoes does not have written risk management and guidelines. However, the board of directors meet periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, Zhenxing Shoes employs a conservative strategy regarding risk management. As Zhenxing Shoes's exposure to market risk kept at a minimum level, Zhenxing Shoes has not used any derivatives financial instruments for trading purposes.

**(a) Credit Risk**

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to Zhenxing Shoes.

The maximum exposure to credit risk for each class of assets as at 30 June 2010 was as follows:-

	As at	
	30.6.2010	
	RMB'000	RM'000
Trade receivables	269,070	128,400
Other receivables	594	284
Cash and cash equivalents	151,353	72,225
	<u>421,017</u>	<u>200,909</u>



**8. ACCOUNTANTS' REPORT (Cont'd)**

**MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report

**9. AUDITED FINANCIAL STATEMENTS (Continued)**

**9.3 Zhenxing Shoes (Continued)**

**9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)**

**(aa) Financial Instruments**

**(i) Financial Risk Management and Objectives (Continued)**

**(a) Credit Risk (Continued)**

Zhenxing Shoes does not hold any collateral as security and other credit enhancements for the above financial assets.

**Receivables**

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Zhenxing Shoes determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis.

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 9.3.5(j).

**Cash and Cash Equivalents**

The management adopts the policy of dealing only with reputable financial institutions.

**(b) Liquidity and Cash Flow Risk**

Liquidity risk is the risk that Zhenxing Shoes will encounter difficulty in meeting financial obligations due to shortage of funds. Zhenxing Shoes maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities.

Zhenxing Shoes adopts prudent liquidity risk management by maintaining sufficient cash, and available funding through an adequate amount of committed credit facilities. Due to dynamic nature of the underlying businesses, Zhenxing Shoes aims at maintaining flexibility in funding by keeping committed credit lines available.

**8. ACCOUNTANTS' REPORT (Cont'd)****MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report

9. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 9.3 **Zhenxing Shoes (Continued)**
- 9.3.5 **Notes to the audited financial statements of Zhenxing Shoes (Continued)**

**(aa) Financial Instruments (Continued)****(i) Financial Risk Management and Objectives (Continued)****(b) Liquidity and Cash Flow Risk (Continued)**

The analysis of financial instruments by remaining contractual maturities (excluding interest) is as follows:-

	Carrying amount		Contractual cash flows		6 months or less		6-12 months	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
30 June 2010								
<b>Non-derivative financial liabilities</b>								
Secured short-term loans	10,000	4,772	(10,000)	(4,772)	-	-	(10,000)	(4,772)
Trade payables	103,976	49,616	(103,976)	(49,616)	(103,976)	(49,616)	-	-
Other payables and accruals	10,934	5,218	(10,934)	(5,218)	(10,934)	(5,218)	-	-
	124,910	59,606	(124,910)	(59,606)	(114,910)	(54,834)	(10,000)	(4,772)

**(c) Interest rate risk**

Interest risk is the risk that the fair value or future cash flows of Zhenxing Shoes's financial instruments will fluctuate because of changes in market interest rates. Zhenxing Shoes's exposure to interest rate risk arises primarily from their loans and borrowings and cash deposits placed with the financial institutes.

**8. ACCOUNTANTS' REPORT (Cont'd)**

**MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report

**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(aa) Financial Instruments (Continued)****(i) Financial Risk Management and Objectives (Continued)****(c) Interest rate risk (Continued)**

Zhenxing Shoes's policy is to manage interest cost using mix of fixed and floating rate debts, which depends on the interest rates market and economic conditions. For interest income from cash deposits, Zhenxing Shoes managed the interest rate risks by placing cash deposits with reputable financial institutions on varying maturities and interest rate terms.

The interest rate profile of the interest-bearing financial instruments as at 30 June 2010 was as follows:-

	Carrying Amount
	30.6.2010
	RMB'000 RM'000
Fixed rated instrument	10,000
Short term loans	4,772

The short-term loans are fixed rate instruments, therefore a change in interest rates at the reporting date would not affect profit or loss.

The carrying amounts of short-term loans with a maturity of less than one year are assumed to approximate their fair values because of the short period to maturity.

**8. ACCOUNTANTS' REPORT (Cont'd)**

**MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
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**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(aa) Financial Instruments (Continued)****(i) Financial Risk Management and Objectives (Continued)****(d) Foreign currency risk**

Zhenxing Shoes is exposed to transactional currency risk primarily through sales that are denominated in United States Dollars other than the functional currency of the operations to which they relate. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

As at 30 June 2010, 2.4% of our trade receivables were denominated in United States Dollars whilst the remaining trade receivables are denominated in Chinese Renminbi.

Zhenxing Shoes also holds cash and cash equivalents denominated in foreign currencies as disclosed in Note 9.3.5(o).

The director believes that the impact of foreign exchange fluctuations will not significantly affect our profitability.

**(ii) Fair Values****(a) Recognised Financial Instruments**

The fair values of financial assets and financial liabilities of Zhenxing Shoes approximate their carrying values on the statement of financial positions of Zhenxing Shoes.

**8. ACCOUNTANTS' REPORT (Cont'd)**

MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY  
Accountants' Report

**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Zhenxing Shoes (Continued)****9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)****(aa) Financial Instruments (Continued)****(ii) Fair Values (Continued)****(b) Unrecognised Financial Instruments**

The nominal/notional amount and net fair value of contingent liabilities (as disclosed in Section 9.3.5(x)) are not recognised in the statement of financial position as at 31 December 2006 and 31 December 2007 respectively as it was not practicable to make a reliable estimate due to the uncertainties of timing, costs and eventual outcome.

There were no other unrecognised financial instruments as at 31 December 2006, 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010.

**(ab) Capital Management**

The primary objective of Zhenxing Shoes's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide Zhenxing Shoes with the funds to fund its expansion and growth.

Zhenxing Shoes manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, Zhenxing Shoes may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts, reduce existing debts.

Zhenxing Shoes monitors the level of dividends to be paid to shareholders. Zhenxing Shoes's objective is also to pay out regular dividends to the shareholders based on the level of its profitability and cash flows.

The capital structure of Zhenxing Shoes consists of equity attributable to equity holders of Zhenxing Shoes, comprising share capital, statutory reserve and retained earnings, and total liabilities which represents current liabilities.



**8. ACCOUNTANTS' REPORT (Cont'd)**

**MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report

**9. AUDITED FINANCIAL STATEMENTS (Continued)**

**9.3 Zhenxing Shoes (Continued)**

**9.3.5 Notes to the audited financial statements of Zhenxing Shoes (Continued)**

**(ab) Capital Management (Continued)**

The debt-to-equity ratio is as follows:

	As at	
	30.6.2010	
	RMB'000	RM'000
Total liabilities	138,737	66,206
Equity attributable to equity holders of Zhenxing Shoes	367,485	175,362
Debt-to-equity ratio	37.8%	37.8%

There were no changes in Zhenxing Shoes's approach to capital management during the financial period.

Zhenxing Shoes is not subject to externally imposed capital requirements.

**8. ACCOUNTANTS' REPORT (Cont'd)**

**MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report

9. **AUDITED FINANCIAL STATEMENTS (Continued)**  
 9.3 **Zhenxing Shoes (Continued)**  
 9.3.5 **Notes to the audited financial statements of Zhenxing Shoes (Continued)**  
 (ac) **Comparative Figures**

As mentioned in Note 9.3.5(n), the following comparative figures have been reclassified to conform with the presentation for the FYE 2008 and FYE 2009:-

	← 31.12.2006		As at		31.12.2007		→	
	As Original Reported RMB'000	As Reclassified RMB'000	As Original Reported RMB'000	As Reclassified RMB'000	As Original Reported RMB'000	As Reclassified RMB'000	As Original Reported RMB'000	As Reclassified RMB'000
<b>Balance Sheets</b>								
Other payables and accruals	61,062	27,545	31,362	14,148	52,901	23,985	8,540	3,872
Amount owing to a related company	-	29,700	13,398	-	-	44,362	-	20,113

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**8. ACCOUNTANTS' REPORT (Cont'd)**

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**MAXWELL INTERNATIONAL HOLDINGS BERHAD AND ITS SUBSIDIARY**  
Accountants' Report

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**10. EVENTS AFTER BALANCE SHEET DATE**

There were no significant events between the date of the last audited financial statements used in the preparation of this Report and the date of this Report which will affect materially content of this Report.

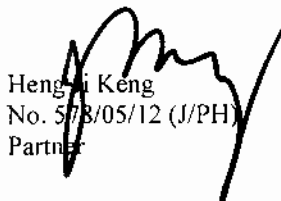
**11. AUTHORISATION OF AUDITED FINANCIAL STATEMENTS**

As at the date of this Report, no audited financial statements have been prepared in respect of any period subsequent to 30 June 2010 for the Maxwell Group and Zhenxing Shoes.

Yours faithfully,



Baker Tilly Monteiro Heng  
No. AF 0117  
Chartered Accountants



Heng Si Keng  
No. 578/05/12 (J/PH)  
Partner



8. ACCOUNTANTS' REPORT (Cont'd)

Company No. 877480-X



**BAKER TILLY  
MONTEIRO HENG**

Chartered Accountants (AF 9117)

**MAXWELL INTERNATIONAL HOLDINGS BERHAD**  
(Incorporated in Malaysia)

Monteiro & Heng Chambers  
32 Jalan Tan Senghan 3  
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[www.monteiroheng.com.my](http://www.monteiroheng.com.my)

**Report on the financial statements**

We have audited the accompanying financial statements of **MAXWELL INTERNATIONAL HOLDINGS BERHAD** ("the Company"), which comprise the balance sheets as at 31 December 2009 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 financial period ended 31 December 2009, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 3E.

*Director's 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 the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal controls 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*

It is our responsibility 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 as to 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. 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 the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of their financial performance and cash flows for the financial period ended 31 December 2009.

**8. ACCOUNTANTS' REPORT (Cont'd)**

*Company No. 877480-X*

**Report on other legal and regulatory requirements**

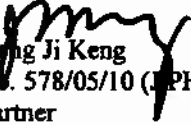
In accordance with the requirements of the Act in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.
- (b) We have not considered the auditor's report of the subsidiary company for the audit of the financial statements prepared for the purpose of reporting in People's Republic of China ("PRC Reporting") as it is not available, which we have not acted as auditors, which is indicated in Note 6 to the financial statements. However, we have considered the financial statements of the subsidiary company for consolidation purpose.
- (c) We are satisfied that the financial statements of the subsidiary company 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 consolidation financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' report for PRC Reporting on the financial statements of the subsidiary company was not available for our comment as to whether it was subject to any material qualification or any adverse comment made under Section 174(3) of the Act.

**Other matters**

This report is made solely to the members of the Company, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

  
Baker Tilly Monteiro Heng  
No. AF 0117  
Chartered Accountants

  
Hong Ji Keng  
No. 578/05/10 (JPH)  
Partner

Kuala Lumpur

Date: 30 APR 2010

**8. ACCOUNTANTS' REPORT (Cont'd)**

*Company No. 877480-X*



**BAKER TILLY  
MONTEIRO HENG**

Chartered Accountants (AF 0117)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MAXWELL INTERNATIONAL HOLDINGS BERHAD**  
(Incorporated in Malaysia)

Monteiro & Heng Chambers  
22 Jalan Tun Sambanthan 3  
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phone : +603 2274 8988  
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email : [audit@monteiroheng.com.my](mailto:audit@monteiroheng.com.my)  
[www.monteiroheng.com.my](http://www.monteiroheng.com.my)

**Report on the financial statements**

We have audited the accompanying financial statements of **MAXWELL INTERNATIONAL HOLDINGS BERHAD** ("the Company"), which comprise the statements of financial position as at 30 June 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flow of the Group and of the Company for the financial period from 1 January 2010 to 30 June 2010, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 41.

*Director's 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 the Financial Reporting Standards and the provisions of the Companies Act, 1965 ("the Act") in Malaysia. This responsibility includes designing, implementing and maintaining internal controls 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 as to 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. 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.

## 8. ACCOUNTANTS' REPORT (Cont'd)

*Company No. 877480-X*

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the provisions of the Act in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2010 and of their financial performance and cash flows for the financial period from 1 January 2010 to 30 June 2010.

### **Report on other legal and regulatory requirements**


In accordance with the requirements of the Act 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 have been properly kept in accordance with the provisions of the Act.
- (b) We have not considered the auditors' report of the subsidiary company for the audit of the financial statements prepared for the purpose of reporting in People's Republic of China ("PRC Reporting") as it is not available, which we have not acted as auditors, which is indicated in Note 6 to the financial statements. However, we have considered the financial statements of the subsidiary company for consolidation purpose.
- (c) We are satisfied that the financial statements of the subsidiary company that have been consolidated with the Company's financial statements are in the form and content appropriate and proper for the purposes of the preparation of the consolidation financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' report for PRC Reporting on the financial statements of the subsidiary company was not available for our comments as to whether it was subject to any material qualification or any adverse comment made under Section 174(3) of the Act.

### **Other matters**

This report has been prepared solely in connection with the proposed listing and quotation of the entire enlarged issued and paid-up share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad. This report is made solely to the members of the Company, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

  
Baker Tilly Monteiro Heng  
No. AF 0117  
Chartered Accountants

  
Heng Ji Keng  
No. 578/05/12 (J/P/H)  
Partner

Kuala Lumpur

Date: 13 SEP 2010

8. ACCOUNTANTS' REPORT (Cont'd)

Company No. 350500400009750



**BAKER TILLY  
MONTEIRO HENG**

Chartered Accountants (AF 0117)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
JINJIANG ZHENXING SHOES PLASTICS CO., LTD.**

(晋江振兴鞋塑有限公司)  
(Incorporated in People's Republic of China)

Monteiro & Heng Chambers  
22 Jalan Tua Sambaatha 3  
50470 Kuala Lumpur, Malaysia  
phone : +603 2274 8888  
fax : +603 2260 1708  
email : audit@monteiroheng.com.my  
www.monteiroheng.com.my

**Report on the financial statements**

We have audited the accompanying financial statements of **JINJIANG ZHENXING SHOES PLASTICS CO., LTD.** (晋江振兴鞋塑有限公司), which comprise the balance sheets as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009 of the Company, and the income statements, statements of changes in equity and cash flow statements of the Company for the three financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 and the six months financial period ended 30 June 2009, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 44.

The financial statements of the Company prepared for the People's Republic of China ("PRC") reporting purposes for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 were audited by Xiamen Huafeng Associated, Certified Public Accountants of PRC, and were reported on by the PRC auditors without any qualification.

*Director's responsibility for the financial statements*

The director of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards in Malaysia. This responsibility include: designing, implementing and maintaining internal controls 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*

It is our responsibility 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 as to 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. 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.

**8. ACCOUNTANTS' REPORT (Cont'd)**

*Company No. 350500400009750*

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009 and of their financial performance and cash flows for the three financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 and the six months financial period ended 30 June 2009.

**Other matters**

This report has been prepared solely in connection with the proposed listing and quotation of the entire enlarged issued and paid-up share capital of Maxwell International Holdings Berhad on the Main Market of Bursa Malaysia Securities Berhad. This report is made solely to the members of the Company, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

  
Baker Tilly Monteiro Heng  
No. AF 0117  
Chartered Accountants

  
Heng Ji Keng  
No. 578/05/10 (J/PH)  
Partner

Kuala Lumpur

Date: 09 DEC 2009

**8. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 350500400009750



**BAKER TILLY  
MONTEIRO HENG**

Chartered Accountants (AF 0117)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
JINJIANG ZHENXING SHOES PLASTICS CO., LTD.**

(晋江振兴鞋塑有限公司)

(Incorporated in People's Republic of China)

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email : audit@monteiroheng.com.my  
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**Report on the financial statements**

We have audited the accompanying financial statements of JINJIANG ZHENXING SHOES PLASTICS CO., LTD. (晋江振兴鞋塑有限公司), which comprise the balance sheet as at 31 December 2009 of the Company, and the income statement, statement of changes in equity and cash flow statement of the Company for the financial year ended 31 December 2009, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 44.

The financial statements of the Company prepared for the People's Republic of China ("PRC") reporting purposes for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 were audited by Xiamen Huafeng Associated, Certified Public Accountants of PRC, and were reported on by the PRC auditors without any qualification.

*Director's responsibility for the financial statements*

The director of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards in Malaysia. This responsibility includes designing, implementing and maintaining internal controls 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*

It is our responsibility 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 as to 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. 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.

**8. ACCOUNTANTS' REPORT (Cont'd)**

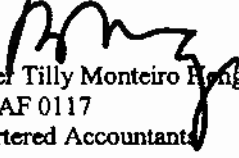
*Company No. 350500400009750*

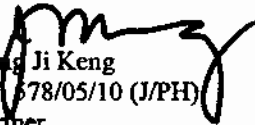
*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 31 December 2009 and of its financial performance and cash flows for the financial year ended 31 December 2009.

**Other matters**

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

  
Baker Tilly Monteiro Hong  
No. AF 0117  
Chartered Accountant

  
Heng Ji Keng  
No. 578/05/10 (J/PH)  
Partner

Kuala Lumpur

Date: 28 APR 2010



**8. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 350500400009750



**BAKER TILLY  
MONTEIRO HENG**

Chartered Accountants (AF 0117)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
JINJIANG ZHENXING SHOES & PLASTICS CO., LTD.**

(晋江振兴鞋塑有限公司)

(Incorporated in People's Republic of China)

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phone : +603 2274 8988  
fax : +603 2260 1708  
email : audit@monteiroheng.com.my  
www.monteiroheng.com.my

**Report on the financial statements**

We have audited the accompanying financial statements of **JINJIANG ZHENXING SHOES & PLASTICS CO., LTD.** (晋江振兴鞋塑有限公司), which comprise the statement of financial position as at 30 June 2010 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flow of the Company for the financial period from 1 January 2010 to 30 June 2010, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 41.

The financial statements of the Company prepared for the People's Republic of China ("PRC") reporting purposes for the financial years ended 31 December 2006, 31 December 2007, 31 December 2008 and 31 December 2009 were audited by Xiamen Huafeng Associated, Certified Public Accountants of PRC, and were reported on by the PRC auditors without any qualification.

*Director's responsibility for the financial statements*

The director of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards in Malaysia. This responsibility includes designing, implementing and maintaining internal controls 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*

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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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. 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.

**8. ACCOUNTANTS' REPORT (Cont'd)**

*Company No. 35050040009750*

*Opinion*

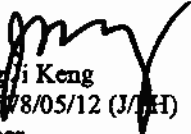
In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 30 June 2010 and of its financial performance and cash flows for the financial period from 1 January 2010 to 30 June 2010.

**Other matters**

This report has been prepared solely in connection with the proposed listing and quotation of the entire enlarged issued and paid-up share capital of the holding company of the Company, Maxwell International Holdings Berhad on the Main Market of Bursa Malaysia Securities Berhad. This report is made solely to the member of the Company, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.



Baker Tilly Monteiro Heng  
No. AF 0117  
Chartered Accountants



Heng Ji Keng  
No. 478/05/12 (J/H)  
Partner

Kuala Lumpur

Date: 13 SEP 2010

## 9. OTHER INFORMATION

### 9.1 PROPERTIES OF OUR GROUP

Details of the property owned by our Group as at the LPD are as follows:

Name of Registered owner and Location	Description/ Existing use	Tenure	Land area and/or gross floor area (sq m)	Restriction in Interest/ Encumbrances
<u>Zhenxing Shoes</u> Zhushuxia Industrial Zone, Jinjiang City, Fujian Province, PRC (中国福建省晋江市竹树下工业 区)	Industrial use/ one (1) block of warehouse for storage of inventories*	50 years from 31 March 2006 to 30 March 2056	626 /1,220	Restriction : Nil  Encumbrances: Fujian Jinjiang Rural Cooperative Bank, Meiling Branch to secure the loan facilities provided to Zhenxing Shoes with an amount principal of RMB 2,100,000.

**Note:**

- \* The Planning and Construction and Housing Management Bureau of Jinjiang City (晋江市规划建设与房产管理局) had via its letter dated 15 December 2009 stated that Zhenxing Shoes had submitted an application for the issuance of property ownership certificate. Further, the Planning and Construction and Housing Management Bureau of Jinjiang City (晋江市规划建设与房产管理局) had via its letter dated 10 May 2010 confirmed that the application is still in the midst of processing and there will be no legal obstacle for Zhenxing Shoes to complete the procedure for obtaining the property ownership certificate.

In addition to the above, our subsidiary, Zhenxing Shoes, is currently in the progress of applying for land use rights and property ownership certificates for the following property:-

Description and Location	Description/ Existing use	Tenure	Land area and/or gross floor area (sq m)	Restriction in Interest/ Encumbrances
<u>Jinjiang City, Fujian Province, PRC</u> Zhushuxia Industrial Zone, Jinjiang City, Fujian Province, PRC <sup>(1)</sup> (中国福建省晋江市竹树下工业 区)	Industrial use/ two (2) blocks of factory building for manufacturing sports shoes which comprise of the production lines, plant and machinery and the D&D Department, and three (3) blocks of staff dormitory building <sup>(2)</sup>	Pending	15,318/17,076.2	Not applicable <sup>(3)</sup>

**Notes:-**

- <sup>(1)</sup> By a letter dated 15 December 2009 the Villagers Committee of Zhushuxie Village, Jinjiang City ("Villagers Committee") confirmed that Zhenxing Shoes has paid the compensation of RMB4,600,000 for the use of the said land, and consequently, the Villagers Committee agrees to allow Zhenxing Shoes to apply for the relevant land use rights certificate. The Real Estate and Land Management Bureau of Jinjiang City (晋江市国土资源局) in its letter dated 15 December 2009 stated that Zhenxing Shoes had submitted an application for the issuance of the said land use rights. Further, the Real Estate and Land Management Bureau of Jinjiang City (晋江市国土资源局) had via its letter dated 10 May 2010 confirmed that the application is still in the midst of processing and there will be no legal obstacle for Zhenxing Shoes to complete the procedure for obtaining the land use rights certificate.

**9. OTHER INFORMATION (Cont'd)**

- <sup>(2)</sup> The Planning and Construction and Housing Management Bureau of Jinjiang City (晋江市规划建设与房产管理局) had via its letter dated 15 December 2009 stated that Zhenxing Shoes had submitted an application for the issuance of property ownership certificates. Further, the Planning and Construction and Housing Management Bureau of Jinjiang City (晋江市规划建设与房产管理局) had via its letter dated 10 May 2010 confirmed that the application is still in the midst of processing and there will be no legal obstacle for Zhenxing Shoes to complete the procedure for obtaining the property ownership certificates then. Zhenxing Shoes started to use the two (2) blocks of factory building and two (2) blocks of staff dormitory building in 1999, while one (1) block of staff dormitory building was used in 2007.
- <sup>(3)</sup> The land use rights and property ownership certificates are pending issuance from the relevant PRC authorities. As such, the restriction in interest or encumbrances cannot be ascertained at this moment.

The audited net book value of the land use rights / prepaid lease payment and building as at 30 June 2010 amounted to approximately RMB4.7 million or RM2.2 million and RMB52.0 million or RM24.8 million respectively, based on the closing exchange rate of RMB1:RM0.4772 as at 30 June 2010, as set out in **Section 7.2** of this Prospectus.

As at the LPD, our Group does not lease any land and building.

Save as disclosed above, to the best of our Directors' knowledge and belief, in respect of the land and buildings owned or occupied by us as at the LPD: -

- (a) there are no other restrictions in interest or major encumbrances;
- (b) there has not been any breach of land use conditions or permissible land use; and
- (c) there has not been any material non-compliance with current statutory requirements or rules and regulations (including environmental issues) relating to the land or building.

**9.2 MATERIAL PLANT AND EQUIPMENT**

As at 30 June 2010, the material plant and equipment owned by our Group at the factory located at Zhushuxia Industrial Zone, Jinjiang City, Fujian Province, PRC are as follows:-

Description	Audited net book value at 30 June 2010	
	RMB'000	RM'000
1 <sup>st</sup> production line <sup>(1)(2)</sup>	1,647	786
2 <sup>nd</sup> production line <sup>(2)</sup>	31	15
3 <sup>rd</sup> production line <sup>(2)</sup>	175	83
4 <sup>th</sup> production line <sup>(2)</sup>	1,651	788
Other plant and machineries used for manufacturing of sports shoes <sup>(3)</sup>	3,646	1,740
<b>Total</b>	<b>7,150</b>	<b>3,412</b>

**Notes:-**

\* Based on the closing exchange rate of RMB1: RM0.4772 as at 1H 2010, as set out in **Section 7.2** of this Prospectus.

<sup>(1)</sup> Includes recent overhaul/upgrading works on the 1<sup>st</sup> production line.

<sup>(2)</sup> Each production line comprise mainly toe-pressing machine, heel-pressing machine, side-pressing machine, sole attaching machine, setting machine, infrared heating and last slipping machine.

<sup>(3)</sup> The other plant and machineries used for manufacturing of sports shoes comprise mainly high-frequency machine, testing machine, roller machine, grinding machine, transformers, cutting machine, water-cooled air-conditioning, shoe line, welding machine, sewing machine, shoe press machine and hot melt machine.

The manufacturing capacity of our plant and machinery is set out in **Section 6.8** of this Prospectus.

Our Board is of the opinion that our Group has sufficient capacity to carry out our current operations and will continue to outsource some of our sports shoe orders to external contract manufacturers to cope with the increasing orders from customers. Further, we will be acquiring additional equipment for an anticipated increase in our sales volume, details of which are set out in **Section 5.12** of this Prospectus.

## 10. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 10.1 PROMOTER AND SUBSTANTIAL SHAREHOLDERS

#### 10.1.1 Substantial shareholdings of our Promoter and substantial shareholders

As at the LPD, our Promoter and substantial shareholders' interests in our Shares before and after the IPO are as follows:

	Before the IPO				After the IPO			
	Direct Interest		Indirect Interest		Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Promoter and Substantial Shareholder</b>								
Li Kwai Chun	218,278,046	64.9	-	-	218,278,046	54.6	-	-
<b>Substantial Shareholders</b>								
OSKTV	28,867,761	8.6	-	-	28,867,761	7.2	-	-
OSK Ventures International Berhad	-	-	<sup>(1)</sup> 28,867,761	8.6	-	-	<sup>(1)</sup> 28,867,761	7.2
Ong Leong Huat @ Wong Joo Hwa	-	-	<sup>(2)</sup> 28,867,761	8.6	-	-	<sup>(2)</sup> 28,867,761	7.2

**Notes:**

<sup>(1)</sup> Deemed interested by virtue of its substantial shareholdings in OSKTV pursuant to Section 6A of the Act

<sup>(2)</sup> Deemed interested by virtue of his substantial shareholdings in OSK Ventures International Berhad, the holding company of OSKTV pursuant to Section 6A of the Act

#### 10.1.2 Profile of our Promoter and substantial shareholders

The profile of our Promoter and substantial shareholders is set out as follows:-

**(i) Li Kwai Chun**

Li Kwai Chun, a citizen of Hong Kong, aged 52, our Executive Director and Chairman, is responsible for the overall business, strategy and development of our Group. Li Kwai Chun was appointed as our Executive Director and Chairman on 18 November 2009.

From March 1980, Li Kwai Chun was involved in her own business of sale of arts and crafts and then textile in June 1984. She has had more than 10 years of experience in the trading business of footwear. In November 1994, she set up Chun Hing Industry Company (振兴实业公司) in Hong Kong to engage in the business of trading of footwear, textile and chemicals. In February 1995, she was appointed as Vice-Chairman of Fujian Jinjiang Fynex Knitting & Dyeing Industry Co., Ltd. (福建晋江凤竹针织漂染实业有限公司) which is currently known as Fujian Fynex Group Co., Ltd. (福建凤竹集团有限公司). In October 1997, she set up Chun Hing Industry (Hong Kong) Co., Ltd. (振兴实业(香港)有限公司) to engage in the business of trading footwear, textile and chemicals. It was the holding company of Zhenxing Shoes prior to the restructuring exercise in Sports Asia and Maxwell. In June 1999, she and her husband Li Chun Tak set up Zhenxing Shoes to commence the business of manufacturing sports shoes for overseas customers. In June 2003, she set up Jiayi Trading to engage principally in the footwear and sports apparel procurement business. In March 2004, she was appointed as Vice-Chairman of Fujian Fynex Textile Science & Technology Co., Ltd (福建凤竹纺织科技股份有限公司), which is a company listed on the Shanghai Stock Exchange.

## 10. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Li Kwai Chun completed her Diploma for the postgraduate courses of Executive Masters of Business Administration for Managers from Hong Kong International Business College on 28 July 2000.

### (ii) OSKTV

OSKTV was incorporated in Malaysia on 12 October 1994 under the Act as a public limited company under the name Blossom Property Management Berhad and subsequently changed its name to O.S.K. Property Management Berhad on 26 June 1996. Thereafter, on 27 November 2000, it changed its name to OSK Property Management Berhad.

On 8 October 2002, the company converted its status to that of a private limited company and assumed its present name on 16 October 2002.

OSKTV is principally engaged in the venture capital business.

As at the LPD, the authorised share capital of OSKTV is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of OSKTV is RM150,000 comprising 150,000 ordinary shares of RM1.00 each.

The Directors of OSKTV and their respective shareholdings in OSKTV as at the LPD are set out below:-

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Ong Ju Yan	Malaysian	-	-	-	-
Yee Chee Wai	Malaysian	-	-	-	-
Lim Ah Lay	Malaysian	-	-	-	-
Woon Chong Boon	Malaysian	-	-	-	-

OSKTV is a wholly-owned subsidiary of OSK Ventures International Berhad.

### (iii) OSK Ventures International Berhad ("OSKVI")

OSKVI was incorporated in Malaysia on 5 December 2003 under the Act as a public limited company. OSKVI is an investment holding company listed on the Ace Market of Bursa Securities. Its wholly-owned subsidiaries are principally involved in the venture capital business, to undertake management of investments in securities of venture companies and private equity.

The substantial shareholder of OSKVI and his respective shareholdings as at the LPD are as follows:

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Ong Leong Huat @ Wong Joo Hwa	Malaysian	45,610,946	23.30	463,401*	0.24

Note:-

\* Deemed interested by virtue of his substantial shareholdings in OSK Holdings Berhad.

## 10. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

The Directors of OSKVI and their respective shareholdings as at the LPD are as follows:

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	Malaysian	3,257,615	1.66	-	-
Wong Chong Kim	Malaysian	677,400	0.35	-	-
Foo San Kan	Malaysian	668,000	0.34	-	-
Ong Ju Yan	Malaysian	332,902	0.17	3,577,613 <sup>(1)</sup>	1.83
Yee Chee Wai	Malaysian	-	-	1,000 <sup>(2)</sup>	*
Tan Sri Datuk Dr. Omar bin Abdul Rahman	Malaysian	-	-	-	-
Dato' Seri Abdul Azim bin Mohd. Zabidi	Malaysian	-	-	-	-

**Notes:**

<sup>(1)</sup> Deemed interested by virtue of his substantial shareholding in Land Management Sdn. Bhd.

<sup>(2)</sup> Deemed interested by virtue of interests held by his spouse.

\* Negligible

### (iv) Ong Leong Huat @ Wong Joo Hwa

Ong Leong Huat @ Wong Joo Hwa, a Malaysian, aged 65 is a substantial shareholder of OSKVI.

Mr. Ong is the Group Managing Director/Chief Executive Officer of OSK. He holds a Capital Market Services Representative's License for dealing in securities issued by the SC under the CMSA. Prior to joining OSK, he was attached to MBF Finance Berhad then for 17 years from 1969 where he last held the position of Senior General Manager.

Mr. Ong is also the Non-Independent Non-Executive Director of OSK Holdings Berhad and Independent Non-Executive Director of Bursa Malaysia Berhad.

### 10.1.3 Changes in the Promoter and substantial shareholders' shareholdings in the Company since our incorporation

The changes of our Promoter and substantial shareholders' interests in our Company since our incorporation to the LPD are as follows:

Name	Before the IPO*				After the IPO			
	Direct interest		Indirect interest		Direct interest		Indirect interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Li Kwai Chun	218,278,046	64.9	-	-	218,278,046	54.6	-	-
OSKTV	28,867,761	8.6	-	-	28,867,761	7.2	-	-
OSKVI	-	-	<sup>(1)</sup> 28,867,761	8.6	-	-	<sup>(1)</sup> 28,867,761	7.2
Ong Leong Huat @ Wong Joo Hwa	-	-	<sup>(2)</sup> 28,867,761	8.6	-	-	<sup>(2)</sup> 28,867,761	7.2

## 10. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### Notes:-

- \* Exclude the nominee directors and nominee substantial shareholders as at the date of our incorporation
- <sup>(1)</sup> Deemed interested by virtue of its substantial shareholdings in OSKTV pursuant to Section 6A of the Act
- <sup>(2)</sup> Deemed interested by virtue of his substantial shareholdings in OSK Ventures International Berhad, the holding company of OSKTV pursuant to Section 6A of the Act

## 10.2 DIRECTORS

### 10.2.1 Directors' Shareholding

As at the LPD, the direct and indirect interests of our Directors in our issued and paid-up share capital before and after the IPO are as follows:-

Name	Before the IPO				After the IPO			
	Direct interest		Indirect interest		Direct Interest		Indirect interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Li Kwai Chun	218,278,046	64.9	-	-	218,278,046	54.6	-	-
Xie Zhen'an	-	-	-	-	-	-	-	-
Li Qizhe	-	-	-	-	-	-	-	-
Yee Chee Wai	-	-	-	-	-	-	-	-
Tam Fook Cheong	2	*	-	-	2	*	-	-
Tan Hon Yik	-	-	-	-	-	-	-	-

### Note:-

- \* Negligible

### 10.2.2 Profiles of our Directors

Save for the profile of Li Kwai Chun which is set out in **Section 10.1.2** herein, the profiles of our other Directors are as follows:-

#### (i) Xie Zhen'an

**Xie Zhen'an**, a PRC national, aged 48, is our Executive Director and CEO. He was appointed to our Board on 18 November 2009 and is responsible for overseeing our overall operations. He has been the General Manager of Zhenxing Shoes since its inception in June 1999, and is responsible for the production, quality assurance and sales and marketing of our sports shoes. Before he joined us, he was self employed in the business of trading apparel, footwear and headwear between March 1988 and December 1998. Xie Zhen'an graduated from Quanzhou Overseas Chinese University (泉州华侨大学) in July 1988 with a Diploma in Economic Management.



**10. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)****(ii) Li Qizhe**

**Li Qizhe**, a PRC national, aged 47, was appointed as our Non-Independent Non-Executive Director on 18 November 2009. He is currently a General Manager of Jiayi Trading, a related company. Before joining Jiayi Trading, he worked in Youyi Corporation of Department of Commerce of Shanxi Province (陕西省商务厅友谊总公司) as a Sales Manager and subsequently promoted to General Manager where he served from November 1990 to March 2004. He also worked in the Sales and Finance Department of Apparel, Footwear and Headwear Industry Corporation of Shanxi Province (陕西省二轻厅省服装鞋帽工业总公司) from July 1982 to November 1990 as Deputy Sales Manager, Deputy Finance Director and Sales Manager. He was seconded to Apparel Industry Corporation of China (国务院轻工业部中国服装工业总公司) where he was responsible for finance management and machinery management from December 1984 to June 1987. He was also attached to Japanese Brothers Industry Corporation (日本兄弟工业株式会社) for training on business administration and customer service.

Li Qizhe graduated from Branch School of Central Party School in Shanxi Province (中共中央党校陕西省分校) with a Diploma in Economic Management in December 1999.

**(iii) Yee Chee Wai**

**Yee Chee Wai**, a Malaysian, aged 45, was appointed as our Non-Independent Non-Executive Director on 10 March 2010. He is a member of both the Malaysian Institute of Accountants as a Chartered Accountant and the Malaysian Institute of Certified Public Accountant as a Certified Public Accountant. He has more than sixteen (16) years of investment banking experience, in particular, the corporate finance activities such as initial public offerings, capital raising exercises, mergers and acquisitions, corporate restructuring and underwritings of equity issues.

He was attached with various investment banks in Malaysia from June 1991 to July 2007. Prior to joining OSK Venture Equities Sdn Bhd in August 2007, he was the General Manager of Public Investment Bank Berhad. He was then designated as the Chief Operating Officer of OSK Venture Equities Sdn Bhd in March 2008.

He is a director of OSKVI, eBworx Berhad and mTouche Technology Berhad, all of which are listed on the ACE Market of Bursa Malaysia. He is also an alternate director of Green Packet Berhad, which is listed on the Main Market of Bursa Malaysia.

**(iv) Tam Fook Cheong**

**Tam Fook Cheong**, a Malaysian, aged 57, was appointed as our Independent Non-Executive Director on 3 November 2009.

Tam Fook Cheong obtained his Fellowship of the Chartered Association of Certified Accountants United Kingdom in 1985 and Associateship of the Chartered Institute of Management Accountants, United Kingdom in 1986. He is also a member of the Malaysia Institute of Accountants.

## 10. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Prior to joining our Group, he worked as an auditor in a medium size audit firm and later joined National Universiti Malaya as a Financial Accountant. Since early January 1980, he joined Petroliam Nasional Berhad ("PETRONAS") and has undertaken various assignments within the PETRONAS group in the area of strategic planning and corporate budgeting, financial reporting, project and property development as well as other finance related matters. He has held various managerial positions during his long service with the PETRONAS group until the end of 2008.

Currently, he serves as a learning and training consultant for various training service providers including the Malaysia Institute of Accountants in conducting seminars and facilitating workshop sessions for professional accountancy bodies. He is also an independent non-executive director of China Ouhua Winery Holdings Limited.

### (v) Tan Hon Yik

**Tan Hon Yik**, a Malaysian, aged 29, was appointed as our Independent Non-Executive Director on 16 November 2009. He obtained his LLB (Hons) from Bond University, Australia in 2001 and his LLM (Corporate & Commercial Law) from the University of New South Wales, Australia in 2002. After graduation, he practiced with Wong & Partners (a member firm of Baker & McKenzie International) in Kuala Lumpur, Malaysia as a member of the banking & finance and corporate & commercial practice groups. In 2005, he became a founding partner of the law firm Naqiz & Partners and is currently the Deputy Managing Partner of the firm.

He also sits on the Board of Commissioners of PT Rana Central Nugraha (an Indonesian subsidiary of Mamee-Double-Decker (M) Berhad) and is a director of several private companies in Malaysia and Singapore.

### 10.2.3 Principal business activities performed outside our Group and principal directorships

Save as disclosed below, none of our Directors of our Company have any directorship or performed any principal business activities outside our Group for the past five (5) years up to the LPD:-

Name	Company	Principal activities	Date appointed	Date resigned	Position held
Li Kwai Chun	Chun Hing Industry Company (振兴实业公司)	Investment holding	November 1994	N/A	Director
	Chun Hing Industry (Hong Kong) Company (振兴实业(香港)公司)	Dormant	October 1997	N/A	Director
	Jiayi Trading	Footwear and sports apparel procurement and trading	June 2003	N/A	Director
	Fujian Fynex Textiles Science & Technology Co., Ltd. (福建凤竹纺织科技股份有限公司)	Manufacture and sale of textile, textile printing and dyeing.	May 2007	May 2010	Director
	Sports Asia	Investment holding	December 2007	N/A	Director

**10. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

<b>Name</b>	<b>Company</b>	<b>Principal activities</b>	<b>Date appointed</b>	<b>Date resigned</b>	<b>Position held</b>
Xie Zhen'an	Sports Asia	Investment holding	June 2008	N/A	Director
Li Qizhe	Sports Asia	Investment holding	June 2008	N/A	Director
Yee Chee Wai	OSKTV	Venture capital business	March 2008	N/A	Director
	OSK Venture Equities Sdn. Bhd.	Venture capital business and management of investments in securities of venture companies	March 2008	N/A	Director
	OSK Private Equity Management Sdn. Bhd.	Management of investment in securities of venture companies	March 2008	N/A	Director
	OSK Capital Partners Sdn. Bhd.	Investment holding and private equity business	March 2008	N/A	Director
	OSK Ventures International Limited	Investment holding and private equity business	April 2008	N/A	Director
	GMO Global Limited	To undertake investments in relation to the cellular communication and WVAS businesses	March 2008	N/A	Director
	MH Capital Inc.	To develop and carry on the business in relation to research and development and provision of WVAS	March 2008	N/A	Director
	MH Technology Limited	Research, development and commercialisation of internet application, telecommunication and multimedia technology, design and production of webpage and other related technical training and services.	March 2008	N/A	Director

**10. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Name	Company	Principal activities	Date appointed	Date resigned	Position held
	eBworx Berhad	Provision of computer software applications and dealing in computer software and hardware for financial services industry.	April 2008	N/A	Non-Independent and Non-Executive Director
	mTouche Technology Berhad	Provision of innovative digital commerce solutions to the financial services industry.	March 2008	N/A	Non Independent Non-Executive Director
	Green Packet Berhad	Wireless networking and tele-communication products, networking solutions and other high technology products and services.	April 2008	N/A	Alternate Director
Tam Fook Cheong	China Ouhua Winery Holdings Limited	Production of varieties of wine and sales of its self produced wine.	November 2009	N/A	Director
Tan Hon Yik	Core Strength Solutions Sdn Bhd	Investment Holding	December 2004	N/A	Director
	Careersmatic Consulting Sdn Bhd	Provision of human resource management and recruitment consulting services	December 2004	N/A	Director
	Naqiz & Partners	Law firm	January 2005	N/A	Partner
	Tanaq Sdn Bhd	Investment holding	September 2005	N/A	Director
	NP Strategic Consulting Pte Ltd	Management and strategic consulting services	September 2009	N/A	Director
	PT Rana Central Nugraha	Plantations and related activities	October 2009	N/A	Commissioner

## 10. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 10.2.4 Directors' Remuneration and Benefits

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors on an individual basis for services rendered in all capacities to our Group for the FYE 2009 and proposed for the FYE 2010 are as follows:-

Directors	Remuneration band	
	FYE 2009 (Actual) (RM)	FYE 2010 (Proposed) (RM)
Li Kwai Chun	–	150,001 – 200,000
Xie Zhen'an	50,001 – 100,000	100,001 – 150,000
Li Qizhe	–	50,001 – 100,000
Yee Chee Wai	–	1 – 50,000
Tam Fook Cheong	1 – 50,000	50,001 – 100,000
Tan Hon Yik	1 – 50,000	50,001 – 100,000

### 10.2.5 Service Contracts with Directors

As at the LPD, none of our Directors have any existing or proposed service contracts with our Group.

## 10.3 BOARD PRACTICES

### 10.3.1 Directorship

As at the LPD, the details of the date of expiration of the current term of office for each of the Directors and the period for which the Directors have served in that office are as follows:-

Name of Director	Length of service in our Group	Length of service as Director of Maxwell as at the date of this Prospectus	Date of expiration of current term of office
Li Kwai Chun	11 years	1 year	Shall retire at our 3rd Annual General Meeting ("AGM") in accordance with Article of Association ("Article") 85
Xie Zhen'an	11 years	1 year	Shall retire at our 3rd AGM in accordance with Article 85
Li Qizhe	1 year	1 year	Shall retire at our 4th AGM in accordance with Article 85
Yee Chee Wai	8 months	8 months	Shall retire at our 4th AGM in accordance with Article 85
Tam Fook Cheong	1 year	1 year	Shall retire at our 2nd AGM in accordance with Article 85
Tan Hon Yik	1 year	1 year	Shall retire at our 2nd AGM in accordance with Article 85

## 10. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 10.3.2 Audit Committee

Our Audit Committee currently consists of the following members:

Name	Designation	Directorship
Tam Fook Cheong	Chairman	Independent Non-Executive Director
Li Qizhe	Member	Non-Independent Non-Executive Director
Tan Hon Yik	Member	Independent Non-Executive Director

The main functions of the Audit Committee include inter-alia, the review of audit plans and audit reports with our external auditors, review of the auditors' evaluation of internal accounting controls and management information systems, review of the scope of internal audit procedures, review of the financial statements, nomination of the external auditors and review of related party transactions.

### 10.3.3 Remuneration Committee

Our Remuneration Committee currently consists of the following members:

Name	Designation	Directorship
Tam Fook Cheong	Chairman	Independent Non-Executive Director
Tan Hon Yik	Member	Independent Non-Executive Director
Li Kwai Chun	Member	Executive Director and Chairman

The main functions of the Remuneration Committee include inter-alia, the recommendation to our Board on the remuneration package of our Executive Directors, directors fees, assisting our Board in assessing the responsibility and commitment undertaken by our Board members and assisting our Board in ensuring the remuneration of the Directors are reflective of the responsibility and commitment of the Directors concerned.

### 10.3.4 Nomination Committee

Our Nomination Committee currently consists of the following members:

Name	Designation	Directorship
Tam Fook Cheong	Chairman	Independent Non-Executive Director
Tan Hon Yik	Member	Independent Non-Executive Director
Yee Chee Wai	Member	Non-Independent Non-Executive Director

The main functions of the Nomination Committee include inter-alia, the review of all nominations for the appointment or re-appointment of members of the Board and to determine the selection criteria thereof, review of the structure, size and composition of our Board, and to ensure that all our Directors undergo appropriate introduction and training programmes.

## 10. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 10.4 KEY MANAGEMENT

Our key management is responsible for our Group's day-to-day management and operations. Our key management consists of experienced personnel in charge of different functions of our Group.

The members of our key management as at the date of this Prospectus are set out below:

Name	Nationality	Designation
Tan Swee Song	Malaysian	Chief Financial Officer
Zhen Qinggong	PRC	Finance Manager
Hong Tenghui	PRC	Sales Manager
Zhang Kun	PRC	Head of D&D
Tang Chunsheng	PRC	Head of the Administration Department

#### 10.4.1 Profiles of our Key Management

The profiles of our key management are as follows:

(i) **Tan Swee Song**

**Tan Swee Song**, aged 32, our Chief Financial Officer, is responsible for the overall financial, accounting, compliance and reporting and internal control functions of our Group. He joined our Group in September 2009 as our Chief Financial Officer. He has more than 8 years experience in group accounts and reporting. He was an auditor with Leou & Associates (Audit Division) for the period from October 2001 to January 2005 and with KPMG Singapore (Audit Division) for the period from February 2005 to July 2009. He is a member of the Association of Chartered Certified Accountants (ACCA) and the Malaysia Institute of Accountants.

(ii) **Zhen Qinggong**

**Zhen Qinggong**, aged 34, our Finance Manager is responsible for the financial and accounting functions of Zhenxing Shoes. He worked in Quanzhou Branch of Fujian Cement Corporation (福建水泥股份有限公司泉州分公司) between March 1995 and December 1997. Between April 2000 and March 2005, he was an accountant in Quanzhou Longquan Apparel Manufacturing Co., Ltd (泉州隆泉制衣有限公司). In April 2005, he joined Zhenxing Shoes and was appointed as a Finance Manager to be in charge of the finance management of Zhenxing Shoes. Zheng Qinggong graduated from Fujian Business School (福建商业高等专科学校) in July 2000 with a Diploma in Accountancy.

(iii) **Hong TengHui**

**Hong TengHui**, aged 40, our Sales Manager for Zhenxing Shoes is responsible for the sales and marketing activities of our Group. He worked as a technician in Technology Department of Zhangzhou Automated Instruments Factory (漳州市自动化仪表厂) between September 1991 and June 1995. From August 1995, he was engaged as Assistant to General Manager with the Seventh Construction Company of Fujian Province (福建第七建筑公司), till February 1998. In June 1999, he joined Zhenxing Shoes as a salesman and in August 2001 he was appointed as the Sales Manager of Zhenxing Shoes in charge of the sales and marketing of our sports shoe products. He graduated from Zhangzhou Vocational University (福建漳州职业大学) in July 1991 with a Diploma in Electronics Application.

## 10. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### (iv) Zhang Kun

**Zhang Kun**, aged 44, our Head of D&D is responsible for the D&D activities, quality assurance and gathering of relevant market information on the latest shoe trends. He was employed as a technician in shoe factory in Jiang Su (江苏淮阴鞋厂) Province from 1984 to 1993. Thereafter, he joined Anta Shoes Enterprise (福建晋江安踏鞋业公司) and was involved in shoe models development until January 2000. He was promoted to a D&D manager in Anta Shoes Enterprise (福建晋江安踏公司) where he served until July 2005. In August 2005 and December 2006, he joined Po Marsh Sporting Goods Co., Ltd (广东宝玛仕体育用品有限公司) and Pu Tian Hua Feng Shoes Factory (福建莆田华丰鞋厂) respectively as a D&D Director. He later joined our Group in August 2009 as the Head of D&D Department. He graduated from Jiang Su Finance Learning Institute with a degree in Business Administration in July 1988.

### (v) Tang Chunsheng

**Tang Chunsheng**, aged 40, our Head of the Administration Department is responsible for the administrative matters of Zhenxing Shoes. He was self employed in the business of trading of apparels between July 1989 and August 1991. From August 1991 to February 2000, he worked in Fujian Jinjiang Planned Parenthood Bureau (福建晋江市计生局). In February 2000, he joined Zhenxing Shoes and started as a customs declarant in charge of export matters and was subsequently promoted to Head of Administration Department of Zhenxing Shoes in May 2005. He graduated with a Diploma in Business Administration from Fujian Economic Management School (福建经济管理干部学校) in July 2005.

### 10.4.2 Key Managements' Shareholding

As at the LPD, our key management and their respective shareholdings in our Company before and after the IPO are as follows:

Names	Before the IPO				After the IPO			
	Direct interest		Indirect interest		Direct interest		Indirect interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Tan Swee Song	3	*	-	-	3	*	-	-
Zheng Qinggong	-	-	-	-	-	-	-	-
Hong Tenghui	-	-	-	-	-	-	-	-
Zhang Kun	-	-	-	-	-	-	-	-
Tang Chunsheng	-	-	-	-	-	-	-	-

Note:-

\* Negligible

### 10.4.3 Service Contracts of Key Management

As at the LPD, there are no existing or proposed service contracts between our key management personnel and our Group other than employment contracts containing normal terms of employment.



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**10. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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**10.5 INVOLVEMENT OF EXECUTIVE DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT IN OTHER BUSINESSES / CORPORATIONS**

As at the LPD, save for the companies disclosed in **Section 10.2.3** of this Prospectus, none of our Executive Directors and/or key management are actively involved in the operations of other businesses or corporations.

Our Executive Directors' involvement in the businesses and corporations as set out in **Section 10.2.3** of this Prospectus do not require their involvement in the day-to-day activities and operations of these companies as they are managed by well qualified and experienced management teams. As such, their involvement in such other businesses or corporations will neither affect their contribution to our Group nor negatively impact their ability to act as the Directors of our Group.

**10.6 RELATIONSHIPS OR ASSOCIATIONS**

Save for Hong Tenghui (part of our key management team) who is the cousin of our Executive Director and Chairman, Li Kwai Chun, there are no family relationships/associations between our Promoter, substantial shareholders, Directors and/or key management.

**10.7 DECLARATION BY OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**

As at the LPD, none of our Promoter, substantial shareholders, Directors and key management is or has been involved in any of the following events (whether in or outside Malaysia):

- (i) a petition under any bankruptcy or insolvency laws that was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a Director or key personnel;
- (ii) disqualified from acting as a Director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) any judgement was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; and
- (v) the subject of any order, judgement or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

## 10. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 10.8 EMPLOYEES

The functional distribution of our total number of full-time employees at the end of the Financial Period under Review and at the LPD are as follows:

Category of employees	As at FYE 2006	As at FYE 2007	As at FYE 2008	As at FYE 2009	As at 1H 2010	As at the LPD
Management	2	2	3	4	4	4
Marketing and sales	5	5	8	5	5	5
Administration	62	68	70	70	73	73
Finance	7	7	10	10	10	10
Production						
- Cutting	69	80	82	108	113	112
- Surface feature manufacturing	86	107	109	118	117	112
- Sewing & Stitching	413	603	613	664	716	700
- Combining	385	477	487	522	582	554
D&D	14	14	35	27	30	30
Quality Assurance	20	20	22	22	33	33
<b>Total</b>	<b>1,063</b>	<b>1,383*</b>	<b>1,439</b>	<b>1,550</b>	<b>1,683</b>	<b>1,633</b>

Note:-

\* Our workforce increase by 320 employees as a result of the addition of the third production line in late 2006 which became fully operational in FYE 2007

As at the LPD, we have 1,633 full-time employees. Save for our Chief Financial Officer, Tan Swee Song who is based in Malaysia, all of our employees are based in the PRC. The average number of temporary employees employed by us were 122, 99, 46, 45, 50 and 32 in FYE 2006, FYE 2007, FYE 2008, FYE 2009 and 1H 2010 respectively.

The number of staff for each production line (based on two shifts and combining division only) at the end of the Financial Period under Review is as follows:-

	As at FYE 2006	As at FYE 2007	As at FYE 2008	As at FYE 2009	As at 1H 2010
<b>No. of production staff - combining</b>					
1 <sup>st</sup> production line	180	180	104	113	133
2 <sup>nd</sup> production line	159	159	150	158	166
3 <sup>rd</sup> production line	46	138	130	138	150
4 <sup>th</sup> production line	-	-	103	113	133
<b>Total</b>	<b>385</b>	<b>477</b>	<b>487</b>	<b>522</b>	<b>582</b>

In July 2008, we added a fourth production line and upgraded the first production line with newer machineries. These new machineries for the first and fourth production lines refer mainly to the installation of an infrared ray heating system together with a double-layer conveyor belt system. The infrared heating system allows the production staff to set the requisite temperature for different shoe materials during the combining stage of the production process whereas the double-layer conveyor belt system allows for higher production/efficiency levels compared to the older, single-layer conveyor belt system. The introduction of the above machine systems help simplify the production process thus resulting in the number of production staff to only increase marginally in FYE 2008 as compared to FYE 2007. Further, we also transferred some production staff from the existing production lines to the fourth production line.

## 10. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Our employees are not unionised. The relationship and co-operation between the management and staff have been good and is expected to continue in the future. This is evidenced by our numerous awards for "Outstanding Enterprise for Caring Employees" since 2001. There has not been any incidence of work stoppages or labour disputes which has affected our operations since we commenced business.

We pay social insurance fund for our employees who are entitled to social insurance treatment in any one of the following cases: (1) Retirement; (2) Suffer from diseases or injuries; (3) Become disabled during work or suffer from occupational diseases; (4) Become jobless; (5) Give birth (collectively referred to "Social Insurance Funds") in compliance with PRC labour laws.

Our Group started maintaining social insurance for all our employees from March 2008. Between 1999 and 2007, some ex-employees of our subsidiary were not covered for their social insurance. On 10 March 2008, the Social Labour Insurance Company of Jinjiang (晋江市社会劳动保险公司) granted an exemption of payment of social insurance fees to our subsidiary in respect of the aforesaid period. Notwithstanding the above, to address the possibility of any retrospective claims by these ex-employees against our Group, our Chairman, Li Kwai Chun, had on 14 April 2008 provided an indemnity letter to the Social Labour Insurance Company of Jinjiang, under which Li Kwai Chun agreed to personally settle any losses or damages arising from any such unpaid social insurance claims by the above-described ex-employees.

### 10.9 TRAINING AND DEVELOPMENT

We believe that employees are key assets that play a pivotal role in our continuous growth and recognise the importance of retaining quality employees. It is our policy to encourage the development and training of employees for the improvement of overall skills and professionalism for the enhancement of productivity. We emphasise on training and development as an essential continuing process and encourage our employees to increase their skills and knowledge through hands-on training.

Our staff training is conducted internally by our management team and supervisors at our premises. Our staff training programs include:

- (a) Orientation training for new employees to educate them on company policies and basic skills and knowledge that are relevant to their respective job functions.
- (b) Production skills and other operation type training to equip them with the relevant production skills and knowledge necessary for their respective job functions.
- (c) Occupational safety training to educate our production and other operations staff on occupational safety at our production facilities and to train them on safety precautions which they are expected to adopt in the course of their work.

#### **Management Succession Plan**

Our Group places high priority on ensuring that there is continuity in our Group's management team so as to maintain our level of competitiveness in the industry. To achieve this, it is the policy of our Group to groom the lower and middle management staff to gradually assume the responsibilities of the senior management and also as part of our employees' career advancement programme. Our Group's strategy for management continuity is driven by our top management. Our Chairman, together with the CEO is involved in the process of identifying key competencies and requirements for managerial and more senior positions. Job and candidate profiles are developed for management positions in line with our business goals, strategies and culture.

## 11. APPROVALS AND CONDITIONS

### 11.1 LISTING SCHEME

Our Listing Scheme is subject to the following approvals being obtained:-

- (i) the SC vide their letter dated 26 August 2010, pursuant to Section 212(5) of the CMSA; and
- (ii) Bursa Securities had vide its letter dated 21 October 2010, approved our admission to the Official List and listing of and quotation for the entire enlarged issued and paid-up capital of Maxwell on the Main Market of Bursa Securities.

### 11.2 APPROVALS AND CONDITIONS

The SC had via its letter dated 26 August 2010 approved our IPO pursuant to Section 212(5) of the CMSA and the SC Guidelines, subject to compliance with the following conditions:

Conditions imposed	Status of compliance																														
<p>(i) Maxwell to obtain the land use rights and property ownership certificates from Real Estate and Land Management Bureau and Planning and Construction and Housing Management Bureau of Jinjiang City respectively for all its properties, within six (6) months from the date of SC's decision letter.</p> <p>In the event that Maxwell intends to issue its listing prospectus prior to obtaining the above approval, Maxwell to fully disclose the risk associated with the failure to obtain the said approval in its listing prospectus.</p>	<p>Noted. Maxwell will endeavour to procure the relevant certificates.</p> <p>Complied. Please refer to <b>Section 4.1.17</b> of this Prospectus.</p>																														
<p>(ii) The shares of the following shareholders to be placed under moratorium for a period of 6 months from the date of listing as follows:</p> <table border="1"> <thead> <tr> <th>Name</th> <th>No. of shares</th> <th>% of enlarged issued and paid up capital of Maxwell</th> </tr> </thead> <tbody> <tr> <td>Li Kwai Chun</td> <td>218,278,046</td> <td>54.6</td> </tr> <tr> <td>OSK Nominees (Tempatan) Sdn Bhd</td> <td>31,738,300</td> <td>7.9</td> </tr> <tr> <td>OSK Technology Ventures Sdn Bhd</td> <td>28,867,761</td> <td>7.2</td> </tr> <tr> <td>Teo Kian Huat</td> <td>14,832,942</td> <td>3.7</td> </tr> <tr> <td>EV Capital Private Limited</td> <td>12,600,000</td> <td>3.1</td> </tr> <tr> <td>Tembusu Growth Fund Limited</td> <td>10,749,680</td> <td>2.7</td> </tr> <tr> <td>Ng Der Sian</td> <td>9,712,994</td> <td>2.4</td> </tr> <tr> <td>Equity Ventures International</td> <td>6,449,808</td> <td>1.6</td> </tr> <tr> <td>Tan Kok Seng</td> <td>3,020,464</td> <td>0.8</td> </tr> </tbody> </table>	Name	No. of shares	% of enlarged issued and paid up capital of Maxwell	Li Kwai Chun	218,278,046	54.6	OSK Nominees (Tempatan) Sdn Bhd	31,738,300	7.9	OSK Technology Ventures Sdn Bhd	28,867,761	7.2	Teo Kian Huat	14,832,942	3.7	EV Capital Private Limited	12,600,000	3.1	Tembusu Growth Fund Limited	10,749,680	2.7	Ng Der Sian	9,712,994	2.4	Equity Ventures International	6,449,808	1.6	Tan Kok Seng	3,020,464	0.8	<p>To be complied. Li Kwai Chun and the Pre-IPO Investors had given their undertaking that they will not sell, transfer or assign their entire shareholdings in Maxwell for a period of six (6) months from the date of listing.</p>
Name	No. of shares	% of enlarged issued and paid up capital of Maxwell																													
Li Kwai Chun	218,278,046	54.6																													
OSK Nominees (Tempatan) Sdn Bhd	31,738,300	7.9																													
OSK Technology Ventures Sdn Bhd	28,867,761	7.2																													
Teo Kian Huat	14,832,942	3.7																													
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Equity Ventures International	6,449,808	1.6																													
Tan Kok Seng	3,020,464	0.8																													
<p>(iii) OSK Investment Bank Berhad/ Maxwell to fully comply with the relevant requirements under the Equity Guidelines pertaining to the implementation of the flotation scheme.</p>	<p>To be complied, where applicable.</p>																														

**11. APPROVALS AND CONDITIONS (Cont'd)**

Conditions imposed	Status of compliance
(iv) Condition for approval-in-principle for registration of prospectus  The approval-in-principle by the SC for the registration of Maxwell's prospectus is subject to the condition that Maxwell's listing prospectus is to be exposed to the public for a period of 15 market days prior to its registration.	Complied.

In addition, the SC had also via its letter dated 26 August 2010 acknowledged the notification made by our Company under the equity requirement on public companies. The SC also notified that no bumiputera equity condition will be imposed on Maxwell as Maxwell is a company with foreign-based operations.

**11.3 MORATORIUM ON THE SALE OF SHARES**

Pursuant to the Equity Guidelines, all Shares held by our Promoter representing 54.6% of our nominal issued and paid-up share capital at the date of admission of our Group to the Official List of the Main Market of Bursa Securities are to be placed under moratorium. The details of Promoter's Shares subject to moratorium are as follows:

Name	<-- Direct Shareholdings -->		<-- Indirect Shareholdings -->	
	No. of Shares	%	No. of Shares	%
Li Kwai Chun	218,278,046	54.6	-	-

Our Promoter had on 16 December 2009 provided an undertaking that she will not sell, transfer or assign her entire shareholdings in our Group within six (6) months from the date of our admission to the Official List of the Main Market of Bursa Securities.

Our consultants, namely EV Capital Private Limited, Teo Kian Huat, Tan Kok Seng and Ng Der Sian ("Consultants") hold in aggregate 22,966,911 Shares as at the date of this Prospectus, representing 5.7% of our Company's enlarged issued and paid-up share capital after the Public Issue. These Consultants have each given an undertaking that they will not sell, transfer or assign their entire shareholdings in our Group within six (6) months from the date of our admission to the Official List of the Main Market of Bursa Securities.

Our Pre-IPO Investors hold in aggregate 95,005,038 Shares as at the date of this Prospectus, representing approximately 23.8% of our Company's enlarged issued and paid-up share capital after the Public Issue. These shareholders have each given an undertaking that they will not sell, transfer or assign their entire shareholdings in our Group within six (6) months from the date of our admission to the Official List of the Main Market of Bursa Securities.

The restriction, which is fully acknowledged by the Promoter and the Pre-IPO Investors, is specifically endorsed on the notices of allotment representing the respective shareholdings of the shareholders which are under moratorium as follows:-

**"The shares comprised herein are not capable of being sold, transferred or assigned for a period determined by the SC ("Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of Bursa Securities during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction."**

**12. RELATED PARTY TRANSACTIONS/ CONFLICT OF INTEREST****12.1 RELATED PARTY TRANSACTIONS AND/ OR CONFLICT OF INTEREST**

Save for the Acquisition of Zhenxing Shoes and as disclosed below, for the Financial Period under Review, our Group does not have any material existing and/or proposed related party transactions or other subsisting contracts of arrangement entered into which involves the interest, direct or indirect, of our Directors, substantial shareholders and/or key management and/or persons connected to them:-

Company within our Group	Transacting parties	Nature of the relationship	Nature of transaction	Actual value				
				FYE 2006 RMB'000/ RM'000*	FYE 2007 RMB'000/ RM'000*	FYE 2008 RMB'000/ RM'000*	FYE 2009 RMB'000/ RM'000*	1H 2010 RMB'000/ RM'000*
Zhenxing Shoes	Jiayi Trading	Li Kwai Chun, our Chairman and Executive Director, is the substantial shareholder and director of Jiayi Trading.	Sale of sports shoes	6,868 / 3,157	2,000 / 904	4,142 / 1,996	1,066 / 550	-
Zhenxing Shoes	Jiayi Trading	Li Kwai Chun, our Chairman and Executive Director, is the substantial shareholder and director of Jiayi Trading.	Purchases of glue	1,316 / 595	830 / 375	564 / 272	80 / 41	-
Zhenxing Shoes	Fujian Jinjiang Fynex Shoe Industries Development Co., Ltd ("Fynex Shoes")	Fynex Shoes is a company incorporated in the PRC, and is wholly owned by Li Huoming (李火明), the brother of Li Kwai Chun, our Chairman and Executive Director.	Purchases of shoe soles	900 / 414	-	-	-	-

Note:-

\* Based on the average exchange rates for the respective financial years / period stated below and as set out in Section 7.1 of this Prospectus:-

RMB\$: RM	FYE 2006 0.4597	FYE 2007 0.4518	FYE 2008 0.4819	FYE 2009 0.5157	1H 2010 0.4829
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**12. RELATED PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)**

All the above transactions are conducted in the ordinary course of business, carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and will not be detrimental to our minority shareholders.

We will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years. After our Listing, we will procure a mandate from our shareholders, if necessary, for all our recurrent related party transactions of revenue and trading nature or those necessary for our day-to-day operations. Further, the interested persons shall abstain from voting on the resolution(s) pertaining to the respective transactions.

**12.2 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION**

There are no unusual transactions in their nature or condition, involving goods, services, tangible or intangible assets to which our Group was a party in respect of the Financial Period under Review and up to the LPD.

**12.3 OUTSTANDING ADVANCES TO RELATED PARTIES**

Save as disclosed below, there are no outstanding advances (including guarantees of any kind), made by us, or our parent or subsidiary to or for the benefit of related parties during the Financial Period under Review:-

Transacting parties	Nature of the relationship	Actual value for the				
		FYE 2006 RMB'000 / RM'000*	FYE 2007 RMB'000 / RM'000*	FYE 2008 RMB'000 / RM'000*	FYE 2009 RMB'000 / RM'000*	1H 2010 RMB'000 / RM'000*
<b>Advances extended to:-</b>						
Fujian Jinjiang Sodeng Shoe Co., Ltd ("Sodeng Shoe")#	Sodeng Shoes is a company wholly owned by Li Yin Chung Hughes, the son of our Chairman and Executive Director, Li Kwai Chun	31,099 / 14,029	38,845/ 17,612	-	-	-
Li Kwai Chun	Li Kwai Chun is our Chairman and Executive Director	-	27,997 / 12,695	-	-	-
<b>Advances extended from:-</b>						
Li Kwai Chun	Li Kwai Chun is our Chairman and Executive Director	864 / 390	-	-	-	-
Fynex Shoes	Fynex Shoes is a company incorporated in the PRC, and is wholly owned by Li Huoming, the brother of Li Kwai Chun, our Chairman and Executive Director.	750 / 338	750 / 340	-	-	-

**12. RELATED PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)**

Transacting parties	Nature of the relationship	Actual value for the				
		FYE 2006 RMB'000 / RM'000*	FYE 2007 RMB'000 / RM'000*	FYE 2008 RMB'000 / RM'000*	FYE 2009 RMB'000 / RM'000*	1H 2010 RMB'000 / RM'000*
Sports Asia	Our Chairman and Executive Director, Li Kwai Chun, is the substantial shareholder and director of Sports Asia	-	-	9,496 / 4,828	-	-
Jiayi Trading	Li Kwai Chun, our Chairman and Executive Director, is the substantial shareholder and director of Jiayi Trading	29,700 / 13,398	44,362 / 20,113	42,815 / 21,767	-	-

**Note:-**

\* Based on the closing exchange rate as at the respective financial years / period stated below and as set out in Section 7.1 of this Prospectus:-

	FYE 2006	FYE 2007	FYE 2008	FYE 2009	1H 2010
RMB1: RM	0.4511	0.4534	0.5084	0.5019	0.4772

# Fujian Jinjiang Sodeng Shoes Co., Ltd had on 7 December 2009 cancelled its registration with the Administration of Quanzhou City.

The advances due from and due to the related parties were unsecured, interest-free and have no fixed terms of repayment. As at the LPD, all the above advances have been fully repaid.

The Group does not expect to enter into any future transactions of the above nature after our admission to the Official List of Bursa Securities, and in the event we do so, such transactions would be conducted in accordance with the procedures required by the relevant authorities.

**12.4 INTERESTS IN A SIMILAR BUSINESS**

Save as disclosed below, none of our Directors or substantial shareholders have any interest, direct or indirect, in any business and/or corporation carrying on a similar trade as our Group:-

**(i) Li Kwai Chun**

Li Kwai Chun, our Promoter, substantial shareholder, Executive Director and Chairman, is the substantial shareholder and director of Jiayi Trading, a company incorporated in PRC. Jiayi Trading is engaged in the procurement and trading of sports and casual footwear and sports apparels.

However, our Board is of the opinion that the trading activities of Jiayi Trading do not give rise to a situation of conflict of interest as:-

- (a) Jiayi Trading does not directly compete with our Group. Jiayi Trading is mainly involved in the procurement and trading of sports and casual footwear including various types of sports shoes, casual shoes, sandals, leather shoes and sports apparels, whereas our Group specializes in the design, manufacturing and sale of sports shoes.



## 12. RELATED PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)

- (b) Li Kwai Chun's involvement in Jiayi Trading does not require her involvement in the day-to-day activities and operations of the company as it is managed by a well qualified management team. In addition, Jiayi Trading and Zhenxing Shoes are two (2) separate companies, each having their own distinct management teams and employees.
- (c) Our Board confirms that any subsequent dealings between Jiayi Trading and our Group, if any will be on an arm's length basis, to be transacted on normal commercial terms and not to the detriment of the minority shareholders of our Group. Nonetheless, in the event of any related party transaction, interested shareholders and interested directors will be required to abstain from voting, while at the same time, the Audit Committee and the Independent Directors will ensure proper disclosure and corporate governance in all business dealings.

### 12.5 INTERESTS IN OTHER BUSINESS WHICH ARE OUR CUSTOMERS OR SUPPLIERS

As at the LPD, save as disclosed in **Section 12.1** above, none of our substantial shareholders, directors and/or key management and technical personnel of our Group are interested, directly or indirectly in any other businesses and / or corporations which are our Group's customers or suppliers.

### 12.6 DECLARATION BY ADVISERS ON POTENTIAL CONFLICT OF INTEREST

#### 12.6.1 Declaration by OSK

Save as disclosed below, OSK confirms that there is no potential conflict of interest in its capacity as the Adviser, Underwriter and Placement Agent of our Company in relation to the IPO:-

- (i) As at the LPD, OSKTV holds 28,867,761 Maxwell Shares representing approximately 8.6% of the equity interest in Maxwell.

OSKTV is a wholly-owned subsidiary of OSKVI whereas OSK is a wholly-owned subsidiary of OSK Holdings Berhad ("OSKH"). OLH is a common Director of OSK and OSKH as well as a substantial shareholder of OSKH and OSKVI.

The interest disclosed above may give rise to a potential conflict of interest but this is mitigated by the following:-

- (a) OSK and OSKTV are two (2) separate companies, each having their own distinct management teams and employees;
- (b) the Corporate Finance Department is required as part of OSK's investment banking license to comply with strict policies and guidelines issued by the SC, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines call for, amongst others, firewall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations;
- (c) all submissions made by the Adviser to the relevant authorities are reviewed and approved by OSK's Management Risk Committee. None of the common Directors of OSKH, OSK and OSK Labuan Sdn Bhd ("OSKL") are members of the Management Risk Committee; and

**12. RELATED PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)**

- (d) OSKH and OSKVI are both public listed companies on Bursa Securities involved in distinct and separate businesses of their own. OSKH and its subsidiaries are primarily involved in investment banking and stockbroking activities whereas OSKVI and its subsidiaries are primarily involved in private equities and venture capital investments.

Since both of the companies are publicly listed companies, any dealings between the two (2) companies are strictly subject to the relevant provisions in the Listing Requirements. Furthermore, in the event of any related party transactions/dealings, the interested Director (as mentioned above) will be required to abstain from deliberating and/or voting in relation to the said transaction while at the same time, its respective audit committee (which comprises independent directors) will ensure proper disclosure and corporate governance in respect of all its respective business dealings with each other.

- (ii) As at the LPD, OSKL through OSK Nominees (Tempatan) Sdn Bhd, holds 14,768,200 Maxwell Shares representing approximately 4.39% of the equity interest in Maxwell. OSK and OSKL are both wholly-owned subsidiaries of OSKH.

OLH is a common Director of OSKH and OSK as well as a substantial shareholder of OSKH and OSK. Wong Chong Kim ("WCK"), is the brother of OLH and a common Director of OSKH, OSK and OSKL. WCK is not deemed as a substantial shareholder of OSKH, OSK and OSKL.

The interest disclosed above may give rise to a potential conflict of interest but this is mitigated by the following:-

- (a) OSKL and OSK are both involved in distinct and separate businesses of their own. OSKL is primarily involved in proprietary trading and other investments whereas, OSK and its subsidiaries are primarily involved in the investment banking and stockbroking activities;
- (b) the Corporate Finance Department is required as part of OSK's investment banking license to comply with strict policies and guidelines issued by the SC, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines call for, amongst others, firewall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations; and
- (c) all submissions made by the Adviser to the relevant authorities are reviewed and approved by OSK's Management Risk Committee. None of the common Directors of OSKH, OSK and OSKL are members of the Management Risk Committee.

**12.6.2 Declaration by Teh & Lee**

Messrs. Teh & Lee confirms that there is no conflict of interest in its capacity as the legal adviser for our Group in relation to the IPO.

**12.6.3 Declaration by Haihua Yongtai Law Firm**

Messrs. Haihua Yongtai Law Firm confirms that there is no conflict of interest in its capacity as the legal adviser for our Group on PRC Law in relation to the IPO.

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**12. RELATED PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)**

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**12.6.4 Declaration by Baker Tilly Monteiro Heng**

Messrs. Baker Tilly Monteiro Heng confirms that there is no conflict of interest in its capacity as the Auditors and Reporting Accountants for our Group in relation to the IPO.

**12.6.5 Declaration by Vital Factor Consulting Sdn Bhd**

Vital Factor Consulting Sdn Bhd confirms that there is no conflict of interest in its capacity as the independent market researcher for our Group in relation to the IPO.

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## 13. INDEPENDENT INDUSTRY ASSESSMENT REPORT

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*(Prepared for inclusion in this Prospectus)*



### **VITAL FACTOR CONSULTING**

Creating Winning Business Solutions

**Vital Factor Consulting Sdn Bhd**  
(Company No., 286797-T)

75C & 77C Jalan SS22/19  
Damansara Jaya  
47400 Petaling Jaya  
Selangor Darul Ehsan, Malaysia

Tel: (603) 7728-0248  
Fax: (603) 7728-7248  
Email: [enquires@vitalfactor.com](mailto:enquires@vitalfactor.com)  
Website: [www.vitalfactor.com](http://www.vitalfactor.com)

15 November 2010

The Board of Directors  
Maxwell International Holdings Berhad  
24-3, Jalan Tun Sambanthan 3  
50470 Kuala Lumpur  
Malaysia

Dear Sirs and Madam

#### **Independent Assessment of the Footwear Industry Focusing on Sports Shoes in China**

The following is an independent assessment of the footwear industry focusing on sports shoes in China prepared by Vital Factor Consulting Sdn Bhd for inclusion in the prospectus of Maxwell International Holdings Berhad (herein together with all or any one or more of its subsidiaries shall be referred to as Maxwell Group or the Group) in relation to its listing on the Main Market of Bursa Malaysia Securities Berhad.

#### **1. BACKGROUND**

- Maxwell Group, through its wholly owned subsidiary Jinjiang Zhenxing Shoes Plastics Co Ltd, is primarily a manufacturing company specialising in the design and manufacturing of sports shoes. The Group manufactures sports shoes for third party brand owners.
- As design and manufacturing of sports shoes are the key business activities of the Group, the focus of this report is on the sports shoe market in China. All references to shoes in this report are for sports shoes, unless mentioned otherwise. This report refers to footwear for humans only.
- All figures converted from USD to RMB is based on an exchange rate of USD1 = RMB6.8259 as at 14 April 2010.

## 13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)

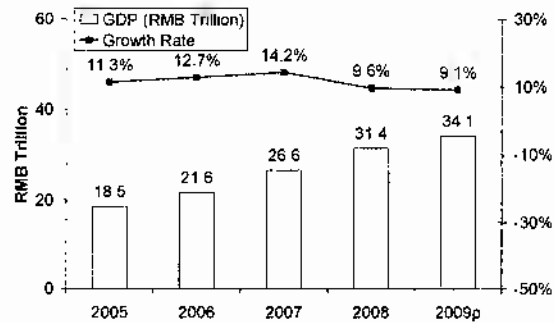


**VITAL FACTOR CONSULTING**  
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## 2. SOCIAL-ECONOMIC PERFORMANCE OF CHINA

### 2.1 Economic Performance

- In 2005, China's real GDP achieved a growth of 11.3%. The rapid economic growth was enhanced by better efficiency and stable prices
- In 2006, China's real GDP registered a growth of 12.7%. This was contributed by the fact that many of the sectors continued to experience growth, including investments in fixed assets, domestic spending, increased in foreign trading, expansion in the private sector and growth in household income.



p = Preliminary  
Source: National Bureau of Statistics of China

Figure 1. Real GDP Growth in China

- In 2007, China's real GDP continued to expand by 14.2%. The Chinese economy maintained a good momentum characterised by rapid growth, improved economic structure, good efficiency and improved living standards despite the increasing uncertainties in the international economic and financial performance and rising inflationary pressure in China.

(Source: The People's Bank of China)

- Despite the global slowdown in 2008, China's real GDP grew by 9.6%, surpassing many more advanced economies like the United States, the United Kingdom and Japan which recorded real GDP of 0.0%, -0.1% and -1.2% respectively.
- In 2009, in spite of the severe impact brought about by the global financial crisis, China continued to register real GDP growth of 9.1% while the real GDP growth for more advanced economies like the United States, United Kingdom and Japan in 2009 were -2.6%, -4.9% and -5.2% respectively. The Chinese Government's implementation of proactive fiscal policy and moderation of monetary policy helped to counter any negative impact on the economy and moved it towards a favourable direction.
- In the first three quarters of 2010, China's real GDP registered an estimated growth rate of 10.6% compared to the corresponding period in 2009.

(Sources: National Bureau of Statistics of China, Bureau of Economic Analysis of US Department of Commerce, Office for National Statistics, United Kingdom and Department of National Accounts, Economic and Social Research Institute of Cabinet Office, Government of Japan)

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**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)**

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**2.2 Population**

- Between 2005 and 2009, the population of China increased at an average annual rate of 0.5%. In 2009, the population of China grew by 0.5% to reach 1.3 billion persons (*Source: National Bureau of Statistics of China*). China's population represents a very large market for consumer goods and services. China, with its relatively strong GDP and per capita growth, combined with having the world's largest population, provides significant opportunities for companies that produce consumer goods and services for consumption in China.

**3. Global Economic Conditions**

- In 2009, the world output recorded a decline of 0.6% but is projected to rebound in 2010 to record a positive growth of 4.8%. The rebound was expected to be triggered by strong public policies across advanced and many emerging economies that had supported demand. Central banks reacted quickly during the global financial crisis including large interest rate cuts and unconventional measures to inject liquidity and to sustain credit. Governments also launched major fiscal stimulus programmes while at the same time supporting banks with guarantees and capital injections. These measures reduced uncertainties and increased confidence fostering an improvement in financial conditions.
- Although overall global economy strengthened during the first half of 2010, the global financial market declined during the second quarter of 2010, which were contributed by the sovereign debt markets. However, sound macroeconomic policy frameworks that were successfully implemented in many emerging and developing economies are expected to minimise the impact of negative macroeconomic conditions.
- In 2009, the real GDP of advanced economies (including United States, Euro zones, Japan, United Kingdom, Canada, and others) recorded a decrease of -3.2%, however it is projected to record a growth of 2.7% in 2010. In the emerging economies (including Asia, Africa, Central and Eastern Europe, Commonwealth of Independent States, Middle East and Western Hemisphere), real GDP growth is forecasted to reach almost 7.1% in 2010 compared to 2.5% in 2009. The rebound is expected to be driven by China, India and other emerging Asian economies. Policies implemented by emerging and developing economies, in response to the financial crisis have contributed to improved medium-term growth outlook. However, emerging and developing economies, especially those in Asia, remain dependent on demand from advanced economies.

## 13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)

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- Consumer prices of some of the selected countries from the advanced economies recorded a slow or negative growth in 2009, however it is projected to rebound in 2010 and achieve positive growth. The growth of consumer prices of some of the selected countries is as follows:

Country	Growth of Consumer Prices in 2009	Growth of Consumer Prices in 2010
United States	-0.3%	1.4%
Euro zone <sup>(1)</sup>	0.3%	1.6%
Japan	-1.4%	-1.0%
United Kingdom	2.1%	3.1%
Canada	0.3%	1.8%
Korea	2.8%	3.1%
Australia	1.8%	3.0%

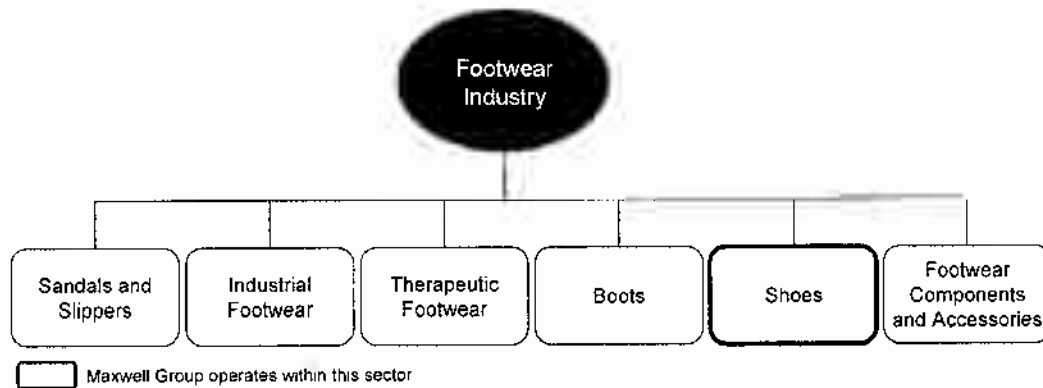
Note: (1) Include Germany, France, Italy, Spain, Netherlands, Belgium, Greece, Austria, Portugal, Finland, Ireland, Slovak Republic, Slovenia, Luxembourg, Cyprus and Malta.

(Source: Secondary Market Research undertaken by Vital Factor Consulting Sdn Bhd)

#### 4. OVERALL INDUSTRY STRUCTURE

##### 4.1 Structure of the Footwear Industry

- In general, the Footwear Industry comprises six segments as depicted in the figure below:



**Figure 2. Structure of the Footwear Industry**

- Sandals** are a type of open footwear comprising a sole, which is fastened to the foot by straps or bands.
- Slippers** are a type of low footwear that can be slipped on or off easily.
- Industrial footwear** focuses on protecting the feet and providing safety for the wearer for use in a working environment.

13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)



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- **Therapeutic footwear** focuses on corrective and health promoting functions for the foot.
- **Boots** are a type of protective or fashionable footwear covering the foot, ankles, and also commonly extending beyond the ankles. Examples include dress boots, riding boots, ski boots and cowboy boots.
- **Shoes** are a type of footwear commonly covering the foot and not extending beyond the ankle. Examples include sports shoes (sometimes referred to as athletic shoes or sneakers), dress shoes, climbing shoes, clogs and loafers.
- **Components** of footwear include soles, heels and grommets (eyelets).
- **Accessories** of footwear include adornments, shoe polishes, shoehorn and others. Socks are commonly classified under apparel.

4.2 Type of Shoes

- Shoes can be further categories by the following:

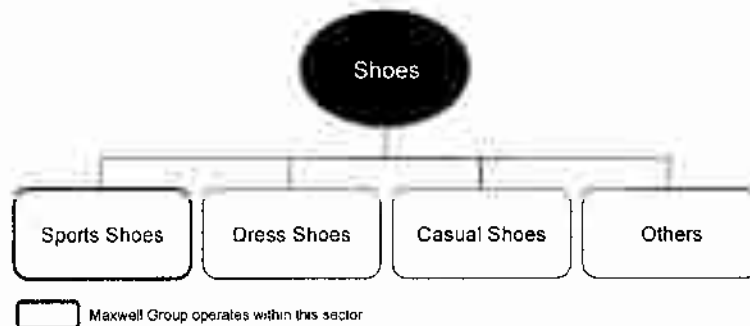


Figure 3. Types of Shoes

- Maxwell Group operates within the sports shoe sector of the Footwear Industry.

4.3 Types of Sports Shoes

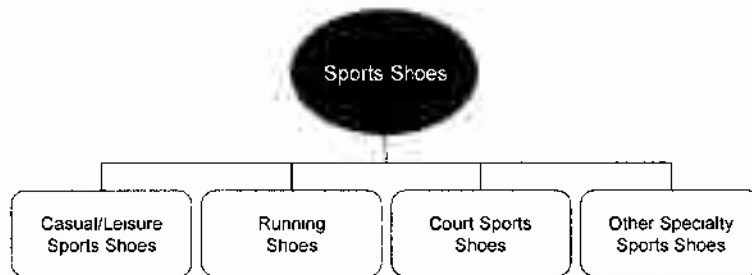
- Sports shoes are primarily protective footwear commonly made of soft and flexible material for the upper body and relatively harder materials for the soles. It is designed for sporting and physical activities and differs from dress shoe in construction, design and style.



13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)



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**Figure 4. Common Types of Sports Shoes**

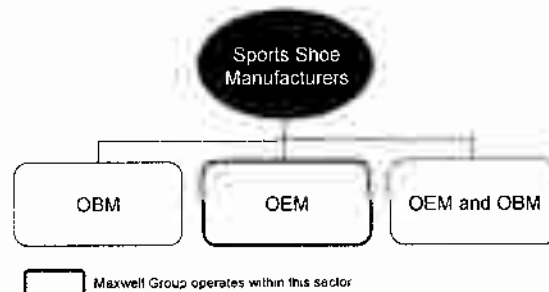
- Sports shoes are commonly used in sporting activities including:
  - casual/leisure sports shoes for casual walking and outdoor activities such as hiking, trekking, climbing and caving;
  - running shoes for running and training;
  - court sports shoes for racquet and court sports such as tennis, badminton, squash, basketball, volleyball and others;
  - Other specialty sports shoes include shoes used for aerobic, ballet, skateboarding, bowling, golf, cycling and others.

Sports shoes in this report does not include field sports shoes such as shoes used in soccer, baseball, softball, hockey, rugby, cricket, ski boots and other sports shoes that require special fittings like spikes or cleats, or professional sports shoes which requires special certification from the China government.

- Maxwell Group designs and manufactures various types of sports shoes including running shoes, court sports shoes (such as basketball shoes, volley ball shoes and badminton shoes), as well as casual/leisure sports shoes including casual walking sports shoes, and hiking shoes.

**4.4 Types of Sports Shoe Manufacturers**

- Sports shoe manufacturers can be further categorised as follows:



**Figure 5. Types of Sports Shoe Manufacturers**

13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)



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- For sports shoes, there are many players competing in this segment. They comprise own brand manufacturers (OBM), contract manufacturers for third party brand owners (also known as original equipment manufacturers (OEM)), and a combination of both.
- Some contract manufacturers have in-house design capabilities to differentiate from other manufactures that use designs provided by their principals. Maxwell Group operates within the OEM sector and has in-house design capabilities.

5. Vertical Structure of the Footwear Industry

- The Footwear industry can also be vertically extended to include upstream, midstream and downstream activities. These are as depicted in the diagram below:

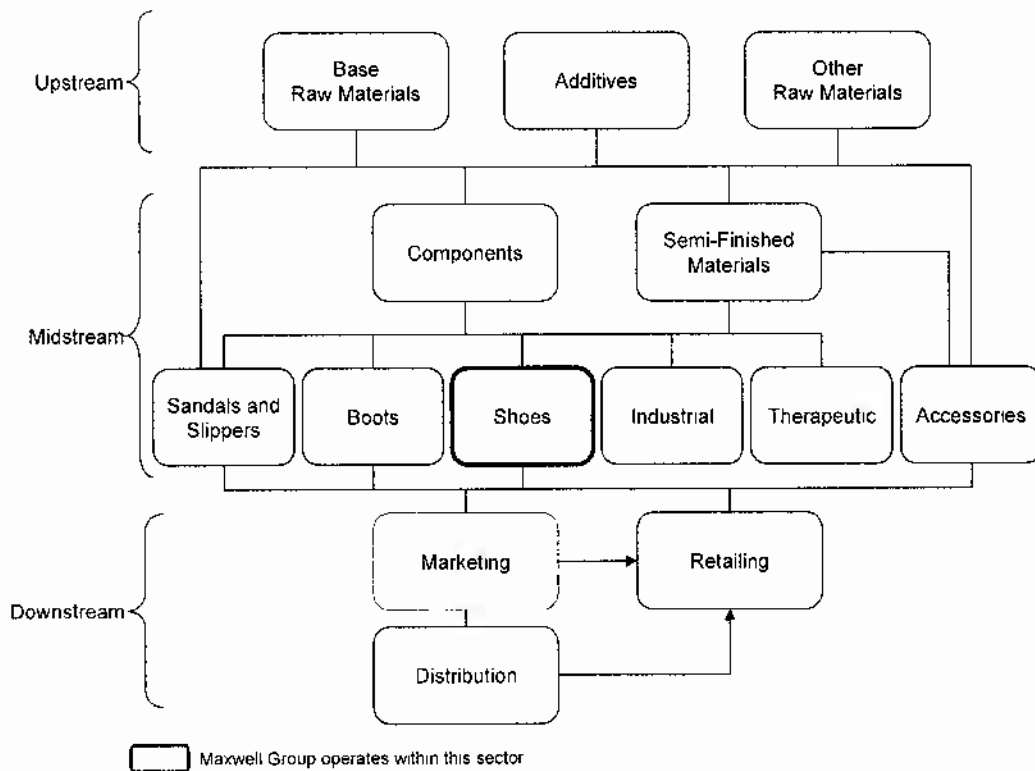


Figure 6. Vertical Structure of the Footwear Industry

- The footwear industry can be segmented into the following:
  - Upstream activities;
  - Midstream activities;
  - Downstream activities.

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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- Maxwell Group is principally involved in midstream activities in the manufacturing of sports shoes.

**Upstream**

- Upstream activities primarily involve the supply of raw materials including:
  - Base raw materials for example natural rubber such as ribbed smoke sheer and pale crepe, synthetic rubber including styrene butadiene rubber (SBR), butadiene acrylonitrile, polychloroprene, polyisoprene and polybutadiene, leather (not commonly used for sports shoes), textiles (not commonly used for sports shoes), ethylene vinyl acetate copolymer (EVA), polyvinyl chloride (PVC) (not commonly used for sports shoes) polyurethane (PU), and thermoplastic rubber (TPR).
  - Additives are used to improve mechanical and physical properties, as well as appearance. Some examples of additives include fillers, pigments, accelerator, activator, antioxidant, plasticiser, blowing agent, stabiliser, vulcanising agent, dusting agent, catalyst, cross linking, chain extending agents, colorants, flame retardant and smoke suppressant.
  - Other raw materials include threads, adhesives, eyelets and other processing aids like lubricants used during compounding of base raw materials.

**Midstream**

- Midstream activities involve the manufacturing of footwear components such as soles, heels and grommets (eyelets) and manufacturing of semi-finished footwear materials such as semi-finished synthetic leather and textile cloth.
- Midstream activities also involve the manufacturing of finished products such as sandals, slippers, boots, shoes, industrial footwear, therapeutic footwear and footwear accessories.

**Downstream**

- Downstream activities involve marketing, distribution and retailing of footwear. Marketing and distribution activities are usually undertaken by brand owners, agents, importers, stockists and wholesalers.

**6. SUBSTITUTE PRODUCTS**

- Generally, there are no direct substitutes for sports shoes. The alternative is not to use these products at all or use other forms of footwear such as sandals and dress shoes, industrial footwear to serve as sports shoes, however these are not practical substitutes.

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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**7. GOVERNMENT REGULATIONS, POLICIES AND INCENTIVES****7.1 Business Licence**

- Application for a business licence with the Administration for Industry and Commerce is required for establishing an enterprise in China.
- Maxwell Group's subsidiary has obtained the following business licence from the respective authorities in China:

By subsidiary	Issuing Authority	Descriptions	Validity Period
Jinjiang Zhenxing Shoes Plastics Co Ltd	Quanzhou Administration for Industry and Commerce	Manufacturing of Shoes	23 June 1999 until 23 June 2029

**7.2 Environmental Regulations**

- As part of the manufacturing process for sports shoes, Maxwell Group creates wastes in the form of off-cuts mainly during the construction of the bottom part of the shoe. The wastes are collected and then sent to the waste collection centre.
- However, these are bulk wastes, which do not have a significant impact on the environment as long as they are properly disposed.

**8. SUPPLY****8.1 Production**

- Between 2005 and 2009, the gross output value of the manufacture of textile wearing apparel, footwear and caps in China increased at an average annual rate of 20.4%. In 2009, the gross output value of such products grew by 10.7% to reach RMB1.0 trillion.
- In 2007, China's production of footwear was about 10.2 billion pairs, accounting for approximately 60% of the global production of footwear in 2007.
- The production statistics on rubber shoes include, among others, sports shoes but exclude professional sports shoes, which require special certification from the Government of China. Between 2004 and 2008, the production quantity of rubber shoes (including sports shoes) in China decreased at an average annual rate of 7.7%. However, in 2008, the production quantity of rubber shoes increased by 9.1% to reach 2.1 billion pairs.

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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- Between 2004 and 2008, the production quantity of leather shoes in China increased at an average annual rate of 4.8%. In 2008, the production quantity of leather shoes grew by 2.7% to reach 3.3 billion pairs.

*(Source: National Bureau of Statistics of China and Council for Leather Exports of India)*

**8.2 Imports**

- Between 2005 and 2009, the import value of footwear, gaiters and the like, and parts of such articles increased at an average annual rate of 12.9%. In 2009, the import value of such products declined by 13.3% to approximately USD880.0 million (equivalent to RMB6.0 billion).
- Between 2005 and 2009, the import value of footwear with outsoles of rubber, plastics, leather or composition leather and upper of textile materials (including sports footwear, tennis shoes, basketball shoes, gym shoes, training shoes and the like) increased at an average annual rate of 50.4%. In 2009, the import value of such footwear declined by 9.7% to USD114.8 million (equivalent to RMB783.7 million).
- Between 2005 and 2009, the import value of sports footwear, tennis shoes, basketball shoes, gym shoes, training shoes and the like with outsoles of rubber or plastics (a sub-sector of footwear with outsoles of rubber, plastics, leather or composition leather and upper of textile materials) increased at an average annual rate of 24.2%. In 2009, the import value of such footwear declined by 37.0% to USD10.2 million (equivalent to RMB69.6 million). In 2009, some of China's major sources of this type of footwear include Italy, Vietnam, Malaysia, Japan and Indonesia.

*(Source: National Bureau of Statistics of China and China Customs)*

**9. SUPPLY DEPENDENCIES – RAW MATERIALS**

- The major raw materials used in the manufacture of sports shoes are as follows:
  - shoe soles including insoles, midsoles and outsoles;
  - upper materials including those made of leather, composition of leather, textile materials, as well as plastics and synthetic materials.
- There are many types of sports shoe soles depending on the application, technical requirements and cost considerations. Some examples include the following:
  - insoles are commonly made from a mixture of cellulose material and rubber, woven materials mainly textile, microcellular polyurethane, non-woven materials, latex sponge and Ethylene-Vinyl Acetate copolymer (EVA) foam;

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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- Midsoles for sports shoes are commonly made of polymer based materials such as Phylon, Polyurethane (PU), Phylite and Ethylene-Vinyl Acetate copolymer (EVA).
- As the outsoles comes into contact with the ground, materials used are expected to be lightweight, durable, provides traction and highly abrasion resistant. Common materials that are used to make outsoles for sports shoes include various types of latex rubber and thermoplastic rubber.

**9.1 Production**

- Between 2005 and 2009, the gross industrial output value of the manufacture of plastics grew at an average annual rate of 21.3%. In 2009, the gross industrial output value of the manufacture of plastics increased by 10.8% to reach RMB1.1 trillion.
- Between 2005 and 2009, the gross industrial output value of the manufacture of rubber grew at an average annual rate of 21.4%. In 2009, the gross industrial output value of the manufacture of rubber increased by 12.8% to reach RMB476.8 billion.
- Between 2004 and 2008, the production of plastic products decreased at an average annual rate of 0.3%. However, in 2008, the production of plastic products increased by 12.4% to 37.1 million tonnes.

*(Source: National Bureau of Statistics of China)*

**9.2 Imports**

- Between 2005 and 2009, the import value of rubber and plastics outsoles and heels decreased at an average annual rate of 8.5%. In 2009, the import value of such products declined by 16.9% to USD59.7 million (equivalent to RMB407.5 million). In 2009, some of China's major sources of rubber and plastic outer soles and heels include Taiwan, Korea, Vietnam, Japan, Italy, the United States and other overseas countries.
- In 2009, the import value of rawhides and skins (other than fur skins) and leather decreased by 20.9% to USD4.5 billion (equivalent to RMB30.5 billion). Between 2005 and 2009, the import value of this category declined at an average annual rate of 1.9%.

*(Source: China Customs and National Bureau of Statistics of China)*

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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**10. DEMAND****10.1 China****Local Consumption**

- Between 2005 and 2009, the total retail sales of consumer goods in China grew at an average annual rate of 18.5%. In 2009, the total retail sales of consumer goods increased by 15.5% to reach RMB13.3 trillion.
- Between 2004 and 2008, the retail value of clothing, shoes, hats and textiles grew at an average annual rate of 22.7%. In 2008, the retail value of such products increased by 24.8% to reach RMB377.6 billion.
- Between 2004 and 2008, the retail value of shoes and hats (a sub-sector of clothing, shoes, hats and textiles) grew at an average annual rate of 22.5%. In 2008, the retail value of shoes and hats increased by 24.8% to reach RMB69.4 billion.
- Between 2005 and 2009, per capita annual purchases of shoes by urban households in China grew at an average annual rate of 3.4%. In 2009, per capita annual purchases of shoes by urban households in China increased by 6.9% to reach 2.95 pairs
- Between 2005 and 2009, per capita annual consumption expenditure on shoes by urban households in China increased at an average annual rate of 14.2%. In 2009, per capita annual consumption expenditure on shoes by urban households in China grew by 11.0% to reach RMB300.10.

*(Source: National Bureau of Statistics of China)*

**Exports**

- Between 2005 and 2009, the export value of footwear, gaiters and the like, and parts of such articles increased at an average annual rate of 10.1%. In 2009, the export value of such footwear declined by 5.7% to USD28.0 billion (equivalent to RMB191.2 billion).
- Between 2005 and 2009, the export value of shoes with outer of rubber or artificial plastic materials (including sports shoes) grew at an average annual rate of 15.0%. In 2009, the export value of these types of shoes increased by 4.7% to reach USD4.1 billion (equivalent to RMB28.2 billion).
- Between 2005 and 2009, the export quantity of shoes with outer of rubber or artificial plastic materials (including sports shoes) grew at an average annual rate of 6.3%. In 2009, the export quantity of these types of shoes increased by 3.1% to 1.4 billion pairs.

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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- Between 2005 and 2009, the export value of footwear with outsoles of rubber, plastics, leather or composition leather and uppers of textile materials increased at an average annual rate of 15.0%. In 2009, the export value of such footwear grew by 4.2% to reach USD4.2 billion (equivalent to RMB28.4 billion).
- Between 2004 and 2008, the export quantity of footwear with outsoles of rubber, plastics, leather or composition leather and uppers of textile materials grew at an average annual rate of 10.9%. In 2008, the export quantity of this category decreased by 3.5% to 1.4 billion pairs.
- Between 2005 and 2009, the export value of sports footwear, tennis shoes, basketball shoes, gym shoes, training shoes and the like with outsoles of rubber or plastics (a sub-sector of footwear with outsoles of rubber, plastics, leather or composition leather and upper of textile materials) decreased at an average annual rate of 2.6%. In 2009, the export value of such footwear declined by 29.9% to USD768.5 million (equivalent to RMB5.2 billion). In 2009, China's export markets for these types of footwear include, among others, the United States, Japan, Belgium, France, Hong Kong, Holland, Germany, the United Kingdom, Korea, Brazil, Canada, Australia and Panama.
- Between 2004 and 2008, the export quantity of sports footwear, tennis shoes, basketball shoes, gym shoes, training shoes and the like with outsoles of rubber or plastics (a sub-sector of footwear with outsoles of rubber, plastics, leather or composition leather and upper of textile materials) increased at an average annual rate of 3.2%. However, in 2008, the export quantity of such footwear decreased by 2.6% to 133.0 million pairs.
- Between 2005 and 2009, the export value of leather shoes increased at an average annual rate of 0.9%. In 2009, the export value of leather shoes decreased by 14.8% to USD8.4 billion (equivalent to RMB57.0 billion).
- Between 2005 and 2009, the export quantity of leather shoes decreased at an average annual rate of 10.3%. In 2009, the export quantity of leather shoes declined by 21.6% to 882.4 million pairs.

*(Source: National Bureau of Statistics of China and China Customs)*

**10.2 Global Demand**

- Between 2004 and 2008, the global consumption of footwear grew at an average rate of 2% per annum. The global consumption of footwear was estimated at 14 billion pairs in 2008.
- In 2008, Asia represented the largest continent for consumption of footwear, which accounted for 45% of the global consumption of footwear, and consumption grew at an average annual rate of 3% between 2004 and 2008.



**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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- North and South America's consumption of footwear represented 25% of global consumption, while Europe represented 20% of global consumption of footwear in 2008.
- Between 2004 and 2008, the North and South America's consumption of footwear grew at an average annual rate of 1%, while Europe's consumption of footwear grew at an average of 2% per annum.

*(Source: Secondary market research undertaken by Vital Factor Consulting Sdn Bhd)*

**11. DEMAND DEPENDENCIES****11.1 China Market**

- As Maxwell Group's market also cover China, demand dependencies will be based on factors impacting on the consumption of sports shoes in China including the following:
  - Population growth in China;
  - Growth in household disposable income;
  - Increase in consumption expenditure.
- Between 2005 and 2009, the population of China increased at an average annual rate of 0.5%. In 2009, the population of China grew by 0.5% to reach 1.3 billion persons.
- Between 2005 and 2009, annual per capita disposable income of urban households in China increased at an average annual rate of 13.1%. In 2009, annual per capita disposable income of urban households in China grew by 8.8% to reach RMB17,174.7.
- Between 2005 and 2009, annual per capita consumption expenditure of urban households in China increased at an average annual rate of 11.5%. In 2009, annual per capita consumption expenditure of urban households in China grew by 9.1% to reach RMB12,264.6.

*(Source: National Bureau of Statistics of China)*

**11.2 Other Selected Overseas Countries**

- The Group's manufactured sports shoes are also exported indirectly to other regions including Europe, the United States and Asia. As such, demand dependencies will be based on the following factors impacting on the consumptions of sports shoes in the respective regions, including:

**United States**

- In 2007 and 2008, the United States' real GDP recorded a growth of 1.9% and 0.0% respectively, but recorded a drop of 2.6% in 2009.

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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- Consumer prices in the United States registered a growth of 3.8% in 2008 but decreased marginally by 0.3% in 2009.
- Per capita GDP in the United States experienced a marginal growth of 1.2% to USD47,155 in 2008 but recorded a drop of 2.6% in 2009.

**Europe**

- In 2007 and 2008, Central and Eastern Europe's real GDP registered growth of 5.5% and 3.1% respectively. In 2009, Central and Eastern Europe's real GDP recorded negative growth of 3.6%.
- The consumer price of Central and Eastern Europe recorded a growth of 8.1% in 2008 and grew by 4.7% in 2009.
- In 2008, per capita GDP of Central and Eastern Europe achieved a growth of 4.7% to reach USD14,346 and dropped by 3.4% in 2009.

*(Source: International Monetary Fund)*

**12. COMPETITION****12.1 Nature of Competition in the Industry**

- Manufacturers in the sports shoe industry in China face normal competitive conditions, which is similar to a free enterprise environment where there are no undue government regulations or licensing requirements, there are many manufacturers, manufacturers may enter and leave the industry with relative ease, and no one manufacturer is large enough to dictate product pricing. In such an environment, the industry is also subjected to normal supply and demand conditions moderated by the price mechanism. Manufacturers compete on product and service differentiations, and other factors of competition.

**12.2 Factors of Competition**

- As with most free enterprise environment, the factors that are used to compete and to differentiate one manufacturer from another include the following:
  - quality of products and services;
  - design and value-adding capabilities;
  - research and development;
  - track record.

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)**

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**12.3 Impact of Factors of Competition on Maxwell Group**

- **Quality of Products and Services**

Quality products and services are important to buyers and users, especially where there is a wide range of choices. Quality will also need to commensurate with price points, for example, good quality sports shoes may feature good cushioning system to give better shock absorption and to provide comfort for the feet, support and stability, which also limits excessive pronation to prevent injuries. Other product quality factors include flexural resistance, anti-yellowing for white coloured sports shoes, seam construction, adhesion strength, materials used, breathability, durability, weight and others. Manufacturers with stringent quality assurance programmes and certifications together with in-house quality tests and inspections will be in a better position to compete effectively and win new customers.

Maxwell Group has always placed continuous emphasis on product quality where extensive quality checks are done on in-coming materials, through each level of the manufacturing process and the final products. The Group's emphasis on quality management is attested by the fact that the Group has been awarded the Outstanding Enterprise in Regulated Quality Management by the Quanzhou Sub-centre of China Merchandise Trading Centre and Excellent Quality Unit Award by the Technology Supervisory Bureau of Jinjiang. The Group, through its subsidiary, Jinjiang Zhenxing Shoes Plastics Co Ltd is ISO 9001:2000 certified with quality management systems in place. The quality awards of Maxwell Group are endorsements of the quality assurance system that is in place for the manufacturing of sports shoes. This also provides customers with the assurance of Maxwell Group's product quality.

- **Design and Value-adding Capabilities**

Design of sports shoes requires a certain level of technical skills, expertise, and specialised systems, for example, the design phase would require experience, skills and expertise in conceptualising contemporary and attractive designs based on existing or emerging trends. These are then translated into shoe designs using computer aided design (CAD) system. This would allow the manufacturer to create two and three dimension computer generated solid state prototypes to facilitate the functional tests and dimensioning, scaling, and colour and material combinations and modifications, as well as analysing the movement, position and impact on certain parts of the sports shoes. Designing is essential as it affects the shoe style, ergonomics, function, durability and customer acceptance.

In addition, manufacturers that provide further value-adding including screen printing, embroidery and embossing services are in a better position to meet the requirements of customers. As such, a manufacturer of sports shoes with in-house design and value-adding capabilities would have an advantage in securing sales orders and providing customer convenience.

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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From that perspective, the Group has in-house design capabilities and facilities including CAD systems as well as design personnel. As at 15 November 2010, Maxwell Group has five personnel primarily involved in the design of sports shoes. Furthermore, the Group is also equipped with in-house screen printing, embossing and embroidery facilities for the manufacturing of sports shoes.

- **Research and Development**

There are three main drivers of sports shoes that make research and development an important competitive factor, namely:

- Sports shoes are fashion items;
- Sports shoes provide support to the leg and protection for the feet;
- Competition continuously place pressure on costs.

These three drivers, among others, have necessitated research and development of sports shoes. Research and development is essential in creating new designs and using new materials that meet customer needs for fashion, function, ergonomics and cost considerations. As such, sports shoe manufacturers with in-house research and development facilities and capabilities would be in a better position to continually develop better and more desirable products that meet the changing needs of customers.

In this respect, Maxwell Group has in-house design and development facilities and capabilities to meet customers' requirements.

- **Track Record**

Maxwell Group has a track record of approximately 10 years in the manufacturing of sports shoes (since the commencement of the Group's manufacturing operations in China in 1999) and over the years, the Group has established itself as a manufacturer of sports shoes.

Manufacturers with established and proven track record are in a stronger position to compete effectively and more importantly, secure sales orders.

**12.4 Competitive Intensity**

- Competition among manufacturers of sports shoes within the Footwear Industry in China is based on the following observations:

- Competition primarily comes from other manufacturers of sports shoes in China, particularly in Jinjiang in the Fujian province. This is because Jinjiang is regarded as the centre of footwear manufacturing in China, and Maxwell Group's manufacturing operations are located in Jinjiang. In Jinjiang, there are an estimated 3,000 shoe manufacturing companies producing an estimated 700 million pairs of shoes per year.

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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- Capital requirements for setting-up a small sized manufacturing facility cost about RMB20 million, including machinery and equipment, and working capital.
- Technical skills and knowledge also pose as barriers to entry, therefore reducing the competitive intensity.
- A relatively large and growing retailing market in China and export market for footwear including sports shoes would be able to accommodate a relatively large number of manufacturers of sports shoes in the industry. This may somewhat mitigate the competitive intensity.

**12.5 Players in the Industry**

- Jinjiang City within the Fujian Province has approximately 3,000 shoe manufacturers. There is a wide spectrum of manufacturers ranging from cottage industry focusing on handmade shoes producing on a small scale basis up to larger manufacturers having many automated production lines producing a few million pairs of shoes annually. In addition, the large concentration of shoe manufacturers in Jinjiang City has also created many supporting industries including manufacturers of shoe parts, components and accessories, and suppliers of raw materials.
- The footwear industry in China is highly fragmented with many different forms of competition. Among others, these include different types of footwear such as sandals and slippers, industrial footwear, therapeutic footwear, boots, and shoes (including sports shoes, dress shoes, climbing shoes, and others).
- For sports shoes, there are many players competing in this segment. They comprise own brand manufacturers, contract manufacturers for third party brand owners and a combination of both.
- Some of the own brand manufacturers include Li Ning Company Limited, ANTA Sports Products Limited, Xtep International Holdings Limited, China Sports International Limited, China Eratat Sports Fashion Limited, China Hongxing Sports Limited, Xidelang Holdings Ltd (listed on Bursa Malaysia), and Xingquan International Sports Holdings Limited (listed on Bursa Malaysia).
- China also has many operators undertaking manufacturing of sports shoes for third party brand owners. As an example, some of the contract manufacturers for Nike in China include Yue Yuen Industrial (Holdings) Limited, Poh Chen Corporation, Chanrong Sports, Fujian Lifeng Footwear Co Ltd, Fujian San Feng Footwear Co Ltd, Xie Feng Footwear Co Ltd and Pegasus Footwear Co Ltd.
- Some of the contract manufacturers of sports shoes for other third party brand names include Darong Shoe Co Ltd, Feng Tay Enterprise Co Ltd (listed on Taiwan Stock Exchange), Fujian Changli Sports Products Co Ltd, Fujian Jinjiang Jialaimeng Shoes Plastics Co Ltd, Jinjiang Chendai Ailibao Shoes &

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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Garments Co Ltd, Jinjiang GuangMing Shoes Co Ltd, Jinjiang Hengdali Footwear Co Ltd, Jinjiang Haomei Shoes Co Ltd, Jinjiang Liweng Shoes Co Ltd, Jinjiang Mingta Shoes & Plastics Co Ltd, Jinjiang Chendai Wudai Namfeng Leather Plastics Factory, Kingmaker Footwear Holdings Limited, KTP Holdings Limited, Maxwell Group, Shuaike Shoe Co Ltd, and Symphony Holdings Limited.

*(Note: The above is not an exhaustive list and companies are listed in alphabetical order.)*

**13. BARRIERS TO ENTRY****13.1 Set-up Costs**

- The barriers to entry into the manufacture of sports shoes within the Footwear Industry in China is moderate from the set-up cost perspective.
- The cost of setting-up a small scale manufacturing plant in China to produce sports shoes would be approximately RMB20 million (excluding land and building). This would include machinery and equipment incorporating sewing and stitching, cutting machinery and one line of assembly facilities, and working capital of three to four months' raw materials and finished products.

This size of establishment would be capable of producing approximately 370,000 pairs of sports shoes per year and the revenue generated is estimated at RMB20 million per year.

At this level of entry, which is small, the manufacturing plant is restricted in terms of capacity. Capital costs would start to escalate for those who want to generate a higher volume of output to achieve economies of scale. Larger operations are necessary to meet the demands in China and export markets. Smaller manufacturers would also find it difficult to compete with larger manufacturers, as they are able to fulfil larger volume orders within a shorter period of time.

**13.2 Technical Expertise**

- Technical skills and knowledge are required in the design, research and development, and manufacturing of sports shoes.
- Designs of sports shoes are essential as it covers functionality, ergonomics, style, aesthetics and ultimately customer acceptance. Larger and more established manufacturers are more likely to have in-house design capabilities compared to smaller manufacturers.

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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- Technical skills to undertake research and development are also essential to keep ahead of the competition. This is particularly important in keeping up with fashion trends, improvements in ergonomic designs, biomechanical and kinetic adaptation, and using new and innovative materials to continuously come up with better and more desirable products.
- Manufacturing expertise such as those required in sewing, stitching, assembly and bonding also play major roles in ensuring products meet specified properties and features including cushioning, support and stability, anti-abrasion, anti-flex, anti-yellowing, breathability, weight, fitting, bursting strength and durability.
- Technical expertise in selecting the choice of raw materials, and using improved and innovative materials for sports shoes is also very important to the saleability of the product. This is due to the significant amount of development in materials used to provide better and sometimes cheaper materials for the manufacture of sports shoes.
- Sports shoes are used to perform physical sports activities, which are subjected to heavy duty use. As such, the overall function of the product is important, particularly in providing comfort, ergonomics and cushioning against the jarring impact of walking or running, support and stability to limit excessive pronation to prevent injuries, and the requirements for withstanding wear and tear due to the abrasive action of coming into direct contact with the ground.
- Technical expertise, skills and knowledge from design, manufacturing and use of raw materials are key in creating a quality and desirable product, and thus this would pose a barrier to entry for new entrants

**13.3 Track Record**

- Track record forms one of the barriers to entry for new entrants. It is unlikely that a new entrant without any track record will be able to compete effectively in the market particularly for the commercial market.
- A manufacturer with a track record as a reliable supplier of consistently high quality products would be in a significantly better position in winning sales compared to a new entrant.
- As such, track record would pose some barriers to entry for new entrants, as they may face some difficulties in gaining immediate access into the market.

**13.4 Product Quality**

- Quality is a critical factor in ensuring the ability to continually secure sales in the sports shoes industry. The success of a manufacturer would depend on its ability to meet the quality standards and expectations of consumers and commercial customers.

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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- As with most consumer items, proven fashion trends, ergonomic designs and durability of products are also important. There is also an expectation that the products are subjected to continuous vigorous action and significant wear and tear, while at the same time provide comfort, safety and protection to the feet.
- As such, manufacturers that have stringent quality assurance programmes in place with compliance to standards are important factors in securing sales orders. Manufacturers that able to continuously meet quality expectations of customers are in a stronger position to compete effectively.

**14. RELIANCE ON AND VULNERABILITY TO IMPORTS**

- Generally, manufacturers of sports shoes in China source a significant proportion of their raw materials and components locally in China. Some of the major raw materials used in the manufacture of sports shoes include:
  - shoe soles including insoles, midsoles and outsoles;
  - upper materials including those made of leather, composition of leather, textile materials, as well as plastics and synthetic materials.
- Shoe soles and upper materials represent the major raw materials of Maxwell Group's total purchases. The Group sources all of its shoe soles and upper materials from suppliers in China.
- Raw materials in the forms of shoe soles and semi-finished materials that made of leather, textile, plastics and synthetic materials can be sourced in China. This is supported by the following observations in China:
  - In 2009, there were an estimated 19,894 enterprises operating in the manufacture of plastics. The gross industrial output value of the manufacture of plastics increased by 10.8% to reach RMB1.1 trillion in 2009.
  - In 2009, there were an estimated 4,720 enterprises operating in the manufacture of rubber. The gross industrial output value of the manufacture of rubber increased by 12.8% to reach RMB476.8 billion in 2009.
  - In 2008, the production of plastic products increased by 12.4% to 37.1 million tonnes. Manufacturers can source plastic products from various locations within China including Guangdong, Zhejiang, Shandong, Jiangsu, Liaoning, Hebei, Anhui, Fujian, Henan, Sichuan and others.
  - In 2009, there were an estimated 32,412 enterprises in the manufacture of textiles. The gross industrial output value of manufacture of textiles increased by 7.4% to reach RMB2.3 trillion in 2009.



**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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- In 2009, the gross industrial output value of manufacture of leather, fur, feather and related products increased by 9.4% to reach RMB642.6 billion.

*(Source: National Bureau of Statistics of China)*

- Nevertheless, China also imports raw materials to meet its overall manufacturing needs:
  - In 2009, the import value of rubber and plastics outsoles and heels declined by 16.9% to USD59.7 million (equivalent to RMB407.5 million). In the same year, China imported its rubber and plastic outer soles and heels from Taiwan, Korea, Vietnam, Japan, Italy, the United States and other overseas countries.
  - In 2009, the import value of rawhides and skins (other than fur skins) and leather decreased by 20.9% to USD4.5 billion (equivalent to RMB30.5 billion).
  - In 2009, the import value of textile and textile articles decreased by 12.8% to USD21.8 billion (equivalent to RMB148.7 billion).
  - In 2009, the import value of plastics and articles amounted to USD48.5 billion (equivalent to RMB331.2 billion).

*(Source: National Bureau of Statistics of China and China Customs)*

**15. INDUSTRY OUTLOOK****15.1 General Overview**

- There are strong indications that economic conditions in China in 2010 will improve. This is supported by the following observations:
  - While real GDP grew by 9.1% in 2009, which is low compared to 2007 at 14.2%, real GDP for 2010 is forecasted to be between 10% and 11%. *(Source: National Bureau of Statistics of China and Secondary Market Research undertaken by Vital Factor Consulting Sdn Bhd)*
  - Entrepreneur confidence has also improved by 43.7% between fourth quarter of 2008 and the third quarter of 2010 *(Source: National Bureau of Statistics of China)*
- Improved economic conditions combined with stronger entrepreneur confidence will help sustain operators within the footwear manufacturing industry including sports shoes.

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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**15.2 Economic Conditions in China relative to Global Conditions**

- China's real GDP continues to be relatively more robust at 9.1% compared to the real GDP of some of the more advanced economies, for example:
  - USA = -2.6% in 2009;
  - UK = -4.9% in 2009;
  - Japan = -5.2% in 2009

*(Source: National Bureau of Statistics of China, Bureau of Economic Analysis of US Department of Commerce, Office for National Statistics, United Kingdom and Department of National Accounts, Economic and Social Research Institute of Cabinet Office, Government of Japan)*

- In 2010, China is forecasted to achieve a continuing growth of between 10% and 11% in real GDP. The economies of some of the more advanced countries are expected to rebound in 2010, and are forecasted to record positive real GDP growth, for example:
  - USA = 2.6% in 2010;
  - UK = 1.7% in 2010;
  - Japan = 2.8% in 2010.

*(Source: Secondary Market Research undertaken by Vital Factor Consulting Sdn Bhd)*

- As footwear, including sports shoes are regarded as necessity products, it is likely that consumer spending on these products will still continue.
- A forecasted rebound in global economic conditions will continue to provide business opportunities and growth for footwear manufacturing industry including sports shoes that serve China and global markets.

**15.3 Outlook of Original Brand Manufacturers and Contract Manufacturers of Sport Shoes**

- The outlook of sports shoes manufacturers, including OBM and contract manufacturers in China is correlated to the general economic conditions in China as well as global economic conditions. This is relevant for sports shoe manufacturers that serve the local market in China and/or the export markets.
- The forecasted real GDP growth of between 10% and 11% in China in 2010 is likely to have a positive impact on consumer spending and expenditure. Similarly there are signs of recovery in the global economies and this is reflected in the positive growth of real GDP in 2010 for consuming countries like the United States. This is likely to have a positive impact on all types of manufacturers in the sports shoe industry including OBM and contract manufacturers alike.

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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- Generally OBM have direct control over brand image, brand development, product quality, product design and pricing, time-to-market and as such, are not dependent on contract manufacturers. Investment in marketing and promotions are key in developing brand awareness, image and loyalty, which contributes to higher brand equity. A high brand equity would enable such manufacturers to command higher pricing for its products. Therefore OBM that invest significantly in marketing and promotions would be in a stronger position to increase brand awareness.
- Contract manufacturers of sports shoes primarily service brand owners. They play a critical supporting role in the entire supply chain. Contract manufacturers undertake the physical manufacturing activities of sports shoes for brand owners, which in turn allow brand owners to focus on their core competencies in product and brand development, and marketing and promotions. Contract manufacturers that have their own in-house design capabilities are able to provide value-added services to brand owners.
- The continuing growth in China and the recovering global economies in 2010 would have a positive chain effect on both OBM and contract manufacturers alike.

**16. THREATS AND RISKS ANALYSIS****16.1 Dependency on Supply of Raw and Semi-Finished Materials**

- The manufacture of sports shoes is ultimately dependent on the availability of major raw materials including semi-finished materials such as shoe soles, textile materials, plastic and composition of synthetic materials. Shortage in the supply of one of these major materials may lead to a disruption in the manufacturing operations.

**Mitigating Factors**

- Generally, manufacturers of sports shoes source most of their materials from suppliers and manufacturers in China. In 2009, there were an estimated 32,412 enterprises operating in the manufacture of textiles, 19,894 enterprises operating in the manufacture of plastics and 4,720 enterprises operating in the manufacture of rubber in China. (Source: *National Bureau of Statistics of China*)
- In addition, these materials are widely produced and can be sourced from overseas countries, if required. Therefore, any possible interruptions in the supply are minimised.

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

Creating Winning Business Solutions

**16.2 Fluctuation in Prices of Raw Materials and Petroleum**

- Petroleum products are the major feedstock for plastic resins and synthetic rubber used in the manufacture of shoe soles and the upper part of sports shoes. Thus, the prices of plastic based materials and synthetic rubber are therefore dependent on the price of petroleum.
- In some situations, increases in the price of raw materials are not easily passed onto customers. This could have an impact on margins. Alternatively, if the increase in cost is passed onto customers, the manufacturer may not be price competitive.

**Mitigating Factors**

- Manufacturers with strong financial strength may be able to purchase and maintain stocks of key raw materials to create some cushion against price fluctuations, especially in the short term.
- In addition, as these raw materials are commodities and therefore subjected to world prices, all manufacturers that use these materials are affected equally.

**16.3 Global Financial Crisis**

- Any prolonged and/or widespread downturn such as those of the recent global financial turmoil has affected China and the global economies. Shoes are consumer-based products and any downturn in the economy is likely to impact on consumer spending and confidence.
- A slowdown in China and global economies is likely to reduce demand for a wide range of products, including sports shoes, which would have an impact on manufacturers within the sports shoe industry.

**Mitigating Factors**

- As shoes are regarded as necessity products, it is likely that consumer spending on these products will still continue, albeit at a lower expenditure level during an economic slowdown.
- In 2009, China experienced a real GDP growth of 9.1% and is forecasted to grow between 10% and 11% in 2010. In contrast, many advanced economies experienced negative GDP growth in 2009. However, the economies of some of the more advanced countries are expected to rebound in 2010, and are forecasted to record positive real GDP growth. (Source: *National Bureau of Statistics of China and Secondary Market Research undertaken by Vital Factor Consulting Sdn Bhd*). As such, China and other economies are expected to perform better in 2010 compared to 2009.

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

Creating Winning Business Solutions

- Manufacturers with strong product quality, financial stability, and a diverse range of products and designs would be in a better position to withstand a slowdown in China and global economies.

**17. AREAS OF GROWTH AND OPPORTUNITIES****17.1 Product Diversification**

- Product diversification presents opportunities for manufacturers to enlarge their customer base and more importantly, enable them to minimise risk of over dependency on a narrow range of products.
- Manufacturers who supply a diverse product range and applications are in a stronger position to sustain the business during the economic slowdown.

**17.2 Export Markets**

- There are opportunities for manufacturers of sports shoes to expand into export markets.
  - In 2009, the export value of footwear with outsoles of rubber, plastics, leather or composition leather and uppers of textile materials grew by 4.2% to reach USD4.2 billion (equivalent to RMB28.4 billion).
  - In 2009, China's export markets for sports footwear, tennis shoes, basketball shoes, gym shoes, training shoes and the like with outsoles of rubber or plastics included, among others, the United States, Japan, Belgium, France, Hong Kong, Holland, Germany, the United Kingdom and Korea.

*(Source: China Customs)*

- Exports into overseas countries will open up a larger market for sports shoe manufacturers in China.

**17.3 China Market**

- There continues to be opportunities in the China market for sports shoes as indicated by the comparison of per capita expenditure of shoes in China to the United States:
  - In 2009, per capita annual expenditure of footwear in the United States amounted to USD173.61 (equivalent to RMB1,185.04), which was approximately four times higher than China's per capita annual expenditure of footwear by urban households at RMB300.10. *(Source: National Bureau of Statistics of China and Secondary Market Research undertaken by Vital Factor Consulting Sdn Bhd)*

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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- As a country's per capita GDP increases, expenditure on shoes are likely to increase as shoes become fashion accessories to more affluent people in contrast to shoes being a functional item to protect the feet.

**17.4 Building Brand Equity**

- Branding and development of brand equity are important in the sports shoes industry for own brand manufacturers who wish to command a premium for their products. Apart from product design and quality, branding is important in enabling manufacturers to distinguish themselves from competitors and to cultivate customer loyalty.
- There are opportunities for manufacturers in China to build strong brand equity by focusing on marketing and brand development.

**17.5 Use of New and Innovative Materials for Sports Shoes**

- Developments in materials for sports shoes have been very significant over the years, providing consumers with a wide range of materials to meet the functional, ergonomics and fashion requirements of sports shoes.
- The development of materials have moved from the use of textile, leather and rubber to incorporate composite materials made from a combination of two or more materials, which exhibit different mechanical properties. The new and innovative materials are used to satisfy criteria such as strength and pliability, resistance to changes in shape and size, elasticity of materials and its ability to bend and flex under force and to regain its shape, density and weight of the material, and the cushioning system of sports shoes.
- As such, there are significant opportunities in the development of new or innovative materials for sports shoes to continuously create excitement and demand for sports shoes.

**17.6 New Designs of Sports Shoes to Meet Changing Consumer Preferences**

- As sports shoes are regarded as fashion items, meeting changing consumer preferences are key to ensure sustainability and growth.
- As such, manufacturers that have in-house design capabilities are in a stronger position to react more promptly to changes in consumer preferences to address opportunities and growth.

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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**18. CRITICAL SUCCESS FACTORS**

Critical success factors for manufacturers in the Sports Shoe Industry in China include the following

- **Diverse Range of Products:** Manufacturers with a diverse range of products are in a better position to provide convenience to their customers through a one-stop centre concept for sports shoes including casual sports shoes, running shoes and court sports shoes and others.
- **In-house Design Centre** is a critical success factor that enables manufacturers to create innovative and contemporary designs to meet changing consumer preferences. Having in-house design capabilities and facilities also enable manufacturers to react quickly to changing market forces and consumer preferences.
- **Commitment to High Quality:** To ensure optimal performance and reliability of products, manufacturers must commit to high product quality. Manufacturers of sports shoes who adopt stringent controls in their manufacturing processes with recognised quality accreditations and awards to reflect their commitment to product quality and excellence are in a better position to garner customer loyalty.
- **Established Track Record:** The sports shoes market in China is a competitive industry with many manufacturers. This is particularly true in Jinjiang within the Fujian province in China where there are an estimated 3,000 manufacturers of footwear. As such, a reputable track record is relevant to manufacturers whose customers are intermediaries.
- **Financial Stability:** In manufacturing, financial stability will ensure uninterrupted supply to customers. In addition, a financially strong manufacturer would be in a better position to upgrade its manufacturing capabilities, if necessary, to keep abreast with technology, changes in production or to meet demand for increased capacity.

**19. MARKET SEGMENTATION, SIZE AND SHARE****19.1 Market Segmentation**

- There are approximately 3,000 footwear manufacturers in Jinjiang. Of these, approximately 80% are considered small scale manufacturers of footwear including manufacturers of footwear components and accessories. These small scale manufacturers of footwear generally refer to those that produce up to 500,000 pairs of footwear annually.

**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)****VITAL FACTOR CONSULTING**

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- Virtually all of the small scale footwear manufacturers undertake OEM. The balance of approximately 20% are considered medium to large scale manufacturers, and of these approximately 10% undertake a combination of both OEM and OBM.

*(Source: Market research undertaken by Vital Factor Consulting Sdn Bhd)*

**19.2 Market Size****Production**

- In 2009, the market size of the footwear industry in China was estimated at **10 billion pairs** based on production. *(Source: China Leather Industry Association)*
- In 2009, the market size of the rubber/plastic shoes (including sports shoes) industry in China was estimated at **2.3 billion pairs** based on production. Rubber/plastic shoes is a sub-sector of the total footwear industry in China. *(Source: National Bureau of Statistics of China and computed by Vital Factor Consulting Sdn Bhd)*

**Wholesale Value**

- In 2009, the market size of the footwear industry in China was estimated at **RMB61 billion** based on wholesale value. *(Source: National Bureau of Statistics of and computed by Vital Factor Consulting Sdn Bhd)*

**19.3 Market Share****Production**

- In 2009, Maxwell Group had a market share of approximately **0.1%** of the footwear industry in China based on the Group's production output of 6.2 million pairs of sports shoes.
- In 2009, Maxwell Group had a market share of approximately **0.3%** of the rubber/plastic shoes (including sports shoes) industry in China based on the Group's production output of 6.2 million pairs of sports shoes.

**Wholesale Value**

- In 2009, Maxwell Group had a market share of approximately **1%** of the footwear industry in China based on wholesale prices.

*(Note: The term "footwear" covers all types of footwear including sandals, slippers, industrial footwear, therapeutic footwear, boots and shoes. Maxwell Group focuses only on sports shoes.)*



**13. INDEPENDENT INDUSTRY ASSESSMENT REPORT (Cont'd)**

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Vital Factor Consulting Sdn Bhd had prepared this report in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Wai Ling', is written in a cursive style.

Wong Wai Ling  
Director

## 14. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)

### MAXWELL INTERNATIONAL HOLDINGS BERHAD

(Company No. 877480-X)  
(Incorporated in Malaysia under the Companies Act, 1965)  
Pejabat Berdaftar: No. 24-3,  
Jalan Tun Sambanthan 3, 50470 Kuala Lumpur

17 DEC 2010

#### The Shareholders of Maxwell International Holdings Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of Maxwell International Holdings Berhad ("Maxwell" or the "Company"), I wish to report after due enquiry in relation to the interval between the period from 30 June 2010, being the date to which the last audited financial statements of the Company and its subsidiaries ("Group") had been made up, and up to the date of this letter, being a date not earlier than fourteen days before the issuance of this Prospectus, that:-

- (a) the business of our Group, in the opinion of the Board of Directors of Maxwell, has been satisfactorily maintained;
- (b) in the opinion of the Board of Directors of Maxwell, no circumstances have arisen since the last audited financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (c) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in this Prospectus, there are no other contingent liabilities by reason of any guarantees or indemnities given by our Group;
- (e) there have been, since the last audited financial statements of our Group, no default on any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowing (this applies to our Group), which the Board of Directors of Maxwell are aware of; and
- (f) save as disclosed in this Prospectus, there has been, since the last audited financial statements of our Group, no material changes in the published reserves or any unusual factor affecting the profits of our Group.

Yours faithfully  
for and on behalf of the Board of Directors of  
**MAXWELL INTERNATIONAL HOLDINGS BERHAD**

  
**LI KWAI CHUN**  
Executive Director and Chairman

## 15. ADDITIONAL INFORMATION (Cont'd)

### 15.1 SHARE CAPITAL

- (i) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.
- (ii) We have no founder, management or deferred shares in our Company. As at the date of this Prospectus, we have only one (1) class of shares in our Company, namely ordinary shares of RM0.40 each, all of which rank equally with one another.
- (iii) Save as disclosed in this Prospectus, no shares, debentures, outstanding warrants, options, convertible securities or uncalled capital of our Group have been or are proposed to be issued as partly or fully paid-up, in cash or otherwise than in cash, within the two (2) years preceding the date of this Prospectus.
- (iv) None of the capital of our Group has been put under any option or has been agreed conditionally or unconditionally to be out under any option.
- (v) There is no scheme involving our employees in the capital of our Group.
- (vi) As at the date of this Prospectus, neither our Company nor our subsidiary has any outstanding convertible debt securities.
- (vii) As at the date of this Prospectus, there is no limitation on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by law or by our Memorandum and Articles of Association.

### 15.2 EXTRACT OF OUR ARTICLES OF ASSOCIATION

The following provisions are a summary or extract from our Articles of Association ("Articles") and are qualified in its entirety by the provisions of by applicable law and the terms used are as defined therein:

#### (i) Transfer of securities

##### Article 27 – Execution of Transfer

*Subject to the provisions of the Central Depositories Act, the Rules and these Articles, any Member may transfer all or any of his shares in the manner prescribed under the Rules and approved by the Bursa Securities. The transfer of any shares shall be by way of book entry by the Bursa Depository in Securities Account of a Depositor in accordance with the Rules and notwithstanding Sections 103 and 104 of the Act, but subject to Sections 107C(1) and 107C(2) of the Act, the Company shall be precluded from registering and effecting any transfer of shares.*

##### Article 28 – Liability over Transfer

*Subject to the provisions of the Act, the Central Depositories Act and the Rules, neither the Company nor any of its Directors or other officers shall incur any liability for acting upon a transfer of shares registered by the Bursa Depository, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although transferred, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner.*

**15. ADDITIONAL INFORMATION (Cont'd)**

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*In every such case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.*

Article 29 – Refusal to Register

*The Directors may decline to effect the registration of any transfer of shares if such shares are not fully paid up or the Company has a lien on them or otherwise if the transfer does not comply with the provisions of the Act, the Central Depositories Act and the Rules.*

Article 30 – Notice of Refusal

*Any Member whose transfer of shares has been refused shall be notified of the precise reasons thereof or dealt with in accordance with the Act, the Central Depositories Act and the Rules.*

Article 31 – Suspension of Registration

*The registration of transfers may be suspended at such times and for such duration as the Directors may from time to time determine provided the period shall not exceed thirty (30) days in the aggregate in any one year. Any suspension shall comply with the notice requirements applicable to Members and the Depository as prescribed by the Act, the Central Depositories Act or the Rules.*

Article 32 – Renunciation

*Subject to the provisions of these Articles, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.*

**(ii) Remuneration of Directors**

Article 94 – Directors' Remuneration

- (1) The fees payable to the Directors (except salaries payable to executive Directors for their services) shall from time to time be determined by a resolution of the Company in general meeting. Provided that such fees shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.*
- (2) The Directors shall also be paid such travelling, hotel and other expenses properly and reasonably incurred by them in the execution of their duties including any such reasonable expenses incurred in connection with their attendance at meetings of the Directors or any committee of the Directors or general meetings of the Company or in connection with the business of the Company as the Directors may determine.*
- (3) Fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover. Salaries payable to executive directors may not include a commission on or percentage of turnover.*
- (4) Any fee paid to an alternate director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.*

**15. ADDITIONAL INFORMATION (Cont'd)**

Article 95 – Reimbursement of Expenses

- (1) *If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a Committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or by a percentage of profits (applicable only if he is an executive Director) or otherwise as may be determined by the Directors and such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors, provided that no Director shall be remunerated by a commission on or percentage of turnover.*
- (2) *No payment shall be made to any Directors by way of compensation for loss of office or as consideration for or in consideration with his retirement from office unless particulars with respect to the proposed payment (including the amount thereof) have been disclosed to the Members and the proposal has been approved by the Company in general meeting.*

Article 123 – Remuneration of Managing Director

*The remuneration of a Managing Director or Managing Directors shall be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but shall not include a commission on or percentage of turnover.*

**(iii) Voting and Borrowing Powers of Directors**

Article 114 – Disclosure of Interest

*Every Director shall comply with the provisions of the Act in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interest might be created in conflict with his duty of interest as a Director of the Company. No Director shall as a Director vote in respect of any contract or arrangement in which he is so interested, and, if he does so vote, his vote shall not be counted.*

Article 115 – Restriction on Voting

*A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly a personal interest nor shall he be counted for the purpose of any resolution regarding the same, in the quorum present at the meeting.*

Article 116 – Relaxation of Restriction on Voting

*Subject always to the provisions of the Act and the Listing Requirements, a Director notwithstanding his interest may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit under the Company or whereat the terms of any such appointment are considered, he may vote on any such matter other than in respect of his own appointment and/or the fixing of the terms thereof.*

**15. ADDITIONAL INFORMATION (Cont'd)**Article 117 – Power to Vote

Subject always to the provisions of the Act and the Listing Requirements, a Director may vote in respect of:-

- (a) any arrangement for giving the Director himself or any other Director for any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by deposit of a security.

Article 99 – Directors' Borrowing Power

- (1) The Directors may exercise all the powers of the Company to borrow any sum or sums of money from any person, bank, firm or company (expressly including any person holding the office of Director) and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company, or its wholly owned subsidiaries or of any related or associated corporation. The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise. The Directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for the payment of money, the performance of contracts or obligations, or for the benefit or interest of the Company or of any subsidiary corporation.
- (2) The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

**(iv) Changes in Capital or Variation of Class Rights**Article 3B – Control on Issue of Shares

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of these Articles and the Act and the Central Depositories Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot or otherwise dispose of such shares to such persons on such terms and conditions with such (whether in regard to dividend, voting or return of capital) preferred, deferred or other special rights and either at a premium or otherwise, and subject to such restrictions and at such time or times as the Directors may think fit but the Directors in making any issue of shares shall comply with the following conditions:-

- (a) no shares shall be issued at a discount except in compliance with the provisions of the Act;
- (b) in the case of shares offered to the public for subscription the amount payable on application on each share shall not be less than one hundred per centum (100%) of the nominal amount of the share;

**15. ADDITIONAL INFORMATION (Cont'd)**

- (c) *in the case of shares, other than ordinary shares, no special rights shall be attached until the same have been expressed in these Articles or in the resolution creating the same;*
- (d) *no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person, company or syndicate without the prior approval of the Members in general meeting; and*
- (e) *every issue of shares or options to employees of the Company shall be approved by the Members in general meeting and no Director shall participate in such issue of shares or options to employees unless the Members in general meeting have approved of the specific allotment to be made.*

*Provided always that a non-executive Director may participate in an issue of shares or options pursuant to a public offer or public issue. Any new issue of securities for which listing is sought shall be made by way of crediting the Securities Accounts of the allottees or entitled persons in the Bursa Depository with such securities save and except where the Company is specifically exempted from doing so. The Company shall notify the Bursa Depository of the names of the allottees or the entitled persons together with all such particulars as may be required by the Bursa Depository to enable it to make the appropriate entries in the Securities Accounts of such allottees or entitled persons.*

**Article 4 – Rights of Preference Shareholders**

*Subject to the Act, any preference shares may with the sanction of a Special Resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed and the Company shall not without the consent of the existing preference shareholders at a class meeting issue further preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith.*

*Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited financial statements, and attending general meetings of the Company.*

*Preference shareholders must be entitled to a right to vote in each of the following circumstances:*

- (a) *when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months;*
- (b) *on a proposal to reduce the Company's share capital;*
- (c) *on a proposal for the disposal of the whole of the Company's property, business and undertaking;*
- (d) *on a proposal that affects rights attached to the share;*
- (e) *on a proposal to wind up the Company; and*
- (f) *during the winding up of the Company.*

**Article 5 – Repayment of Preference Capital**

*Notwithstanding Article 7 hereof the repayment of preference share capital other than redeemable preference shares or any alteration of preference shareholder rights shall only be made pursuant to a Special Resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing obtained from the holders of three-fourths (3/4) of the preference shares concerned within two (2) months of the meeting shall be as valid and effectual as a Special Resolution carried at the meeting.*

**15. ADDITIONAL INFORMATION (Cont'd)**Article 6 – Power to Issue Preference Shares

The Company shall have power to issue preference shares carrying a right to redemption out of profits or liable to be redeemed at the option of the Company and the Directors may, subject to the provisions of the Act, redeem such shares on such terms and in such manner and either at par or at a premium as they may think fit.

Article 7 – Modification of Class Rights

Whenever the capital of the Company is divided into different classes of shares or groups the special rights attached to any class or group may subject to the provisions of these Articles (unless otherwise provided by the terms of issue of the shares of the class), either with the consent in writing of the holders of three-quarters (3/4) of the issued shares of the class or group, or with the sanction of any Special Resolution passed at a separate general meeting of such holders (but not otherwise), be modified or abrogated, and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up, and such writing or resolution shall be binding upon all the holders of shares of the class. To every such separate general meeting all the provisions of these Articles relating to general meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third (1/3) in nominal amount of the issued shares of the class or group (but so that if an adjourned meeting of such holders a quorum as above defined is not present those Members who are present shall be a quorum), that any holder of shares in the class present in person or by proxy may demand a poll and that the holders of shares of the class or group shall, on a poll, have one (1) vote in respect of every share of the class or group held by them respectively.

Article 8 – Ranking of Class Rights

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects *pari passu* therewith but in no respect in priority thereto.

Article 55 – Power to Alter Capital

The Company may by ordinary resolution: -

- (i) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; or
- (ii) divide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act and so that as between the resulting shares, one or more of such sub-division is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the other or any other of such shares; or
- (iii) cancel any shares which at the date of the passing of the resolution in that behalf have not been taken, agreed to be taken by any persons or shares which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

Anything done in pursuance of this Article 55, shall be done in manner provided and subject to any conditions imposed by the Statutes, so far as they shall be applicable, and, so far as they shall not be applicable, in accordance with the terms of the resolution authorising the same, and, so far as such resolution shall not be applicable, in such manner as the Directors deem most expedient.



**15. ADDITIONAL INFORMATION (Cont'd)**Article 56 – Power to Reduce Capital

*The Company may by Special Resolution reduce its share capital and any capital redemption reserve fund or any share premium account in any manner subject to any conditions and any consent required by law. The Company shall give notice to the ROC in accordance with the Act of such alteration in capital.*

**15.3 DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT**

- (i) The names, addresses and occupations of our Directors are set out in **Section 1** of this Prospectus.
- (ii) A Director is not required to hold any qualification share in our Company unless otherwise so fixed by our Company at a general meeting.
- (iii) Save as disclosed in **Section 10.2.4** of this Prospectus, no amount or benefits have been paid or intended to be paid remuneration or given to any of our Promoter, Directors or substantial shareholders within two (2) years preceding the date of this Prospectus, except for remuneration received in the course of employment and directors' fees.
- (iv) Save as disclosed in **Section 10.2.5** and **Section 10.4.3** of this Prospectus, there are no existing or proposed service contracts between our Company or subsidiary company, and our Directors or key management.
- (v) Save as disclosed in this Prospectus, none of the Directors are aware of any material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect our Group's profits.
- (vi) Save as disclosed in **Section 12** of this Prospectus, none of our Directors have any interest in any contract or arrangement subsisting at the date of this Prospectus in which our Directors or substantial shareholders are interested and which is significant in relation to the business of our Group as a whole.
- (vii) Save as disclosed in **Section 7.7** of this Prospectus for dividends paid or payable to the Company's substantial shareholders as shareholders of the Company, no other amounts or benefits has been paid or intended to be paid to our substantial shareholders within the two (2) years preceding the date of this Prospectus.

**15.4 MATERIAL LITIGATION/ ARBITRATION**

As at the LPD, neither our Company nor our subsidiary is engaged in any material litigation/arbitration, either as plaintiff or defendant, which has a material effect on the financial position of our Company or our subsidiary and our Directors are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Company or our subsidiary.

## 15. ADDITIONAL INFORMATION (Cont'd)

### 15.5 MATERIAL CONTRACTS

Save as disclosed below, the following contracts, not being contracts entered into in the ordinary course of business of our Group, have been entered into by our Company and our subsidiary within the two years preceding the date of this Prospectus and are or may be material:

- (a) Memorandum of Understanding dated 5 April 2008 between Zhenxing Shoes and Fujian Province Jinjiang City Shuhui Shoe Materials Co., Ltd (福建省晋江市树辉鞋材有限公司) ("Shuhui") under which Zhenxing Shoes has agreed to purchase and Shuhui has agreed to sell all the assets of Shuhui.

Subsequently on 8 November 2009, Zhenxing Shoes entered an agreement with Shuhui whereby the parties have mutually agreed to terminate the proposed assets acquisition under the Memorandum of Understanding dated 5 April 2008. Pursuant to the termination agreement dated 8 November 2009, Shuhui shall refund the deposit amount of RMB38.0 million to Zhenxing Shoes within forty five (45) days from the date of the termination agreement. Zhenxing Shoes had on 11 December 2009 received the refund of RMB38.0 million from Shuhui as full and final payment of any and all claims which the parties may have arising out of or in connection with the proposed assets acquisition.

- (b) Restructuring Agreement dated 18 November 2009 between Maxwell and Sports Asia for the purchase by Maxwell of the entire registered capital of Zhenxing Shoes, for a purchase consideration of RM134,499,998, which was fully satisfied by the issuance and allotment of 336,249,995 Maxwell Shares ("Consideration Shares") to Sports Asia. Pursuant to the Restructuring Agreement, Sports Asia has unconditionally and irrevocably renounced and assigned all its rights and entitlements to the Consideration Shares to the existing shareholders of Sport Asia.
- (c) Equity Transfer Agreement dated 20 November 2009 between Maxwell and Sports Asia for the purchase by Maxwell of the entire registered capital of Zhenxing Shoes, for a purchase consideration of USD 1.
- (d) Underwriting Agreement dated 14 October 2010 between our Company and OSK as the Underwriters for the underwriting of 20,000,000 Public Issue Shares under the IPO, for an underwriting commission at the rate set out in **Section 3.9.3** of this Prospectus.
- (e) Placement Agreement dated 13 October 2010 between our Company and OSK as the Placement Agent for the placement of 43,750,000 Public Issue Shares under the IPO, for a placement commission at the rate set out in **Section 3.9.2** of this Prospectus.

### 15.6 GENERAL INFORMATION

- (i) The nature of our business is described in **Section 6** of this Prospectus. Other than mentioned in **Section 6** of this Prospectus, there is no corporation which is deemed to be related to us by virtue of Section 6 of the Act.
- (ii) During the last financial year and the current financial period up to the date of this Prospectus:
- (a) there were no public take-over offers by third parties in respect of our Company's shares; and
- (b) there were no public take-over offers by our Company in respect of other company's shares.

## 15. ADDITIONAL INFORMATION (Cont'd)

- (iii) Our Company has not established any other place of business outside Malaysia other than the PRC.
- (iv) The name and address of our Auditors and Reporting Accountants are set out in **Section 1** of this Prospectus.
- (v) The manner in which copies of this Prospectus together with the Application Forms and envelopes may be obtained is set out in **Section 18** of this Prospectus.
- (vi) The date and time of the opening of the Application of the IPO is set out in **Section 3.2** of this Prospectus.
- (vii) The amount payable in full on application in respect of the IPO Share is RM0.54 per Share and is subject to the terms and conditions as set out in this Prospectus.
- (viii) Save as disclosed in **Section 10.1** of this Prospectus, our Directors and substantial shareholders are not aware of any persons who are able, directly or indirectly, jointly or severally, to exercise control over our Company and our subsidiaries.
- (ix) Apart from the listing sought on the Main Market of Bursa Securities, our Company is not listed on any stock exchange.

### 15.7 CONSENTS

- (i) Our Adviser, Underwriter and Placement Agents, Legal Adviser for the IPO, Legal Adviser to the Company on PRC Law, Company Secretaries, Principal Bankers, Issuing House and Share Registrar have, before the issue of this Prospectus, given and have not subsequently withdrawn their written consents for the inclusion in this Prospectus of their names in the manner and form in which such names appear.
- (ii) The written consent of Messrs. Baker Tilly Monteiro Heng, the Auditors and Reporting Accountants to the inclusion in this Prospectus of its name, Accountants' Report and letters relating to our proforma consolidated financial information in the manner and form in which they are contained in this Prospectus have been given before the issue of this Prospectus, and have not subsequently been withdrawn.
- (iii) The written consent of the Independent Market Researcher to the inclusion in this Prospectus of its name and Independent Industry Assessment Report dated 15 November 2010 in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.

### 15.8 RESPONSIBILITY STATEMENTS

- (i) Our Directors and Promoter have seen and approved this Prospectus, and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in this Prospectus false or misleading.
- (ii) OSK being the Adviser, Underwriter and Placement Agent, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the IPO.

**15. ADDITIONAL INFORMATION (Cont'd)**

**15.9 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected at our Registered Office during office hours for a period of twelve (12) months from the date of this Prospectus:

- (i) Memorandum and Articles of Association of our Company;
- (ii) The Accountants' Report and Directors' Report as set out in **Section 8** and **Section 14** of this Prospectus respectively;
- (iii) The Reporting Accountants' Letters relating to our proforma consolidated financial information, as set out in **Section 7.2** of this Prospectus;
- (iv) SODENG trademark certificate and the third party licenses as set out in **Section 6.14** of this Prospectus;
- (v) Awards and certifications as set out in **Section 6.16** of this prospectus;
- (vi) Some of the selected outsourcing contracts for the external contract manufacturers as set out in **Section 6.7.1 (ii)** and **Section 6.13** of this prospectus;
- (vii) The legal opinion from Haihua Yongtai Law Firm on the legality of the outstanding advances to related parties as set out in **Section 12.3** of this Prospectus;
- (viii) The Independent Industry Assessment Report as set out in **Section 13** of this Prospectus;
- (ix) The material contracts as set out in **Section 15.5** of this Prospectus;
- (x) The letters of consent referred to in **Section 15.7** of this Prospectus;
- (xi) The audited financial statements of Maxwell for the 1H 2010; and
- (xii) The audited financial statements of Zhenxing Shoes for the 1H 2010.

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## 16. PROCEDURES FOR APPLICATION AND ACCEPTANCE

### 16.1 Opening and Closing of Application

Your application for the IPO Shares will be accepted from 10.00 a.m. on 21 December 2010 to 5.00 p.m. on 28 December 2010 or for such further period or periods as our Directors together with the Underwriter in their absolute discretion may mutually decide. **We will not accept late applications.**

### 16.2 Methods of Application

Your application for the IPO Shares may be made using any of the following:

- (i) Application Forms; or
- (ii) Electronic Share Applications; or
- (iii) Internet Share Applications.

### 16.3 General Conditions for Application

Your applications shall be made in relation with and subject to the terms of this Prospectus and our Memorandum and Articles of Association.

(i) **Application by the Malaysian Public**

Applications for the 20,000,000 Public Issue Shares made available for application by the Malaysian Public must be made only on the **WHITE** Application Forms provided or by way of Electronic Share Application or Internet Share Application.

(ii) **Application by Selected Investors By Way of Private Placement**

Selected investors of the 43,750,000 Maxwell Shares will be contacted directly by the placement agent and are requested to follow the instructions as communicated by the placement agent should they wish to accept the Maxwell Shares offered to them. Application procedures and terms and conditions for the 43,750,000 Maxwell Shares are set out in the separate letters/forms delivered to the respective selected investors.

We will only consider one (1) Application Form from you and applications must be for 100 ordinary shares or multiples thereof. **Multiple applications will not be accepted. We wish to caution you that if you submit multiple applications in your own name or by using the name of others, with or without their consent, you will be committing an offence under Section 179 of the Capital Markets & Services Act, 2007 ("CMSA") and if convicted, may be punished with a minimum fine of RM1,000,000 and to a jail term of up to ten (10) years under Section 182 of the CMSA.**

The amount payable in full on application is RM0.54 per Shares.

If you submit applications by way of Application Forms, you **may not** submit applications by way of Electronic Share Application or Internet Share Application and vice versa.

If you submit applications by way of Application Forms or by way of Electronic Share Application or Internet Share Application, you **must have a CDS account.**

Corporation or institution cannot apply for the Shares by way of Electronic Share Application or Internet Share Application.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

IF YOU ARE AN INDIVIDUAL APPLICANT OTHER THAN A MEMBER OF THE ARMED FORCES OR POLICE, YOUR NAME AND YOUR NATIONAL REGISTRATION IDENTITY CARD NUMBER MUST BE EXACTLY THE SAME AS STATED IN:

- (i) (a) YOUR NATIONAL REGISTRATION IDENTITY CARD;
  - (b) YOUR RESIT PENGENALAN SEMENTARA ("JPN KP 09") ISSUED PURSUANT TO PERATURAN 5(5), PERATURAN-PERATURAN PENDAFTARAN NEGARA 1990; OR
  - (c) ANY VALID TEMPORARY IDENTITY DOCUMENT AS ISSUED BY THE NATIONAL REGISTRATION DEPARTMENT FROM TIME TO TIME; AND
- (ii) THE RECORDS OF BURSA DEPOSITORY.

IF YOU ARE A MEMBER OF ARMED FORCES OR POLICE, YOUR NAME AND YOUR ARMED FORCES OR POLICE PERSONNEL NUMBER, AS THE CASE MAY BE MUST BE EXACTLY THE SAME AS THAT STATED IN YOUR AUTHORITY CARD.

IN THE CASE OF A CORPORATE/INSTITUTIONAL APPLICANT, YOUR NAME AND YOUR CERTIFICATE OF INCORPORATION NUMBER MUST BE EXACTLY THE SAME AS THAT STATED IN YOUR CERTIFICATE OF INCORPORATION.

We and/or MIH shall make no acknowledgement of the receipt of applications or application monies.

**16.4 Applications Using Application Forms****(i) Types of Application Forms**

**WHITE** Application Forms for application by Malaysian Public issued with the notes and instructions printed therein are accompanied by this Prospectus.

**WHITE** Application Forms together with copies of this Prospectus may be obtained, subject to availability from OSK, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and MIH.

**(ii) Terms and Conditions of Applications Using Application Forms**

Applications by way of Application Forms shall be made on, and subject to, the terms and conditions appearing below:

- (a) Applicant who is an individual must be a Malaysian Citizen residing in Malaysia with Malaysian address. Applicants must have a CDS account.
- (b) Applicant which is a corporation/institution incorporated in Malaysia, with a CDS account and are subject to the following:
  - (i) If the corporation/institution has a share capital, more than half of your issued share capital (excluding preference share capital) is held by Malaysian citizens; and
  - (ii) There is a majority of Malaysian citizens on the board of Directors/trustee.
- (c) Applicant which is superannuation, co-operative, foundation, provident and pension fund established or operating in Malaysia and with a CDS account.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (d) Applications will not be accepted from trustees, any person under 18 years of age, sole proprietorships, partnership or other incorporated bodies or associations, other than corporations/institutions referred to in Section 16.4(ii)(b) and (c) above or the trustees thereof.
- (e) You can apply for the Shares using relevant Application Forms issued together with this Prospectus and you must complete the Application Form in accordance with the Notes and Instructions printed on the reverse side of the Application Form and this Prospectus. In accordance with Section 232(2) of the CMSA, 2007, the Application Form together with the Notes and Instructions printed thereon are accompanied by this Prospectus. We will not accept your application if it **does not strictly** conform to the terms of this Prospectus or Application Form or Notes and Instructions printed thereon or which is illegible.
- (f) EACH COMPLETED APPLICATION FORM MUST BE ACCOMPANIED BY REMITTANCES IN RINGGIT MALAYSIA FOR THE FULL AMOUNT PAYABLE EITHER BY:
- BANKER'S DRAFT OR CASHIER'S ORDER purchased within Malaysia only and drawn on a bank in Kuala Lumpur; OR
  - MONEY ORDER OR POSTAL ORDER (for Applicants from Sabah and Sarawak only); OR
  - GUARANTEED GIRO ORDER ("GGO") from Bank Simpanan Nasional Malaysia Berhad; OR
  - ATM STATEMENT OBTAINED FROM ANY OF THE FOLLOWING FINANCIAL INSTITUTIONS:
    - Affin Bank Berhad;
    - Alliance Bank Malaysia Berhad;
    - AmBank (M) Berhad;
    - CIMB Bank Berhad;
    - EON Bank Berhad;
    - Hong Leong Bank Berhad;
    - Malayan Banking Berhad;
    - Public Bank Berhad; or
    - RHB Bank Berhad.

MADE OUT IN FAVOUR OF

**MiH SHARE ISSUE ACCOUNT NO. 503**

AND CROSSED "A/C PAYEE ONLY" (EXCLUDING ATM STATEMENTS) AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME AND ADDRESS.

WE WILL NOT ACCEPT YOUR APPLICATION WHICH IS ACCOMPANIED BY MODE OF PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCE OR INAPPROPRIATE BANKER'S DRAFT/CASHIER'S ORDER/MONEY ORDERS OR POSTAL ORDER/ATM STATEMENT/GGO FROM BANK SIMPANAN NASIONAL BERHAD. DETAILS OF THE REMITTANCE MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE APPLICATION FORMS.

- (g) YOU **MUST** STATE YOUR CDS ACCOUNT NUMBER IN THE SPACE PROVIDED IN THE APPLICATION FORM.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (h) YOUR NAME AND ADDRESS, MUST BE WRITTEN ON THE REVERSE SIDE OF THE BANKER'S DRAFT, CASHIER'S ORDER, ATM STATEMENT, MONEY ORDER, POSTAL ORDER OR GGO FROM BANK SIMPANAN NASIONAL BERHAD.
- (i) Our Directors reserve the right to require you, if you are successful in your application, to appear in person at the registered office of MIH at anytime within fourteen (14) days of the date of notice issued to you to ascertain the regularity or propriety of your application. Our Directors shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.
- (j) MIH acting on the authority of our Directors reserves the right to reject applications which do not conform to these instructions or which are illegible or which are accompanied by remittances improperly drawn.
- (k) MIH acting on the authority of our Directors reserves the right not to accept your application or to accept your application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allocating our Public Issue Shares to a reasonable number of Applicants with a view to establishing an adequate market for the shares.
- (l) Where your application is not accepted or accepted in part only, the full amount or the balance of the application monies, as the case may be, without interest, will be returned and despatched to you within ten (10) market days from the date of the final ballot of the applications by ordinary post or registered post at your address maintained with Bursa Depository at your own risk.
- (m) You shall ensure that your personal particulars as stated in the Application Form are identical with the records maintained by Bursa Depository. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.
- (n) MIH acting on the authority of our Directors reserves the right to bank in all application monies from unsuccessful Applicants and partially successful Applicants, which would subsequently be refunded without interest by registered post.



**16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (o) Each completed Application Form accompanied by the appropriate remittance and legible photocopy of the relevant documents must be despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
P.O.Box 8269  
Pejabat Pos Kelana Jaya  
46785 Petaling Jaya

or **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, so as to arrive not later than 5.00 p.m. on 28 December 2010, or such further period or periods as our Directors and the Underwriter in their absolute discretion may decide.

**We will not accept late applications.**

- (p) You are not a Director and employee of MIH and their immediate families as they are strictly prohibited from applying for our Shares.
- (q) **YOU MAY DIRECT ALL ENQUIRIES IN RESPECT OF THE WHITE APPLICATION FORM TO MIH.**

**16.5 Applications Using Electronic Share Application**

- (i) **Steps for Electronic Share Application through a Participating Financial Institution's ATM**
- (a) You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account;
- (b) You **must** have a CDS account; and
- (c) You can apply for our Shares via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the application are set out in Section 16.5 (ii) in respect of the terms and conditions for Electronic Share Applications. You have to enter at least the following information through the ATM where the instructions on the ATM screen at which you enter your Electronic Share Application requires you to do so:
- Personal Identification Number ("PIN");
  - **MIH Share Issue Account Number 503;**
  - CDS account number;
  - Number of shares applied for and/or the RM amount to be debited from the account; and
  - Confirmation of several mandatory statements.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)****(d) Participating Financial Institutions**

Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches:

- Affin Bank Berhad;
- AmBank (M) Berhad;
- Bank Muamalat Malaysia Berhad;
- CIMB Bank Berhad;
- EON Bank Berhad;
- HSBC Bank Malaysia Berhad;
- Malayan Banking Berhad;
- OCBC Bank (Malaysia) Berhad;
- RHB Bank Berhad;
- Standard Chartered Bank Malaysia Berhad (at selected branches only).

**(ii) Terms and Conditions for Electronic Share Application**

The procedures for Electronic Share Application at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions ("Steps"). For illustration purposes, the procedures for Electronic Share Applications at ATMs are set out in "Steps for Electronic Share Application through a Participating Financial Institution's ATM" in Section 16.5(i) of this Prospectus. The Steps set out the actions that the Applicant must take at the ATM to complete an Electronic Share Application.

Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Applications set out below before making an Electronic Share Application. Any reference to "you" in the terms and conditions for Electronic Share Applications and the Steps shall mean the Applicant who applies for shares through an ATM of any of the Participating Financial Institutions.

Only an Applicant who is an individual with a CDS account is eligible to utilise the facility.

You must have an existing bank account with, and be an ATM cardholder of, one (1) of the Participating Financial Institutions before you can make an Electronic Share Application at an ATM of the Participating Financial Institutions. An ATM card issued by one (1) of the Participating Financial Institutions cannot be used to apply for shares at an ATM belonging to other Participating Financial Institutions. Upon the completion of your Electronic Share Application transaction, you will receive a computer-generated transaction slip ("Transaction Record"), confirming the details of your Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by our Company or MIH. The Transaction Record is for your retention and should not be submitted with any Application Form.

Upon the closing of the offer for the application for our Shares on 28 December 2010 at **5.00 p.m.** ("Closing Date and Time"), the Participating Financial Institutions shall submit a magnetic tape containing its respective customers' applications for our Shares to MIH as soon as practicable but not later than **12.00 p.m.** of the 2nd business day after the Closing Date and Time.

You will be allowed to make an Electronic Share Application for our Shares via an ATM that accepts the ATM cards of the Participating Financial Institution with which you have an account and its branches, subject to you making only one (1) application.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

YOU MUST ENSURE THAT YOU USE YOUR OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC SHARE APPLICATION. IF YOU OPERATE A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION, YOU MUST ENSURE THAT YOU ENTER YOUR OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO YOU IN YOUR OWN NAME. YOUR APPLICATION WILL BE REJECTED IF YOU FAIL TO COMPLY WITH THE FOREGOING.

The Electronic Share Application shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below:

- (a) The Electronic Share Application shall be made in relation with and subject to the terms of this Prospectus and the Memorandum and Articles of Association of our Company.
- (b) You are required to confirm the following statements (by depressing pre-designated keys (or buttons) on the ATM keyboard) and undertake that the following information given is true and correct:
- You have attained eighteen (18) years of age as at the closing date of the share application;
  - You are a Malaysian citizen residing in Malaysia;
  - You have read the Prospectus and understood and agreed with the terms and conditions of the application; and
  - You thereby give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to MIH and other relevant authorities.

The application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the steps required by the Participating Financial Institutions. By doing so, you shall be treated as signifying your confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 97 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991 to the disclosure by the relevant Participating Financial Institutions or Bursa Depository, as the case may be, of any of your particulars to MIH, or any relevant regulatory bodies.

- (c) YOU CONFIRM THAT YOU ARE NOT APPLYING FOR SHARES AS NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC SHARE APPLICATION THAT YOU MAKE IS MADE BY YOU AS BENEFICIAL OWNER. YOU SHALL ONLY MAKE ONE (1) ELECTRONIC SHARE APPLICATION AND SHALL NOT MAKE ANY OTHER APPLICATION FOR THE SHARES, WHETHER AT THE ATMs OF ANY PARTICIPATING FINANCIAL INSTITUTION OR ON THE PRESCRIBED APPLICATION FORMS.
- (d) You must have sufficient funds in your account with the relevant Participating Financial Institutions at the time you make your Electronic Share Application, failing which your Electronic Share Application will not be completed. Any Electronic Share Application which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made will be rejected.

**16. PROCEEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (e) You agree and undertake to subscribe for or purchase and to accept the number of Shares applied for as stated on the Transaction Record or any lesser number of Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that our Company decides to allot or allocate any lesser number of such shares or not to allot or allocate any shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by your action of pressing the designated key on the ATM) of the number of Shares applied for shall signify, and shall be treated as, your acceptance of the number of Shares that may be allotted or allocated to you and to be bound by the Memorandum and Articles of Association of our Company.
- (f) We reserve the right to reject any Electronic Share Application or accept any Electronic Share Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating the shares to a reasonable number of Applicants with a view to establishing an adequate market for our Shares.
- (g) Where an Electronic Share Application is not successful or successful in part only, the relevant Participating Financial Institutions will be informed of the non-successful or partially successful applications. Where your Electronic Share Application is not successful, the relevant Participating Financial Institutions will credit the full amount of the application monies without interest into your account with that Participating Financial Institution within two (2) market days after the receipt of confirmation from MIH. MIH shall inform the Participating Financial Institutions of the non-successful or partially successful applications within two (2) market days after the balloting date. You may check your account on the fifth (5<sup>th</sup>) Market Day from the balloting day.

Where an Electronic Share Application is accepted in part only, the relevant Participating Financial Institutions will credit the balance of the application monies without interest into your account with the Participating Financial Institution within two (2) market days after the receipt of confirmation from MIH. A number of applications will, however, be held in reserve to replace any successfully balloted applications which are subsequently rejected. For such applications which are subsequently rejected, the application monies without interest will be refunded to applicants by MIH by way of cheques issued by MIH. The cheques will be issued to you not later than ten (10) market days from the final ballot of the applications.

Should you encounter any problems in your application, you may refer to the Participating Financial Institutions.

- (h) You request and authorise us:
- (i) to credit the Shares allotted or allocated to you into your CDS account; or
  - (ii) to issue share certificate(s) representing such Shares allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (i) You acknowledge that your Electronic Share Application is subject to the risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond our control, MIH or the Participating Financial Institutions, and irrevocably agrees that if:
- (i) We or MIH do not receive your Electronic Share Application; and

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (ii) Data relating to your Electronic Share Application is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to us or MIH,

you shall be deemed not to have made an Electronic Share Application and you shall have no claim whatsoever against us, MIH and the Participating Financial Institutions for the Shares applied for or for any compensation, loss or damage.

- (j) All your particulars in the records of the relevant Participating Financial Institutions at the time you make your Electronic Share Application shall be deemed to be true and correct and our Company, MIH and the Participating Financial Institutions shall be entitled to rely on the accuracy thereof.
- (k) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institutions are correct and identical. Otherwise, your Electronic Share Application is liable to be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allotment or allocation will be sent to your registered address last maintained with Bursa Depository.
- (l) By making and completing an Electronic Share Application, you agree that:
- (i) in consideration of our Company agreeing to allow and accept the making of any application for the Shares via the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;
- (ii) our Company, the Participating Financial Institutions, Bursa Depository and MIH shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application to our Company due to a breakdown or failure of transmission or communication facilities or to any cause beyond their control;
- (iii) notwithstanding the receipt of any payment by or on behalf of the Company, the acceptance of the offer made by you to subscribe for the Shares for which your Electronic Share Application has been successfully completed shall be constituted by the issue of notices of successful allocation for prescribed securities, in respect of the said Shares;
- (iv) you irrevocably authorises Bursa Depository to complete and sign on your behalf as transferee or renounee of any instrument of transfer and/or other documents required for the issue or transfer of the shares allocated to the Applicant; and
- (v) we agree that, in relation to any legal action or proceedings arising out of or in connection with the contract between the parties and/or the Electronic Share Application Scheme and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that we irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (m) Our Directors reserve the right to require you, if you are successful in your application, to appear in person at the registered office of MIH within fourteen (14) days of the date of the notice issued to you to ascertain the regularity or propriety of the application. Our Directors shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (n) Our Directors reserve the right to reject applications, which do not conform to these instructions.
- (o) A surcharge of RM2.50 per Electronic Share Application will be charged by the respective Participating Financial Institutions.

**16.6 Applications Using Internet Share Application****(i) Steps for Internet Share Application**

The exact steps for Internet Share Application for the Shares are as set out on the Internet financial services websites of the Internet Participating Financial Institutions.

For illustration purposes only, we have set out below possible steps of an application of the Shares using Internet Share Application.

PLEASE NOTE THAT THE ACTUAL STEPS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS MAY DIFFER FROM THE STEPS OUTLINED BELOW.

- (a) Connect to the Internet financial services website of the Internet Participating Financial Institutions with which you have an account. You are advised not to apply for the Shares through any website other than the Internet financial services websites of the Internet Participating Financial Institution.
- (b) Log in to the Internet financial services facility by entering your user identification and PIN/password.
- (c) Navigate to the section of the website on applications in respect of initial public offerings.
- (d) Select the counter in respect of the Public Issue Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application.
- (e) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions.
- (f) At the next screen, complete the online application form.
- (g) Check that the information contained in the online application form, such as the share counter, NRIC number, CDS account number, number of Public Issue Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form.
- (h) After selecting the designated hyperlink on the screen, you will have to confirm and undertake that the following mandatory statements are true and correct:
  - (i) You are at least eighteen (18) years of age as at the closing date of the application for the Public Issue Shares.
  - (ii) You are a Malaysian citizen residing in Malaysia.
  - (iii) You have, prior to making the Internet Share Application, received and/or have had access to a printed/electronic copy of this Prospectus, the contents of which you have read and understood.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (iv) You agree to all terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the Public Issue Shares.
- (v) The Internet Share Application is the only application that you are submitting for the Public Issue Shares.
- (vi) You authorise the Authorised Financial Institution to deduct the full amount payable for the Public Issue Shares from your account with the Authorised Financial Institution.
- (vii) You give your express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991 to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority.
- (viii) You are not applying for the Public Issue Shares as a nominee of other person and the application is made in your own name, as a beneficial owner and subject to the risks referred to in this Prospectus.
- (ix) You authorise the Internet Participating Financial Institutions to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, us, Bursa Securities or other relevant parties in connection with the IPO, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institutions, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the IPO. Further, the Internet Participating Financial Institutions will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institutions in connection with the use of the Internet Share Application services.
- (i) Upon submission of the online application form, you will be linked to the website of the Authorised Financial Institution to effect the online payment of your application of the Public Issue Shares.
- (j) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment of the application of the Public Issue Shares is being made.
- (k) Subsequent to the above, the Internet Participating Financial Institutions shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website.
- (l) You are advised to print out the Confirmation Screen for reference and retention.

**16. PROCEURES FOR APPLICATION ANO ACCEPTANCE (Cont'd)****(ii) Terms and Conditions for Internet Share Application**

Your application for the Public Issue Shares may be made through the Internet financial services websites of the Internet Participating Financial Institutions.

Internet Share Applications may be made through the Internet financial services websites of the following Internet Participating Financial Institutions:

- RHB Bank Berhad at [www.rhbbank.com.my](http://www.rhbbank.com.my) (via hyperlink to Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com)); or
- Malayan Banking Berhad at [www.maybank2u.com.my](http://www.maybank2u.com.my) (via hyperlink to Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com)); or
- CIMB Investment Bank Berhad at [www.eipocimb.com](http://www.eipocimb.com); or
- CIMB Bank Berhad at [www.cimbclicks.com.my](http://www.cimbclicks.com.my); or
- Affin Bank Berhad at [www.affinOnline.com](http://www.affinOnline.com).

**PLEASE REAO THE TERMS OF THIS PROSPECTUS, THE PROCEURES, TERMS ANO CONOITIONS FOR INTERNET SHARE APPLICATIONS ANO THE PROCEURES SET OUT IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS BEFORE YOU MAKE AN INTERNET SHARE APPLICATION.**

**THE EXACT TERMS AND CONOITIONS ANO ITS SEQUENCE FOR THE INTERNET SHARE APPLICATIONS IN RESPECT OF THE PUBLIC ISSUE SHARES ARE AS SET OUT ON THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.**

**PLEASE NOTE THAT THE ACTUAL TERMS ANO CONOITIONS OUTLINEO BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATION CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.**

An Internet Share Application shall be made on and shall be subject to the terms and conditions set out below:

(a) In order to make an Internet Share Application, you must:

- (i) be an individual with a CDS account;
- (ii) have an existing account with access to Internet financial services facilities with an Internet Participating Financial Institution. You must have ready your user identification and PIN/password for the relevant Internet financial services facilities; and
- (iii) be a Malaysian citizen and have a Malaysian address.

You are advised to note that the user identification and PIN/password by one of the Internet Participating Financial Institutions cannot be used to apply for the Public Issue Shares at Internet financial service websites of other Internet Participating Financial Institutions.

(b) An Internet Share Application shall be made on and shall be subject to the terms of this Prospectus and our Memorandum and Articles of Association.



**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (c) You are required to confirm the following statements (by selecting the designated hyperlink on the relevant screens of the Internet financial services websites of the Internet Participating Financial Institutions) and to undertake that the following information given are true and correct:
- (i) You have attained eighteen (18) years of age as at the date of the application for the Public Issue Shares.
  - (ii) You are Malaysian citizen residing in Malaysia.
  - (iii) You have, prior to making the Internet Share Application, received and/or have had access to a printed/electronic copy of this Prospectus, the contents of which you have read and understood.
  - (iv) You agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the Public Issue Shares.
  - (v) The Internet Share Application is the only application that you are submitting for the Public Issue Shares.
  - (vi) You authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for the Public Issue Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution.
  - (vii) You give your express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991 to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority.
  - (viii) You are not applying for the Public Issue Shares as a nominee of other person and the application is made in your own name, as a beneficial owner and subject to the risks referred to in this Prospectus.
  - (ix) You authorise the Internet Participating Financial Institutions to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, us, Bursa Securities or other relevant parties in connection with the Public Issue, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institutions, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the Public Issue. Further, the Internet Participating Financial Institutions will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institutions in connection with the use of the Internet Share Application services.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (d) Your application will not be successfully completed and cannot be recorded as a completed application unless you have completed all relevant application steps and procedures for the Internet Share Application which would result in the Internet financial services website displaying the Confirmation Screen.

For the purposes of this section of the Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the Internet financial services website, which confirms that the Internet Share Application has been completed and states the details of your Internet Share Application, including the number of Public Issue Shares applied for, which you can print out for your records.

Upon the display of the Confirmation Screen, you shall be deemed to have confirmed the truth of the statements set out in Section 16.5(ii)(c) above.

- (e) You must have sufficient funds in your account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making the Internet Share Application, to cover and pay for the Public Issue Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which the Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not strictly conform to the instructions set out in this Prospectus or any instructions displayed on the screens of the Internet financial services website through which the Internet Share Application is made, shall be rejected.
- (f) You irrevocably agree and undertake to subscribe for and to accept the number of Public Issue Shares applied for as stated on the Confirmation Screen or any lesser amount that may be allotted or allocated to you. In the event that we decide to allot any lesser amount of Public Issue Shares or not to allot any Public Issue Shares to you, you agree to accept our decision as final.

In the course of completing the Internet Share Application on the website of the Internet Participating Financial Institution, your confirmation of the number of Public Issue Shares applied for (by way of your action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and shall be treated as:

- (i) your acceptance of the number of Public Issue Shares that may be allotted or allocated to you in the event that your Internet Share Application is successful or successful in part, as the case may be; and
- (ii) your agreement to be bound by our Memorandum and Articles of Association.
- (g) You are aware that multiple or suspected multiple Internet Share Applications for our Public Issue Shares will be rejected. MIH, on the authority of our Directors, reserve the right to reject or accept any Internet Share Application in whole or in part without assigning any reason. Due consideration will be given to the desirability of allotting the Public Issue Shares to a reasonable number of applicants with a view to establishing an adequate market for our Public Issue Shares.
- (h) If your Internet Share Application is unsuccessful or partially successful, MIH shall inform the relevant Internet Participating Financial Institutions of the unsuccessful or partially successful Internet Share Application within two (2) Market Days after the balloting date. The Internet Participating Financial Institution will credit or arrange with the Authorised Financial Institution to credit the full amount of the application monies or the balance of it (as the case may be) in Ringgit Malaysia (without interest or any share of revenue or other benefit arising therefrom) into your account with the Internet Participating Financial Institution or the Authorised Financial Institution within two (2) Market Days after receipt of written confirmation from MIH.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

A number of applications will be reserved to replace any successfully balloted applications that are subsequently rejected. The application monies relating to these applications which are subsequently rejected, will be refunded (without interest or any share of revenue or other benefit arising therefrom) by MIH by way of cheques by registered post or ordinary post. The cheques will be issued within ten (10) Market Days from the date of the final ballot.

For applications that are held in reserve and are subsequently unsuccessful (or only partially successful), the Internet Participating Financial Institutions will arrange for a refund of the application monies (or any part thereof but without interest or any share of revenue or other benefit arising therefrom) within ten (10) Market Days from the day of the final ballot.

Except where MIH is required to refund application monies, it is the sole responsibility of the Internet Participating Financial Institutions to ensure the timely refund of application monies from unsuccessful or partially successful Internet Share Applications. Therefore, you are strongly advised to consult with the Internet Participating Financial Institutions through which your application was made in respect of the mode or procedure of enquiring on the status of your Internet Share Application in order to determine the status or exact number of Public Issue Shares allotted, if any, before trading of our shares on Bursa Securities.

- (i) Internet Share Application will be closed at 5.00 p.m. on **28 December 2010** or such other date(s) as our Directors and the Managing Underwriter may in their absolute discretion mutually decide. An Internet Share Application is deemed to be received only upon its completion, that is when the Confirmation Screen is displayed on the Internet financial services website. You are advised to print out and retain a copy of the Confirmation Screen for record purposes. Late Internet Share Applications will not be accepted.
- (j) You irrevocably agree and acknowledge that the Internet Share Application is subject to electrical, electronic, technical, transmission and communication and computer-related faults and breakdowns, fires and other events which are not in our control, or the control of MIH, the Internet Participating Financial Institutions and the Authorised Financial Institution. If we, MIH and/or the Internet Participating Financial Institutions and/or the Authorised Financial Institution do not receive your Internet Share Application and/or the payment, or if any data relating to the Internet Share Application or the tape or any other devices containing such data is wholly or partially lost, corrupted, destroyed or otherwise not accessible for any reason, you shall be deemed not to have made an Internet Share Application and you shall have no claim whatsoever against us, MIH or the Internet Participating Financial Institutions and the Authorised Financial Institution in relation to the Public Issue Shares applied for or for any compensation, loss or damage arising from it.
- (k) All of your particulars in the records of the relevant Internet Participating Financial Institutions at the time of the Internet Share Application shall be deemed to be true and correct, and we, MIH, the Internet Participating Financial Institutions and all other persons who, are entitled or allowed under the law to such information or where you expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

You shall ensure that your personal particular as recorded by both Bursa Depository and the Internet Participating Financial Institutions are correct and identical, otherwise your Internet Share Application is liable to be rejected. The notification letter on successful allotment will be sent to your address last registered with Bursa Depository. It is your responsibility to notify the Internet Participating Financial Institutions and Bursa Depository of any changes in your personal particulars that may occur from time to time.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (l) By making and completing an Internet Share Application, you are deemed to have agreed that:
- (i) in consideration of us making available the Internet Share Application facility to you, through the Internet Participating Financial Institutions acting as your agents, your Internet Share Application is irrevocable;
  - (ii) you have irrevocably requested and authorised us to register the Public Issue Shares allotted to you for deposit into your CDS account;
  - (iii) neither us nor the Internet Participating Financial Institutions, shall be liable for any delay, failure or inaccuracy in the recording, storage or transmission or delivery of data relating to the Internet Share Application to MIH or Bursa Depository due to any breakdown or failure of transmission, delivery or communication facilities or due to any risk referred to in Section 16.5(ii)(j) herein or to any cause beyond our/their control;
  - (iv) you should hold the Internet Participating Financial Institutions harmless from any damages, claims or losses as a consequence of or arising from any rejection of your Internet Share Application by us, MIH, and/or the Internet Participating Financial Institutions for reasons of multiple applications suspected multiple applications, inaccurate and/or incomplete details provided by you, or any other cause beyond the control of the Internet Participating Financial Institutions;
  - (v) the acceptance of your offer to subscribe for and the purchase of the Public Issue Shares for which your Internet Share Application has been successfully completed shall be constituted by the issue of a notice by us or on our behalf for prescribed securities in respect of the Public Issue Shares, notwithstanding the receipt of any payment by us or on our behalf;
  - (vi) you are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your Internet Share Application;
  - (vii) in making the Internet Share Application, you have relied solely on the information contained in this Prospectus. We, the Underwriters, the Adviser and any other person involved in the Public Issue shall not be liable for any information not contained in this Prospectus which you may have relied on in making the Internet Share Application; and
  - (viii) our acceptance of your Internet Share Application and the contract resulting from the Public Issue shall be governed by and construed in accordance with the laws of Malaysia, and you irrevocably submit to the jurisdiction of the courts of Malaysia.
- (m) The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institution:
- (i) CIMB ([www.eipocimb.com](http://www.eipocimb.com)) – RM2.00 for payment via CIMB Bank or Malayan Banking Berhad;
  - (ii) CIMB Bank ([www.cimbclicks.com.my](http://www.cimbclicks.com.my)) – RM2.00 for applicants with CDS accounts held with CIMB and RM2.50 for applicants with CDS accounts with other ADAs;
  - (iii) Malayan Banking Berhad ([www.maybank2u.com.my](http://www.maybank2u.com.my)) – RM1.00;

## 16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (iv) Affin Bank Berhad ([www.affinOnline.com](http://www.affinOnline.com)) - No fee will be charged for application by their account holders; and
- (v) RHB Bank Berhad ([www.rhbbank.com.my](http://www.rhbbank.com.my)) – RM2.50.

### 16.7 Applications and Acceptances

MIH acting on the authority of our Directors reserves the right not to accept any application, which does not strictly comply with the instructions, or to accept any application in part only without assigning any reason therefor.

THE SUBMISSION OF AN APPLICATION FORM DOES NOT NECESSARILY MEAN THAT THE APPLICATION WILL BE SUCCESSFUL.

APPLICATIONS MUST BE FOR 100 ORDINARY SHARES OR MULTIPLES THEREOF.

In the event of an over-subscription, acceptance of applications by the public shall be subject to ballot to be conducted in a fair and equitable manner and as approved by our Directors. Due consideration will be given to the desirability of distributing the IPO Shares to a reasonable number of Applicants with a view to broadening the shareholding base and establishing an adequate market in our shares.

Pursuant to the Listing Requirement, we need to have at least 25% of the enlarged issued and paid-up share capital in the hands of public shareholders and a minimum of 1,000 public shareholders holding not less than 100 Shares each at the point of Listing. However, in the event that the above requirement is not met pursuant to this IPO, we may not be allowed to proceed with our listing plan. In the event thereof, monies paid in respect of all applications will be returned in full. The Applicants will be selected in a manner to be determined by our Directors.

Any portion of the Public Issue Shares which are not subscribed by the eligible Directors and employees and other persons who have contributed to the success of our Group will be made available for subscription by the public. Thereafter, any remaining Public Issue Shares not subscribed for will be made available for subscription by the Underwriters in proportions specified in the Underwriting Agreement dated 14 October 2010.

Directors and employees of MIH and their immediate families are strictly prohibited from applying for the IPO Shares.

**WHERE AN APPLICATION IS NOT ACCEPTED OR PARTIALLY ACCEPTED, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST TO YOU WITHIN TEN (10) MARKET DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION BY ORDINARY POST OR REGISTERED POST RESPECTIVELY, TO YOUR ADDRESS REGISTERED WITH BURSA DEPOSITORY AT YOUR OWN RISK.**

**MIH RESERVES THE RIGHT TO BANK IN ALL APPLICATION MONIES FROM UNSUCCESSFUL AND PARTIALLY SUCCESSFUL APPLICANTS WHICH WOULD SUBSEQUENTLY BE REFUNDED WITHOUT INTEREST TO YOU WITHIN TEN (10) MARKET DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION BY REGISTERED POST TO YOUR ADDRESS REGISTERED WITH BURSA DEPOSITORY AT YOUR OWN RISK. NO APPLICATION SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE HAVING BEEN PRESENTED FOR PAYMENT.**

### 16.8 CDS Accounts

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed our securities as Prescribed Securities. In consequence thereof, the IPO Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these shares will be carried out in accordance with the aforesaid Act and Rules of Bursa Depository.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

Following the above, in accordance with Section 29 of the Securities Industry (Central Depositories) Act, 1991, all dealings in our securities including the IPO Shares will be by book entries through CDS accounts. No share certificates will be issued to successful Applicants.

Only an Applicant who has a CDS account can make an application by way of Application Form. You shall furnish your CDS account number in the space provided in the Application Form and you shall be deemed to have authorised Bursa Depository to disclose information pertaining to the CDS account to MIH or our Company. Where you do not presently have a CDS account, you should open a CDS account at an ADA prior to making an application for the IPO Shares. Failure to comply with these specific instructions as the Application Form requires or inaccuracy in the CDS account number may result in the application being rejected. If a successful Applicant fails to state his/her CDS account number, MIH under the instruction of our Company, will reject the application.

Only an Applicant who has a CDS account can make an Electronic Share Application. You shall furnish your CDS account number to the Participating Financial Institutions by way of keying in your CDS account number if the instruction on the ATM screen at which you enter your Electronic Share Application requires you to do so. Failure to comply with these specific instructions as the Electronic Share Application requires or inaccuracy in the CDS account number arising from use of invalid, third party or nominees account, may result in your application being rejected.

In the case of an application by way of Internet Share Application, only an applicant who has a CDS account can make an Internet Share Application. In certain cases, only an applicant who has a CDS account opened with the Internet Participating Financial Institutions can make an Internet Share Application. Arising therewith, the applicant's CDS account number would automatically appear in the e-IPO online application form.

MIH, on the authority of our Directors, reserves the right to reject any incomplete and inaccurate application. Applications may also be rejected if your particulars provided in the Application Forms, or in the case of Electronic Share Application, if the records of the Participating Financial Institutions at the time of making the Electronic Share Application differ from those in Bursa Depository's records, such as the National Registration Identity Card number, name and nationality.

**16.9 Notice of Allotment**

We will allot and credit the Shares to your CDS account if you are successful or partially successful in the application. A notice of allotment will then be despatched to you at your address last maintained with the Bursa Depository at your own risk prior to the listing of Maxwell. For Electronic Share Application, the notice of allotment will be despatched to the successful or partially successful Applicant at your address last maintained with the Bursa Depository at your own risk prior to the listing of Maxwell. This is the only acknowledgement of acceptance of the application.

If your address as stated in the Application Form or, in the case of an Electronic Share Application or Internet Share Application in the records of the Participating Financial Institutions, as the case may be, is different from the address registered with Bursa Depository, you must inform Bursa Depository of your updated address promptly by adhering to the certain rules and regulations of the Bursa Depository, failing which the notification letter on successful allotment shall be sent to your address last registered with Bursa Depository.

**You may also check the status of your application by logging on to MIH's website at [www.mih.com.my](http://www.mih.com.my) or by calling your respective ADAs at the telephone number as stated in Section 16.10 hereof or MIH at (603) 7841 8000 or (603) 7841 8288, between five (5) to ten (10) market days (during office hours only) after the balloting date.**

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)****16.10 List of ADAs**

The list of ADAs and their respective addresses, telephone numbers and broker codes are as follows:-

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>KUALA LUMPUR</b>		
A.A. ANTHONY SECURITIES SDN BHD	N3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No : 03-6201 1155	078-004
AFFIN INVESTMENT BANK BERHAD	Ground Mezzanine & 3rd Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03-2143 8668	028-001
ALLIANCE INVESTMENT BANK BERHAD	Tingkat 17, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No : 03-2697 6333	076-001
AMINVESTMENT BANK BERHAD	15th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-2078 2788	086-001
BIMB SECURITIES SDN BHD	1st & 2nd Floor Podium Block, AMDB Building No. 1, Jalan Lumut 50400 Kuala Lumpur Tel No : 03-4043 3533	024-001
CIMB INVESTMENT BANK BERHAD	9th Floor, Commerce Square Jalan Semantan, Damansara Heights 50490 Kuala Lumpur Tel No : 03-2084 9999	065-001
ECM LIBRA INVESTMENT BANK BERHAD	3rd Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel No : 03-2178 1888	052-001
ECM LIBRA INVESTMENT BANK BERHAD	Level 1, Avenue Building Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No : 03-2089 1800	052-009
HONG LEONG INVESTMENT BANK BERHAD (formerly known as HLG Securities Sdn Bhd)	Level 8, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No : 03-2168 1168	066-001

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
HWANGDBS INVESTMENT BANK BERHAD	2nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No : 03-7710 6688	068-009
HWANGDBS INVESTMENT BANK BERHAD	Nos. 34-5, 36-5, 38-5, 40-5, 42-5 & 44-5 5th Floor, Cheras Commercial Centre Jalan 5/101C Off Jalan Kaskas, 5th Mile Cheras 56100 Kuala Lumpur Tel No : 03-9130 3399	068-012
HWANGDBS INVESTMENT BANK BERHAD	7th, 22nd, 23rd & 23A Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel No : 03-2711 6888	068-014
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No : 03-2117 1888	054-001
INTER-PACIFIC SECURITIES SDN BHD	Ground Floor, 7-0-8 Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Tel No : 03-7984 7796	054-003
INTER-PACIFIC SECURITIES SDN BHD	Stesyen Minyak SHELL Jalan 1/116B, Off Jalan Kuchai Lama Kuchai Entrepreneur Park 58200 Kuala Lumpur Tel No : 03-7981 8811	054-005
JUPITER SECURITIES SDN BHD	7th-9th Floor, Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-2034 1888	055-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11th-14th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03-2168 8800	053-001
KENANGA INVESTMENT BANK BERHAD	8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel No : 03-2164 9080	073-001



**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
M & A SECURITIES SDN BHD	Level 1-2, No. 45 & 47 The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel No : 03-2282 1820	057-002
MAYBANK INVESTMENT BANK BERHAD (formerly known as Aseambankers Malaysia Berhad)	5-13 Floor, MaybankLife Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No : 03-2297 8888	098-001
MERCURY SECURITIES SDN BHD	L-7-2, No. 2 Jalan Solaris Mont' Kiara 50480 Kuala Lumpur Tel No : 03-62037227	093-002
MIDF AMANAH INVESTMENT BANK BERHAD	11th & 12th Floor, Menara MIDF 82 Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-2178 8888	026-001
MIMB INVESTMENT BANK BERHAD	Level 18, Menara EON Bank 288, Jalan Raja Laut 50350 Kuala Lumpur Tel No : 03-2691 0200	061-001
OSK INVESTMENT BANK BERHAD	20 <sup>th</sup> Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No : 03-2333 8333	056-001
OSK INVESTMENT BANK BERHAD	No. 62 & 64 Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Tel No : 03-6257 5869	056-028
OSK INVESTMENT BANK BERHAD	Ground Floor, No. M3-A-7 & M3-A-8 1st Floor, No. M3-B-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel No : 03-4280 4798	056-054
OSK INVESTMENT BANK BERHAD	Ground, 1st, 2nd & 3rd Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No : 03-9058 7222	056-058

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
PM SECURITIES SDN BHD	Ground, Mezzanine, 1st & 10th Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No : 03-2146 3000	064-001
PUBLIC INVESTMENT BANK BERHAD	27th Floor, Public Bank Building No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No : 03-2031 3011	051-001
RHB INVESTMENT BANK BERHAD	Level 9, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No : 03-9287 3888	087-001
TA SECURITIES HOLDINGS BERHAD	Floor 13-16, 20, 23, 28-30, 34 & 35 Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No : 03-2072 1277	058-003
<b>SELANGOR DARUL EHSAN</b>		
AFFIN INVESTMENT BANK BERHAD	2nd, 3rd & 4th Floor Wisma Amsteel Securities No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-3343 9999	028-002
AFFIN INVESTMENT BANK BERHAD	Lot 229, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiar Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7729 8016	028-003
AMINVESTMENT BANK BERHAD	4th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7710 6613	086-003
HONG LEONG INVESTMENT BANK BERHAD (formerly known as HLG Securities Sdn Bhd)	1st, 2nd & 3rd Floor Plaza Damansara Utama No. 2, Jalan SS21/60 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7729 7345	066-002

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
HWANGDBS INVESTMENT BANK BERHAD	16th, 18th-20th Floor, Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No : 03-5513 3288	068-002
HWANGDBS INVESTMENT BANK BERHAD	East Wing & Centre Link Floor 3A, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-5635 6688	068-010
INTER-PACIFIC SECURITIES SDN BHD	No. 77 & 79, Jalan 2/3A Pusat Bandar Utara KM12, Jalan Ipoh Selayang 68100 Batu Caves Selangor Darul Ehsan Tel No : 03-6137 1888	054-006
JF APEX SECURITIES BERHAD	6th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No : 03-8736 1118	079-001
JF APEX SECURITIES BERHAD	15th & 16th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7620 1118	079-002
KENANGA INVESTMENT BANK BERHAD	13th Floor, Menara Yayasan Selangor No. 18A, Jalan Persiaran Barat Off Jalan Timur 46000 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7956 2169	073-005
KENANGA INVESTMENT BANK BERHAD	1st Floor, Wisma UEP Pusat Perniagaan USJ 10 Jalan USJ 10/1A 47620 Subang Jaya Selangor Darul Ehsan Tel No : 03-8024 1682	073-006
KENANGA INVESTMENT BANK BERHAD	Suite 7.02, Level 7, Menara ING Intan Millenium Square No. 68, Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan Tel No : 03-3005 7550	073-007

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
KENANGA INVESTMENT BANK BERHAD	Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7725 9095	073-016
OSK INVESTMENT BANK BERHAD	24, 24M, 24A, 26M, 28M, 28A & 30 Jalan SS2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7873 6366	056-011
OSK INVESTMENT BANK BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No : 03-8736 3378	056-045
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15, Jalan Bandar Rawang 4 48000 Rawang Selangor Darul Ehsan Tel No : 03-6092 8916	056-047
OSK INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-3343 9180	056-048
OSK INVESTMENT BANK BERHAD	3 <sup>rd</sup> Floor, 1A-D Jalan USJ 10/1A Pusat Perniagaan USJ 10 47610 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-8023 6518	056-063
PM SECURITIES SDN BHD	No. 157 & 159, Jalan Kenari 23/A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No : 03-8070 0773	064-003
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03-3341 5300	064-007
SJ SECURITIES SDN BHD	Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak, 40200 Shah Alam Selangor Darul Ehsan Tel No : 03-5192 0202	096-001

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T, Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-8025 1880	058-005
<b>MELAKA</b>		
CIMB INVESTMENT BANK BERHAD	Ground, 1 <sup>st</sup> & 2 <sup>nd</sup> Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No : 06-289 8800	065-006
ECM LIBRA INVESTMENT BANK BERHAD	71A & 73A, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-288 1720	052-008
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang, P. O. Box 248 75250 Melaka Tel No : 06-337 1533	012-001
MERCURY SECURITIES SDN BHD	No. 81-B & 83-B, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-292 1898	093-003
OSK INVESTMENT BANK BERHAD	579, 580 & 581 Taman Melaka Raya 75000 Melaka Tel No : 06-282 5211	056-003
PM SECURITIES SDN BHD	No.11 & 13, Jalan PM2 Plaza Mahkota 75000 Melaka Tel No : 06-2866008	064-006
RHB INVESTMENT BANK BERHAD	Lot 7-13 & 15, 1st Floor Tabung Haji Building Jalan Bandar Kaba 75000 Melaka Tel No : 06-283 3622	087-002
<b>PERAK DARUL RIDZUAN</b>		
A.A. ANTHONY SECURITIES SDN BHD	29G, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-623 2328	078-009

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
ECM LIBRA INVESTMENT BANK BERHAD	No. 63 Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-242 2828	052-002
ECM LIBRA INVESTMENT BANK BERHAD	No. 7B-1, Jalan Laman Intan Bandar Baru Teluk Intan 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-622 2828	052-006
HWANGDBS INVESTMENT BANK BERHAD	Ground, Level 1,2 &3 21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel No : 05-806 6688	068-003
HWANGDBS INVESTMENT BANK BERHAD	Ground & 1st Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05-255 9988	068-015
M & A SECURITIES SDN BHD	M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No : 05-241 9800	057-001
MAYBANK INVESTMENT BANK BERHAD (formerly known as Aseambankers Malaysia Berhad)	B-G-04 (Ground Floor), Level 1 & 2 No. 42 Persiaran Greentown 1 Pusat Perdagangan Greentown 30450 Ipoh Perak Darul Ridzuan Tel No : 05-245 3400	098-002
OSK INVESTMENT BANK BERHAD	21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No : 05-241 5100	056-002
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 17, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-623 6498	056-014
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No : 05-692 1228	056-016

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
OSK INVESTMENT BANK BERHAD	Ground Floor No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No : 05-808 8229	056-034
OSK INVESTMENT BANK BERHAD	72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No : 05-465 1261	056-044
OSK INVESTMENT BANK BERHAD	Ground Floor No. 2, Jalan Wawasan 4 Taman Wawasan 34200 Parit Buntar Perak Darul Ridzuan Tel No : 05-717 0888	056-052
HONG LEONG INVESTMENT BANK BERHAD (formerly known as HLG Securities Sdn Bhd)	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-253 0888	066-003
TA SECURITIES HOLDINGS BERHAD	Ground, 1st & 2nd Floor Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel No : 05-253 1313	058-001
<b>PULAU PINANG</b>		
A.A. ANTHONY SECURITIES SDN BHD	1 <sup>st</sup> , 2 <sup>nd</sup> & 3 <sup>rd</sup> Floor, Bangunan Heng Guan 171 Jalan Burmah 10050 Pulau Pinang Tel No : 04-229 9318	078-002
A.A. ANTHONY SECURITIES SDN BHD	Ground & 1 <sup>st</sup> Floor No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Pulau Pinang Tel No : 04-554 1388	078-003
ALLIANCE INVESTMENT BANK BERHAD	Suite 2.1, & 2.4, Level 2 Wisma Great Eastern No. 25, Lebuhraya Light 10200 Penang Tel No : 04-261 1688	076-015

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
AMINVESTMENT BANK BERHAD	Mezzanine Floor & Level 3 No. 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-226 1818	086-004
CIMB INVESTMENT BANK BERHAD	Ground Floor Suite 1.01, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-238 5900	065-003
ECM LIBRA INVESTMENT BANK BERHAD	No. 111, Jalan Macalister 10400 Pulau Pinang Tel No : 04-228 1868	052-003
ECM LIBRA INVESTMENT BANK BERHAD	7th Floor, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-228 3355	052-010
HWANGDBS INVESTMENT BANK BERHAD	Level 2, 3, 4, 7 & 8, Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No : 04-263 6996	068-001
HWANGDBS INVESTMENT BANK BERHAD	No. 2 & 4, Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Tel No : 04-537 2882	068-006
INTER-PACIFIC SECURITIES SDN BHD	Ground, Mezzanine & 8th Floor Bangunan Mayban Trust No. 3, Penang Street 10200 Pulau Pinang Tel No : 04-269 0888	054-002
KENANGA INVESTMENT BANK BERHAD	Lot 1.02, Level 1, Menara KWSP 38, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-210 6666	073-013
MERCURY SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor Wisma UMNO, Lorong Bagan Luar Dua 12000 Butterworth Pulau Pinang Tel No : 04-332 2123	093-001
MERCURY SECURITIES SDN BHD	2nd Floor, Standard Chartered Bank Chambers 2 Lebuhr Pantai 10300 Pulau Pinang Tel No : 04-263 9118	093-004



**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
OSK INVESTMENT BANK BERHAD	64, Bishop Street 20E, 20F & 20G, Penang Street 10200 Pulau Pinang Tel No : 04-263 4222	056-004
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor 2677, Jalan Chain Ferry Taman Inderawasih 13600 Prai Pulau Pinang Tel No : 04-390 0022	056-005
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No : 04-540 2888	056-015
OSK INVESTMENT BANK BERHAD	834, Jalan Besar, Sungai Bakap 14200 Sungai Jawi SPS, Pulau Pinang Tel No : 04-583 1888	056-032
OSK INVESTMENT BANK BERHAD	Ground & 1 <sup>st</sup> Floor No. 15-G-5, 15-G-6, 15-1-5 & 15-1-6 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Tel No : 04-640 4888	056-042
PM SECURITIES SDN BHD	Level 25, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-227 3000	064-004
<b>PERLIS INDRA KAYANGAN</b>		
ALLIANCE INVESTMENT BANK BERHAD	2nd Floor, Podium Block KWSP Building 01000 Kangar Perlis Indra Kayangan Tel No : 04-976 5200	076-003
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 39, Taman Suriani Persiaran Jubli Emas 01000 Kangar Perlis Indra Kayangan Tel No : 04-979 3888	056-061

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>KEDAH DARUL AMAN</b>		
A.A. ANTHONY SECURITIES SDN BHD	Lot 4, 5 & 5A 1 <sup>st</sup> Floor EMUM 55 No. 55, Jalan Gangsa Kawasan Perusahaan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No : 04-732 2111	078-007
ALLIANCE INVESTMENT BANK BERHAD	2nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No : 04-731 7088	076-004
HWANGDBS INVESTMENT BANK BERHAD	No. 70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04-425 6666	068-011
OSK INVESTMENT BANK BERHAD	No. 112, Jalan Pengkalan Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04-420 4888	056-017
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor 35, Jalan Suria 1 Jalan Bayu 09000 Kulim Kedah Darul Aman Tel No : 04-496 4888	056-019
OSK INVESTMENT BANK BERHAD	Ground & 1 <sup>st</sup> Floor, 215-A & 215-B Medan Putra Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No : 04-720 9888	056-021
<b>NEGERI SEMBILAN DARUL KHUSUS</b>		
ECM LIBRA INVESTMENT BANK BERHAD	1 C-1 & 1 D-1, 1st Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Tel No : 06-765 5998	052-013
HWANGDBS INVESTMENT BANK BERHAD	Ground & 1st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-761 2288	068-007

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
HWANGDBS INVESTMENT BANK BERHAD	No. 6, Upper Level Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06-455 3188	068-013
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-764 1641	056-024
OSK INVESTMENT BANK BERHAD	1st Floor, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Tel No : 06-442 1000	056-037
OSK INVESTMENT BANK BERHAD	1st & 2nd Floor No. 168, Jalan Mewah (Pusat Perniagaan UMNO Bahagian Jempol) 72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06-455 3014	056-040
OSK INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 346 & 347 Batu ½, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Tel No : 06-646 1234	056-046
PM SECURITIES SDN BHD	1st, 2nd & 3rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-762 3131	064-002
<b>JOHOR DARUL TAKZIM</b>		
A.A. ANTHONY SECURITIES SDN BHD	Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No : 07-333 2000	078-001
A.A. ANTHONY SECURITIES SDN BHD	42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel No : 07-663 6658	078-005

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
A.A. ANTHONY SECURITIES SDN BHD	No. 70, 70-01, 70-02 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No : 07-351 3218	078-006
A.A. ANTHONY SECURITIES SDN BHD	No. 171 (Ground Floor) Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel No : 07-512 1633	078-008
ALLIANCE INVESTMENT BANK BERHAD	No. 73, Ground & 1 <sup>st</sup> Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel No : 07-771 7922	076-006
AMINVESTMENT BANK BERHAD	2nd & 3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No : 07-434 2282	086-002
AMINVESTMENT BANK BERHAD	18 <sup>th</sup> Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel No : 07-334 3855	086-006
ECM LIBRA INVESTMENT BANK BERHAD	No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-953 2222	052-004
ECM LIBRA INVESTMENT BANK BERHAD	Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel No : 07-467 8885	052-005
HWANGDBS INVESTMENT BANK BERHAD	Level 7, Johor Bahru City Square (Office Tower) 106-108 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No : 07-222 2692	068-004
INTER-PACIFIC SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No : 07-223 1211	054-004

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
KENANGA INVESTMENT BANK BERHAD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-333 3600	073-004
KENANGA INVESTMENT BANK BERHAD	No. 31, Lorong Dato' Ahmad Jalan Khalidi 84000 Muar Johor Darul Takzim Tel No : 06-954 2711	073-008
KENANGA INVESTMENT BANK BERHAD	Ground Floor & Ground Mezzanine No. 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No : 07-933 3515	073-009
KENANGA INVESTMENT BANK BERHAD	No. 33 & 35 (Ground & 1st Floor A&B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No : 07-777 1161	073-010
KENANGA INVESTMENT BANK BERHAD	Ground Floor, No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No : 06-978 2292	073-011
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17, Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3316992	093-005
MIMB INVESTMENT BANK BERHAD	Suite 25.02, Level 25 Johor Bahru City Square (Office Tower) No. 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No : 07-222 7388	061-002
OSK INVESTMENT BANK BERHAD	6th Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel No : 07-278 8821	056-006
OSK INVESTMENT BANK BERHAD	53, 53-A & 53-B Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No : 07-438 0288	056-009

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
OSK INVESTMENT BANK BERHAD	No. 33-1, 1st & 2nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-953 8262	056-025
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel No : 07-557 7628	056-029
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel No : 07-932 1543	056-030
OSK INVESTMENT BANK BERHAD	Ground, 1 <sup>st</sup> & 2 <sup>nd</sup> Floor No.17, Jalan Manggis 86000 Kluang Johor Darul Takzim Tel No : 07-776 9655	056-031
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No : 07-662 6288	056-035
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Tel No : 06-978 7180	056-038
OSK INVESTMENT BANK BERHAD	1st Floor, No. 2 & 4, Jalan Makmur Taman Sri Aman 85300 Labis Johor Darul Takzim Tel No : 07-925 6881	056-039
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 1 & 1-01 Jalan Rosmerah 2/11 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No : 07-352 2293	056-043

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
PM SECURITIES SDN BHD	No. 41, Jalan Molek 2/4 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No : 07-351 3232	064-005
PM SECURITIES SDN BHD	Ground & 1st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No : 07-433 3608	064-008
<b>PAHANG DARUL MAKMUR</b>		
ALLIANCE INVESTMENT BANK BERHAD	A-397, A-399 & A-401 Taman Sri Kuantan III, Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No : 09-566 0800	076-002
ECM LIBRA INVESTMENT BANK BERHAD	A15, A17 & A19, Ground Floor Jalan Tun Ismail 2, Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Tel No : 09-517 1698	052-007
OSK INVESTMENT BANK BERHAD	B32 & B34 Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No : 09-517 3811	056-007
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Tel No : 09-223 4943	056-022
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No : 05-491 4913	056-041
<b>KELANTAN DARUL NAIM</b>		
OSK INVESTMENT BANK BERHAD	Ground & 1 <sup>st</sup> Floor No. 3953-H, Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No : 09-743 0077	056-020

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
TA SECURITIES HOLDINGS BERHAD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No : 09-743 2288	058-004
<b>TERENGGANU DARUL IMAN</b>		
ALLIANCE INVESTMENT BANK BERHAD	No. 1D, Ground & Mezzanine No. 1E, Ground, Mezzanine 1st & 2nd Floor, Jalan Air Jerneh 20300 Kuala Terengganu Terengganu Darul Iman Tel No : 09-631 7922	076-009
FA SECURITIES SDN BHD	No. 51 & 51A Ground, Mezzanine & 1st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Tel No : 09-623 8128	021-001
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No : 09-858 3109	056-027
OSK INVESTMENT BANK BERHAD	31A, Ground Floor 31A & 31B, 1st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No : 09-626 1816	056-055
<b>SARAWAK</b>		
AMINVESTMENT BANK BERHAD	No. 164, 166 & 168 1st, 2nd & 3rd Floor Jalan Abell 93100 Kuching Sarawak Tel No : 082-244 791	086-005
CIMB INVESTMENT BANK BERHAD	Level 1, Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Tel No : 082-358 606	065-004
CIMB INVESTMENT BANK BERHAD	No. 6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibul Sarawak Tel No : 084-367 700	065-008



**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
HWANGDBS INVESTMENT BANK BERHAD	Lot 328, Jalan Abell 93100 Kuching Sarawak Tel No : 082-236 999	068-005
HWANGDBS INVESTMENT BANK BERHAD	No. 282, 1st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No : 086-330 008	068-016
KENANGA INVESTMENT BANK BERHAD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No : 085-435 577	073-002
KENANGA INVESTMENT BANK BERHAD	Level 5, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No : 082-338 000	073-003
KENANGA INVESTMENT BANK BERHAD	No. 11-12 (Ground & 1st Floor) Lorong Kampung Datu 3 96000 Sibul Sarawak Tel No : 084-313 855	073-012
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor Wisma Chinese Chambers Lot 357, Section 47, K.T.L.D. Jalan Bukit Mata Kuching 93100 Kuching Sarawak Tel No : 082-422 252	056-008
OSK INVESTMENT BANK BERHAD	Lot 1268, 1 <sup>st</sup> & 2 <sup>nd</sup> Floor, Lot 1269, 2 <sup>nd</sup> Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel No : 085-422 788	056-012
OSK INVESTMENT BANK BERHAD	101 & 102, Pusat Pedada Jalan Pedada 96000 Sibul Sarawak Tel No : 084-329 100	056-013
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 10, Jalan Bersatu 96100 Sarikei Sarawak Tel No : 084-654 100	056-050

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
OSK INVESTMENT BANK BERHAD	Ground Floor No. 177, Taman Sri Dagang 97000 Bintulu Sarawak Tel No : 086-311 770	056-053
TA SECURITIES HOLDINGS BERHAD	12G, H & I Jalan Kampong Datu 96000 Sibu Sarawak Tel No : 084-319 998	058-002
TA SECURITIES HOLDINGS BERHAD	2nd Floor, (Bahagian Hadapan) Bangunan Binamas, Lot 138 Section 54, Jalan Pandung 93100 Kuching Sarawak Tel No : 082-236 333	058-006
<b>SABAH</b>		
CIMB INVESTMENT BANK BERHAD	1 <sup>st</sup> & 2 <sup>nd</sup> Floor Central Building Jalan Sagunting 88000 Kota Kinabalu Sabah Tel No : 088-313 836	065-005
ECM LIBRA INVESTMENT BANK BERHAD	Aras 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No : 088-236 188	052-012
HWANGDBS INVESTMENT BANK BERHAD	Suite 1-9-E1, 9th Floor CPS Tower, Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Tel No : 088-311 688	068-008
INNOSABAH SECURITIES BERHAD	11, Equity House, Block K Sadong Jaya, Karamuning 88100 Kota Kinabalu Sabah Tel No : 088-234090	020-001
OSK INVESTMENT BANK BERHAD	5th Floor, Wisma BSN Sabah Jalan Kemajuan, Karamuning 88000 Kota Kinabalu Sabah Tel No : 088-269788	056-010

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
OSK INVESTMENT BANK BERHAD	Ground Floor, Block 2 Lot 4 & Lot 5, Bandar Indah Mile 4, North Road 91000 Sandakan Sabah Tel No : 089-229286	056-057

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**APPENDIX A SUMMARY OF PRC LAWS AND REGULATIONS****SUMMARY OF PRC LAWS AND REGULATIONS****1. LEGAL SYSTEM**

The PRC legal system is based on the PRC Constitution and is made up of, inter alia, written laws, regulations, administrative directives and internal guidelines as well as judicial interpretations. Decided court cases do not constitute binding precedents.

The National People's Congress (the "NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution (中华人民共和国宪法) to exercise the legislative power of the state. The NPC has the power to amend the PRC Constitution and to enact and amend primary laws governing the state organs, civil and criminal matters. The Standing Committee of the NPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC.

The State Council of the PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not be in conflict with the PRC Constitution or the national laws and, in the event that any conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the people's government may promulgate administrative rules and directives applicable to their own administrative area. These local laws and regulations may not be in conflict with the PRC Constitution, any national laws or any administrative rules and regulations promulgated by the State Council. Rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council or its ministries and commissions in the first instance for experimental purposes. After sufficient experience has been gained, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The power to interpret laws is vested by the PRC Constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全国人民代表大会常务委员会关于加强法律解释工作的决议) passed on 10 June 1981, the Supreme People's Court has the power to issue general interpretations on the application of laws in judicial proceedings in addition to its power to issue specific interpretations in specific cases. The State Council and its ministries and commissions are also vested with the power to issue interpretations of the rules and regulations promulgated by itself. At the regional level, the power to issue interpretations of regional laws is vested in the regional legislative and administration organs which promulgate such laws. All

**APPENDIX A SUMMARY OF PRC LAWS AND REGULATIONS (Cont'd)**

such interpretations carry the force of law.

**2. JUDICIAL SYSTEM**

The People's Courts are the judicial organs of the PRC. Under the PRC Constitution and the Law of Organization of the People's Courts of the PRC (《中华人民共和国人民法院组织法》), the People's Courts comprise the Supreme People's Court, the People's Local Courts, military courts and other special People's Courts. The People's Local Courts are divided into three levels, namely, the basic People's Courts, intermediate People's Courts and higher People's Courts. The basic People's Courts are divided into civil, criminal, administrative and economic divisions. The intermediate People's Courts have divisions similar to those of the basic People's Courts and, where the circumstances so warrant, may have other special divisions (such as intellectual property divisions). The judicial functions of People's Courts at lower levels are subject to supervision of People's Courts at higher levels. The People's procuratorates also have the right to exercise legal supervision over the proceedings of People's Courts of the same or lower levels. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the People's Courts of all levels.

The People's Court adopts a two-tier appeal system. At first instance a party may, before a judgment or order takes effect, appeal against the judgment or order of a Local People's Court to the People's Court of the next higher level. Judgments or orders at the second instance of the same level of the People's Court or at the next higher level of the People's Court are final and binding. Judgments or orders of the first instance of the Supreme People's Court are also final and binding. If, however, the Supreme People's Court or a People's Court of a higher level finds an error in a final and binding judgment of any People's Court of a lower level which has taken effect, or the presiding judge of a People's Court finds an error in a final and binding judgment which has taken effect in a court over which he presides, a retrial of the case may be ordered according to the judicial supervision procedures.

The PRC civil procedures are governed by the Civil Procedure Law (《中华人民共和国民事诉讼法》). The Civil Procedure Law governs the institution of a civil action, the jurisdiction of the People's Courts, the procedures for the conduct of a civil action, trial procedures and procedures for the enforcement of a civil judgment or order. All parties to a civil action conducted within the territory of the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's country of domicile. The jurisdiction may also be selected by express agreement of the contractual parties provided that the jurisdiction of the People's Court so selected is connected with the dispute, that is to say, the plaintiff or the defendant is located or domiciled, or the contract was executed or performed in the jurisdiction selected, or the subject-matter of the proceedings is located in the jurisdiction selected. In respect of litigation, a foreign national or foreign enterprise is accorded the same rights and subject to the same obligations as a citizen or legal person of the PRC. If any party to a civil action refuses to comply with a judgment or order made by a People's Court or an award made by an arbitration body in the PRC, the aggrieved party may apply to the People's

**APPENDIX A SUMMARY OF PRC LAWS AND REGULATIONS (Cont'd)**

Court to enforce the judgment, order or award. There are time limits on the right to apply for such enforcement. Where at least one of the parties to the dispute is an individual, the time limit is one year. If both parties to the dispute are legal persons or other entities, the time limit is six months. Based on the amendment dated 28 October 2007, the general time limit for application of enforcement by both individuals and entities will be unified to two years with effect from 1 April 2008.

A party seeking to enforce a judgment or order of a People's Court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to PRC enforcement procedures by the people's courts in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country that provides for such recognition and enforcement, unless the People's Court considers that the recognition or enforcement of the judgment or ruling will violate fundamental legal principles of the PRC or its sovereignty, security or social or public interest.

**3. ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS**

The Arbitration Law of the PRC (中华人民共和国仲裁法) is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a People's Court.

Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party may apply to the People's Court for enforcement. A People's Court may refuse to enforce an arbitral award made by an arbitration committee if there were mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee.

A party seeking to enforce an arbitral award of a foreign affairs arbitration body of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

In respect of contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of PRC law, the PRC has acceded to the New York Convention adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of

**APPENDIX A SUMMARY OF PRC LAWS AND REGULATIONS (Cont'd)**

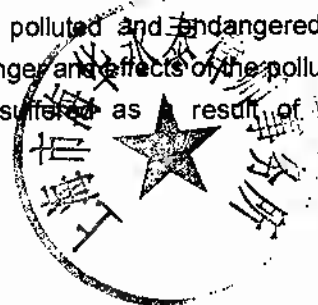
the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of the PRC that (1) the PRC would only recognise and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC would only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations.

**4. ENVIRONMENTAL PROTECTION LAW**

In accordance with the Environmental Protection Law of the PRC (中华人民共和国环境保护法) adopted by the Standing Committee of the NPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection, and adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalised or have their business licenses terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate the any losses or damages suffered as result of such environmental pollution.



**APPENDIX A SUMMARY OF PRC LAWS AND REGULATIONS (Cont'd)****5. REGULATIONS RELATING TO EMPLOYMENT ISSUES****A. PRC LABOR LAW**

The PRC Labor Law (中华人民共和国劳动法) was promulgated by the Standing Committee of the NPC on 5 July 1994 and came into effect on 1 January 1995. Under the Labor Law, the employer shall pay labourers additional wage remunerations in any one of the following cases: (1) no less than 150 per cent of their wages if the labourers are request to extend their normal working hours; (2) no less than 200 per cent of their wages if no replacement leave is granted to the labourers if they are requested to work on leave days; (3) no less than 300 per cent of their wages if the labourers are requested to work on legal holidays.

Pursuant to the PRC Labour Laws, the State shall implement a system of guaranteed minimum wages. Specific standards on minimum wages shall be stipulated by provincial, autonomous regional and municipal people's governments and reported to the State Council for registration. The employer shall pay labourers wages no lower than local standards on minimum wages.

Furthermore, labourers shall be entitled to social insurance treatment in any one of the following cases: (1) Retirement; (2) Suffer from diseases or injuries; (3) Become disabled during work or suffer from occupational diseases; (4) Become jobless; (5) Give births.

**B. PRC EMPLOYMENT CONTRACTS LAW**

The principal regulations governing the employment contract is the PRC Employment Contracts Law (中华人民共和国劳动合同法), which was promulgated by the Standing Committee of the NPC on 29 June 2007 and came into effect on 1 January 2008. Pursuant to the Employment Contracts Law employers shall establish employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for the illegal actions. If an employer fails to conclude a written employment contract with an employee more than a month but less than a year after the date on which the employer starts using the employee, it shall pay the employee twice his or her wages each month. An employer and an employee may conclude a fixed-term employment contract or an open-ended employment contract or an employment contract to expire upon completion of a certain job in the event that both parties reach a negotiated consensus. However, an open-ended employment contract shall be concluded under certain circumstances prescribed by the Employment Contracts Law. Where the employment contract is a fixed-term contract that ends due to expiration, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract, or where the employer fails to pay social insurance premiums for the employee in accordance with the law, or where any other circumstances formulated by the Employment Contracts Law occurs, the employee shall be paid severance pay based on the number of years worked with the employer at the rate of one month's wage for each full-year



**APPENDIX A SUMMARY OF PRC LAWS AND REGULATIONS (Cont'd)**

worked. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

On 18 September 2008, the State Council promulgated the Implementation Regulations of the PRC Employment Contracts Law ("Implementation Regulations") which came into effect on the same day. Pursuant to the Implementation Regulations, the conclusion or dissolution of a non-fixed term employment contract were formulated intensively and special provisions on the labour-dispatch also were instituted. Furthermore, the Implementation Regulations may improve and implement the economic compensation system.

**C. PRC SOCIAL INSURANCE LAW**

According to the Social Insurance Law of the People's Republic of China (中华人民共和国社会保险法) adopted at the 17th session of the Standing Committee of the Ninth National People's Congress on 28 October 2010 and promulgated for effect on 1 July 2011, all citizens are entitled to enjoy five forms of insurance: basic endowment insurance, basic medical insurance, employment injury insurance, unemployment insurance and maternity insurance. It allows employees to transfer their basic endowment insurance accounts from one residence to another and promises a new endowment insurance system for rural residents. Furthermore, new medical payment system should be established to allow medical insurance in one place to be repaid in another. Citizens should also be allowed to pay pension premiums in one place and withdraw money from another. In order to prevent the misappropriation of social insurance funds, the law specifies that the funds' income and expenses, management processes and investment should be made public.

**6. REGULATIONS RELATING TO FOREIGN INVESTMENT AND FOREIGN ENTERPRISES**

Investment in the PRC conducted by foreign investors and foreign-owned enterprises is governed by the Guidance Catalogue of Industries for Foreign Investment (外商投资产业指导目录) (the "**Catalogue**"), which was amended and promulgated by the Ministry of Commerce of the PRC and the National Development and Reform Commission of the PRC on 31 October 2007. The Catalogue is a long-standing tool that PRC policymakers have used to manage and direct foreign investment. Similar to the 2002 and 2004 editions, the Catalogue divides industries into three basic categories: encouraged, restricted, and prohibited. Industries not listed in the catalogue are generally open to foreign investment unless specifically barred in other PRC regulations. Foreign-invested enterprises in encouraged industries are often permitted to establish wholly foreign-owned enterprises. Parts of industries in the restricted category may be limited to equity or contractual joint ventures, in some cases with the Chinese partner as the majority shareholder. Restricted category projects are also subject to higher-level government approvals. Industries in the prohibited section are closed to foreign investment.

The establishment procedures, approval procedures, registered capital requirement, foreign

**APPENDIX A SUMMARY OF PRC LAWS AND REGULATIONS (Cont'd)**

exchange, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (《中华人民共和国外资企业法》) (the "**Wholly Foreign-owned Enterprise Law**"), which was promulgated on 12 April 1986 and amended on 31 October 2000, and the Implementation Regulation of the Wholly Foreign-owned Enterprise Law (《中华人民共和国外资企业法实施细则》), which was promulgated on 12 December 1990 and amended on 12 April 2001.

**7. FOREIGN EXCHANGE CONTROL**

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (《中华人民共和国外汇管理条例》) (the "**Foreign Exchange Administration Rules**"). It was promulgated by the State Council of the PRC on 29 January 1996, became effective on 1 April 1996 and was amended on 14 January 1997 and 1 August 2008. Under these rules, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loan unless prior approval of the State Administration of Foreign Exchange (the "**SAFE**") is obtained. Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and approval or file with the relevant governmental authorities (if necessary).

According to the Provisional Procedures on the Administration of Foreign-funded Enterprises Foreign Exchange Registration (《外商投资企业外汇登记管理暂行办法》) promulgated by the SAFE on 28 June 1996, foreign invested enterprises ("**FIE**")s are required to obtain Foreign Exchange Registration Certificates for FIE (外商投资企业外汇登记证) (the "**FIE Certificates**") from State Administration of Foreign Exchange so that they can open and operate foreign currency (that is, non-RMB currency) bank accounts for the payment of: (a) recurring items from the current account, including the distribution of dividends and profits to foreign investors of FIEs; and (b) capital items from the capital account, such as repatriation capital, repayment of external debt and securities investment.

SAFE promulgated the Notice Concerning the Foreign Exchange Administration in the Financing and Round-trip Investment Conducted by PRC Residents via Special Purpose Vehicle Companies (关于境内居民通过境外特殊目的公司融资及返程投资外汇管理有关问题的通知) (the "**SAFE Notice No. 75**") on 21 October 2005. The SAFE Notice No. 75 provide that, inter alia, prior registration or postfiling with the local branches/offices of SAFE shall be undertaken by domestic residents when they established overseas special purpose companies

**APPENDIX A SUMMARY OF PRC LAWS AND REGULATIONS (Cont'd)**

as defined in the SAFE Notice No. 75.

SAFE promulgated the Circular on Amending "Circular on Issues Concerning Outward Remittance of Profit, Stock Dividends and Stock Bonuses Processed by Designated Foreign Exchange Banks (《国家外汇管理局关于修改<关于外汇指定银行办理利润、股息、红利汇出有关问题的通知>的通知》) on 21 September 1999 and effective as of 1 October 1999, when the foreign investor in a foreign investment enterprise or when an enterprise which has issued shares abroad remits abroad the current year's profits, dividends or bonuses, it must submit the following materials to a designated foreign exchange bank for inspection and examination: tax payment receipts, audited annual report, written board resolutions on distribution, foreign exchange registration certificate, capital verification report and other documents required by the SAFE. After strict inspection and examination of the accurate of above-mentioned materials by the designated foreign exchange bank, the profits, dividends or bonuses in foreign currencies can be remitted abroad without prior approval from SAFE.

**8. COMPANY LAW**

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (中华人民共和国公司法) (the "Company Law"), which was promulgated by the Standing Committee of the National People's Congress on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004 and 27 October 2005 respectively. The companies are classified into categories, being limited liability companies and limited companies by shares. The Company Law shall also apply to foreign-invested limited liability companies. This Law is enacted in order to standardize the organization and activities of companies, to protect the legitimate rights and interests of companies, shareholders and creditors, to maintain the socio-economic order and to promote the development of the socialist market economy.

**(1) Incorporation**

A company shall apply to the company registration authority for establishment registration. Companies meeting the conditions set by this Law shall be registered as limited liability companies or joint stock limited companies. Articles of Association must be formulated in accordance with the law when a company is incorporated. A company's Articles of Association shall have binding force on the company, its shareholders, directors, supervisors and senior officers.

**(2) Corporate Governance**

The legal representative of a company may be represented by the chairman, executive director or manager of a company in compliance with its Articles of Association and registered in accordance with the law.

The shareholders' meeting, which comprises all the shareholders, is the authority of the

**APPENDIX A SUMMARY OF PRC LAWS AND REGULATIONS (Cont'd)**

company and is the meeting of the company's shareholders to elect the company's directors and supervisors, or review reports on the company's business results, prospects, and plans. Generally, the shareholders exercise their voting rights at the shareholders' meeting based on the shares held by them.

The Board of Directors is a body of elected or appointed persons who jointly oversee the activities of a company and is responsible for the shareholders' meeting. If the company is relatively small, it may have an executive director assuming the duties of the board to replace the Board of Directors.

The Board of Supervisor is a body of elected or appointed persons who jointly check the financial affairs of the company and supervise the acts of the directors and senior managers. No director or senior manager is permitted to concurrently hold the post as a supervisor. If the company is relatively small, it also can have 1 to 2 supervisors, and do not have to establish a Board of Supervisors.

**(3) Shareholders meeting**

Shareholders meeting shall be convened by the board of directors and presided over by the chairman of the board. The shareholders meeting shall prepare minutes regarding the decisions on matters considered at the meeting, which shall be signed by the shareholders present at the meeting. Shareholders shall exercise their voting rights at the shareholders meeting in proportion to their capital contributions, unless otherwise stipulated by the articles of association.

**(4) The Protection of Shareholders**

The shareholders of a company shall enjoy such rights as benefiting from assets of the company, making major decisions and selecting managerial personnel in accordance with the law. The shareholders of a company shall exercise their shareholders' rights in compliance with laws, administrative rules and regulations as well as the articles of association of the company, shall not abuse their shareholders' rights to injure the interests of the company or other shareholders, or take advantage of the company's independent status or the limited liability of shareholders to injure the interests of the company's creditors.

**(5) Right to dissolve a company**

If a company faces serious difficulty during its operation and the continued existence of the company will bring heavy loss to shareholder's interest, or can not be solved by other means, the shareholders holding at least 10% of the voting rights of the company are entitled to plead the court for dissolving the company.



**APPENDIX A SUMMARY OF PRC LAWS AND REGULATIONS (Cont'd)****9. CUSTOM LAW**

Customs Law of the People's Republic of China (中华人民共和国海关法) was adopted at the 19th Meeting of the Standing Committee of the Sixth National People's Congress on 22 January 1987, and amended in accordance with the Decision Regarding Revision of the Customs Law of the People's Republic of China adopted at the 16th Meeting of the Standing Committee of the Ninth National People's Congress on 8 July 2000. This Law is formulated for the purpose of safeguarding State sovereignty and national interests, strengthening supervision and control by the Customs, promoting exchanges with foreign countries in economic affairs, trade, science, technology and culture, and ensuring socialist modernization.

Customs formalities for import goods shall be completed by the consignee at the Customs establishment at the place where the goods enter the territory; those for export goods shall be completed by the consignor at the Customs establishment where the goods depart from the territory. If applied for by the consignee or the consignor and approved by the Customs, Customs formalities for import goods may be completed at the place of destination where there is a Customs establishment, and those for export goods at the place of consignment where there is a Customs establishment. The transport of such goods from one place with a Customs establishment to another shall comply with the control requirements of the Customs.

**10. TAX LAW****A. INCOME TAX**

According to the Enterprise Income Tax Law of PRC (中华人民共和国企业所得税法) (the "**New Income Tax Law**") promulgated by the State Council on 6 December 2007 and came into effect as of 1 January 2008, all enterprises (including the foreign investment enterprises) which have incomes within the territory of the PRC will be subject to a uniform tax rate of 25%.

Pursuant to the Notice of the State Council regarding the implementation of preferential policy of Enterprise Income Tax during the transition period which provides for transitional measures for enterprises that have obtained the business registrations at the local office of State Administration of Industry and Commerce before 16th March 2007 and eligible for lower tax rate preferential treatments in accordance with the then prevailing tax laws and regulations. As from 1 January 2008, the enterprises that have enjoyed preferential tax rates shall be taxed at rates to be increased from the current rate to the full rate under the New Income Tax Law within a period of 5 years.

According to the Notice of the Ministry of Finance and State Administration of Taxation on Several Preferential Policies in Respect of Enterprise Income Tax (the "**FM & SAT Notice**") announced on 2 February 2008, other than the preferential policies provided by the Enterprise Income Tax Law of PRC, the Implementing Regulations of the Enterprise Income Tax Law, the Notice of the State Council regarding the implementation of preferential policy of Enterprise Income Tax during the transition period, the Notice of the State Council regarding the transitional preferential tax on the high-tech enterprises newly incorporated in special economic zones and Shanghai Pudong new district and the FM & SAT Notice, all the

**APPENDIX A SUMMARY OF PRC LAWS AND REGULATIONS (Cont'd)**

preferential policies on enterprise income tax implemented before 1 January 2008 are annulled. None of the various regions or departments shall exceed the power to issue preferential policies on enterprise income tax.

**B. VALUE ADDED TAX**

The Provisional Regulations of the PRC concerning VAT (中华人民共和国增值税暂行条例) was promulgated by the State Council on 13 December 1993 and revised on 10 November 2008. Under the regulation and its Implementing Rules, VAT is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

The value-added tax rates shall be as follows:

1. The tax rate for goods sold or imported by taxpayers other than the goods set forth in Item 2 and 3 below shall be 17%.
2. The tax rate for sale or import of the following goods by taxpayers shall be 13%:
  - (a) grain, edible vegetable oil;
  - (b) tap water, central heating, air-conditioning, hot water, coal gas, liquid petroleum gas, natural gas, methane, and coal products for use by residents;
  - (c) books, newspapers, magazines;
  - (d) feed, chemical fertiliser, agrochemicals, agricultural machinery, agricultural film; and
  - (e) other goods specified by the State Council.
3. The tax rate for goods exported by taxpayers shall be zero, except where otherwise determined by the State Council.
4. The tax rate for processing and repair and replacement services provided by taxpayers shall be 17%.
5. The tax rate for the small-scale taxpayer shall be 3%.

**C. BUSINESS TAX**

The Provisional Regulations of the PRC Concerning Business Tax (中华人民共和国营业税暂行条例) was promulgated by the State Council came into effect on 1 January 1994 and revised on 10 November 2008. The revised provisional regulation will take effect on 1 January 2009. Under these regulations and the Implementing Rules of the Provisional Regulations of the

**APPENDIX A SUMMARY OF PRC LAWS AND REGULATIONS (Cont'd)**

PRC Concerning Business Tax (中华人民共和国营业税暂行条例实施细则) which was promulgated on 25 December 1993, businesses that provide services (including entertainment business), assign intangible assets or sell immovable property are liable to business tax at a rate ranging from 3.0% to 20.0%, of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be. The formula for calculation of the amount of tax payable is set forth below:

Amount of tax payable = amount of business × tax rate

The amount of tax payable shall be calculated in RMB. Taxpayers that settle their amounts of business income in foreign exchange shall convert the amounts into RMB at the foreign exchange market rate.

**D. STAMP DUTY**

The Provisional Rules of the People's Republic of China on Stamp Duty (中华人民共和国印花税法暂行条例) was adopted by the Ninth Executive Meeting of the State Council on 24 June 1988 and promulgated by Decree No. 11 of the State Council of the People's Republic of China on 6 August 1988, and become effective on 1 October 1988.

A taxpayer shall calculate the amount of stamp duty payable in accordance with the nature of the taxable documents. Some calculations shall be based on the proportional tax rate.

The stamp duty payment method shall be implemented through the taxpayer's voluntary calculation of the payable amount in accordance with regulations and the purchase and attachment of a sufficient number of duty stamps. In order to simplify stamp duty procedures, a taxpayer may, in a case where the payable amount is relatively large or the stamps are required often, apply to the taxation authority for approval to use payment slips instead of duty stamps, or for authorization to calculate and pay the total amount due periodically.

A unit which issues or handles taxable documents shall be responsible for supervising the payment of stamp duty by taxpayers in accordance with the law.

**E. REAL ESTATE TAX**

The Provisional Regulations of the People's Republic of China on Real Estate Tax (中华人民共和国房产税暂行条例) was promulgated by the State Council on 15 September 1986 and become effective on 1 October 1986.

Real Estate Tax will be levied in cities, county towns, State designated townships and industrial and mining areas. Real Estate Tax will be paid by the owner of the property rights. The owners, management units, mortgagees, custodians or users will be referred to collectively as obligatory taxpayers. The Tax will be calculated on the residual after the subtraction of between 10% and 30% of the original value of the property. Where the property

**APPENDIX A SUMMARY OF PRC LAWS AND REGULATIONS (Cont'd)**

is leased, the rental income from the property will be used as a basis for Tax calculations.

The Tax will be calculated on the residual value of the property at a rate of 1.2%, or on the rental income from the property at a rate of 12%.

**F. URBAN MAINTENANCE AND CONSTRUCTION TAX AND ADDITIONAL EDUCATION FEES**

The Provisional Regulations of the People's Republic of China on City Maintenance and Construction Tax (中华人民共和国城市维护建设税暂行条例) was issued on 8 February 1985 and became effective on 1 January 1985. These Regulations are formulated in order to strengthen city maintenance and construction and expand and stabilize the source of funds for city maintenance and construction. All units and individuals who are taxpayers of Product Tax, Value Added Tax, and/or Business Tax shall be the City Maintenance and Construction Tax payers and shall pay City Maintenance and Construction Tax according to these Regulations. The computation of City Maintenance and Construction Tax shall be based on the amount of Product Tax, Value Added Tax and/or Business Tax actually paid by Taxpayers, and the tax shall be paid together with the payment of Product Tax, Value Added Tax and/or Business Tax.

The Circular Concerning Temporary Exemption from Urban Maintenance and Construction Tax and Additional Education Fees for Foreign-invested and Foreign Enterprises (国家税务总局关于外商投资企业 and 外国企业暂不征收城市维护建设税和教育费附加的通知) was issued by State Administration of Taxation and became effective on 25 February 1994, under which foreign-invested enterprises and foreign enterprises are entitled to enjoy exemption from the said tax and fees.

The Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-invested Enterprises and Citizens (国务院关于统一内外资企业和个人城市维护建设税和教育费附加制度的通知) was issued by the State Council on 18 October 2010 and will become effective on 1 December 2010, under which foreign-invested enterprises and foreign enterprises shall be subject to the Urban Maintenance and Construction Tax and Educational Surcharges commencing from 1 December 2010.

**G. LAND USE TAX IN CITIES AND TOWNS**

The Provisional Regulations of the People's Republic of China Governing Land Use Tax in Cities and Towns (中华人民共和国城镇土地使用税暂行条例) was promulgated on 27 September 1988 by the State Council and revised on 1 January 2007. Regulations are formulated to rationalize the use of land in cities and towns, to regulate the income differential on land, to improve efficient use of land in use and to strengthen land management. Units and individuals which use land within the boundaries of cities, county towns, towns/bases operated



**APPENDIX A SUMMARY OF PRC LAWS AND REGULATIONS (Cont'd)**

under an organizational system and industrial and mining districts shall be the obligatory payers of tax on land used within cities and towns and shall pay land use tax in accordance with provisions of these Regulations. Calculation of land use tax shall be based on the actual area of land used by the taxpayer and shall be levied in accordance with the stipulated tax rate.

**11. PRODUCT QUALITY AND CONSUMER LAW****A. PRODUCT QUALITY LAW**

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (中华人民共和国产品质量法) (the "Product Quality Law") which was promulgated on 22 February 1993 and amended on 8 July 2000.

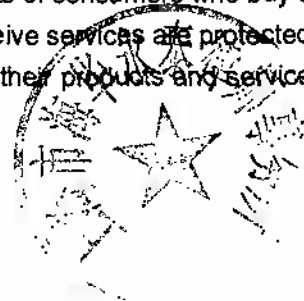
The Product Quality Law is applicable to the production and sale of any product within the PRC, and producers and sellers shall be liable for any failure of their products to meet quality standards in accordance with the Product Quality Law.

Violations of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer will be ordered to suspend its operations and its business license will be revoked. Criminal liability may be incurred in serious cases.

According to the Product Quality Law, consumers or other victims who suffer injury or property losses due to product defects may demand compensation from the producer as well as the seller. Where the responsibility lies with the producer, the seller shall, after settling the compensation, have the right to recover such compensation from the producer, and vice versa.

**B. CONSUMER LAW**

The Law of the People's Republic of China on Protection of Consumer Rights and Interests (the "Consumer Law") was enacted on 31 October 1993 and came into effect on 1 January 1994. According to the Consumer Law, the rights and interests of consumers who buy or use commodities for the purpose of consumption or those who receive services are protected, and all manufacturers and distributors are required to ensure that their products and services will not cause personal or property damage.



**APPENDIX B OPINION FROM HAIHUA YONGTAI LAW FIRM ON FOREIGN INVESTMENTS POLICIES, TAXATION, FOREIGN EXCHANGE CONTROL AND REPATRIATION OF PROFITS, OWNERSHIP OF TITLE TO SECURITIES/ASSETS AND ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS UNDER THE PRC LAWS**

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**OPINION FROM HAIHUA YONGTAI LAW FIRM ON FOREIGN INVESTMENT POLICY, TAXATION, FOREIGN EXCHANGE CONTROL AND REPATRIATION OF PROFITS OUT OF PEOPLE'S REPUBLIC OF CHINA ("PRC"), OWNERSHIP OF TITLE TO SECURITIES/ASSETS IN PRC, ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS AND OTHER RELEVANT LEGAL MATTERS UNDER THE LAWS OF PRC IN CONNECTION WITH THE PROPOSED ADMISSION OF MAXWELL INTERNATIONAL HOLDINGS BERHAD ( 麦斯威国际控股有限公司 ) ("MAXWELL" OR "THE COMPANY") ON THE OFFICIAL LIST OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") AND THE LISTING AND QUOTATION FOR ITS ENTIRE ISSUED AND PAID UP SHARE CAPITAL ON THE MAIN MARKET OF BURSA SECURITIES ("PROPOSED LISTING") ("LEGAL OPINION")**

**Date: 15<sup>th</sup> November 2010**

**To: The Board of Directors  
Maxwell International Holdings Berhad**

**Dear Sirs,**

**1. INTRODUCTION**

We are qualified lawyers in the PRC (the "PRC", for purpose of this Legal Opinion, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan) and act as PRC Legal Adviser to Maxwell and its PRC subsidiary, Jinjiang Zhenxing Shoes Plastics Co., Ltd. ( 晋江振兴鞋塑有限公司 ) ("Zhenxing Shoes") in connection with the proposed listing of and quotation for the Company's entire issued and paid up share capital on the Main Market of Bursa Malaysia Securities Berhad.

We understand that this Legal Opinion or excerpts from this Legal Opinion has been used for inclusion in the prospectus to be published by the Company in connection with the Proposed Listing ("Prospectus") and if necessary, provide this Legal Opinion to the relevant authorities in Malaysia pertaining to the Proposed Listing. This Legal Opinion was prepared for inclusion in the Prospectus.

**APPENDIX B OPINION FROM HAIHUA YONGTAI LAW FIRM ON FOREIGN INVESTMENTS POLICIES, TAXATION, FOREIGN EXCHANGE CONTROL AND REPATRIATION OF PROFITS, OWNERSHIP OF TITLE TO SECURITIES/ASSETS AND ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS UNDER THE PRC LAWS (Cont'd)**

This Legal Opinion is given on the basis of PRC laws and regulations effective up to now and is given on the basis that the opinion will be governed by, and construed in accordance with such laws and regulations. There is no assurance that such laws and regulations will not be repealed, amended or replaced in the immediate future or in the long term with or without retrospective effect.

**2. OPINION ON FOREIGN INVESTMENT POLICY, TAXATION, FOREIGN EXCHANGE CONTROL AND REPATRIATION OF PROFITS OUT OF PRC**

**I SUMMARY OF PRC FOREIGN INVESTMENT LAWS ON WHOLLY FOREIGN OWNED ENTERPRISE ("WFOE")**

WFOEs are governed by the Law of the People's Republic of China Concerning Enterprises with Sole Foreign Investments (《中华人民共和国外资企业法》), which was promulgated on 12 April 1986 and amended on 31 October 2000, and its Implementation Regulations promulgated on 12 December 1990 and amended on 12 April 2001 (collectively referred to as "Foreign Enterprises Law").

**PROCEDURE FOR ESTABLISHMENT OF A WFOE**

The establishment of a WFOE will have to be approved by the Ministry of Commerce (商务部) ("MOC"), which is in charge of giving general guidance to nationwide efforts in foreign investment, examining and approving the establishment and changes of foreign investment enterprises and supervising the enforcement of laws, regulations, contracts and statutes by foreign investment enterprises or its delegated authorities. After an application for the establishment of a WFOE has been approved, the foreign investor shall apply to the industry and commerce administration authority for registration and obtain a business license. The date of issuance of the business license shall be the date of the establishment of the enterprise.

**NATURE**

A WFOE is a limited liability company under the Foreign Enterprises Law. It is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital contributed. A foreign investor may make its contributions by instalments and the registered capital must be contributed within the period as approved by the MOC (or its delegated authorities) in accordance with relevant regulations.

**APPENDIX B OPINION FROM HAIHUA YONGTAI LAW FIRM ON FOREIGN INVESTMENTS POLICIES, TAXATION, FOREIGN EXCHANGE CONTROL AND REPATRIATION OF PROFITS, OWNERSHIP OF TITLE TO SECURITIES/ASSETS AND ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS UNDER THE PRC LAWS (Cont'd)**

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**PROFIT DISTRIBUTION AND REPATRIATION**

A WFOE shall retain certain amount from its profits after the income tax has been paid in accordance with PRC tax law as reserve funds, bonus and welfare funds for workers and staff members. The amount retained for the reserve funds shall not be less than 10% of the profits after the income tax have been paid, the withdrawal may stop when the accumulated amount withdrawn has been up to 50% of the registered capital of the enterprise. The amount retained for bonus and welfare funds for workers and staff members shall be determined by the WFOE itself.

The reserve funds may be used by a WFOE to make up its losses and with the consent of the examination and approval authority, can also be used to expand its production operations and to increase its capital. The employee bonus and welfare funds can only be used for the collective benefit and facilities of the employees of the WFOE.

No WFOE may distribute its profits unless and until its deficits of previous fiscal years have been made up; undistributed profits of the previous fiscal years may be distributed together with the distributable profits of the current fiscal year.

Foreign investors may remit abroad profits that are lawfully earned from a foreign investment enterprise, as well as other lawful earnings and any funds remaining after the enterprise is liquidated.

According to Circular on Amending "Circular on Issues Concerning Outward Remittance of Profit, Stock Dividends and Stock Bonuses Processed by Designated Foreign Exchange Banks (《国家外汇管理局关于修改<关于外汇指定银行办理利润、股息、红利汇出有关问题的通知>的通知》) issued by the State Administration of Foreign Exchange ('SAFE') on 21 September 1999 and effective as of 1 October 1999, when the foreign investor in a foreign investment enterprise or when an enterprise which has issued shares abroad remits abroad the current year's profits, dividends or bonuses, it must submit the following materials to a designated foreign exchange bank for inspection and examination: tax payment receipts, audited annual report, written board resolutions on distribution, foreign exchange registration certificate, capital verification report and other documents required by the SAFE.

After strict inspection and examination of the accuracy of the above-mentioned materials by the designated foreign exchange bank, the profits, dividends or bonuses in foreign currencies can be remitted abroad without prior approval from SAFE.

Profits, dividends, and bonus may be made from the enterprise's foreign exchange account, if the account balance is not enough to cover the payment, the enterprise may purchase the shortfall at the designated foreign exchange bank upon the above-mentioned materials being furnished.

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However, there is no assurance that the foreign exchange policy in relation to the payment of profits, dividends or bonuses in foreign currencies will continue in the future, which would adversely affect the remittance of profits, dividends or bonuses or other payments to overseas shareholders of any WFOE.

**II SUMMARY OF PRC TAXATION LAWS**

The applicable income tax laws, regulations, notices and decisions (collectively referred to as "**Applicable Foreign Enterprises Tax Law**") related to foreign investment enterprises and their investors include the follows:

- (1) Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises (《中华人民共和国外商投资企业和外国企业所得税法》) adopted by the National People's Congress (全国人民代表大会) on 9 April 1991 and invalidated from 1 January 2008;
- (2) Implementing Rules of the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises (《中华人民共和国外商投资企业和外国企业所得税法实施条例》) promulgated by the State Council came into effect as of 1 July 1991 and invalidated from 1 January 2008;
- (3) Notice Relating to Taxes Applicable to Foreign Investment Enterprises/Foreign Enterprises and Foreign Nationals in Relation to Dividends and Gains obtained from Holding and Transferring of Shares (《关于外商投资企业、外国企业和外籍个人取得股票(股权)转让收益和股息所得税收问题的通知》) promulgated by State Tax Bureau on 21 July 1993;
- (4) Amendments to the Income Tax Law (《中华人民共和国个人所得税法》) Applicable to Individuals of the PRC promulgated by Standing Committee of NPC on 31 October 1993;
- (5) Notice on Relevant Policies Concerning Individual Income Tax (《关于个人所得税若干政策问题的通知》) issued by Ministry of Finance and the State Tax Bureau on 13 May 1994;
- (6) Notice on Reduction of Income Tax in Relation to Interests and Gains Derived by Foreign Enterprises from the PRC (《国务院关于外国企业来源于我国境内的利息等所得减征所得税问题的通知》) promulgated by the State Council on 18 November 2000;
- (7) The Enterprise Income Tax Law of PRC (《中华人民共和国企业所得税法》)(the "New Income Tax Law") promulgated by the State Council on 6 December 2007 and came into effect as of 1 January 2008;

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- (8) Implementing Regulations of the Enterprise Income Tax Law of PRC (《中华人民共和国企业所得税法实施条例》) promulgated by the State Council on 6 December 2007 and came into effect as of 1 January 2008;
- (9) Notice of the State Council regarding the implementation of preferential policy of Enterprise Income Tax during the transition period (《国务院关于实施企业所得税过渡优惠政策的通知》) came into effect as of 1 January 2008;
- (10) Notice of the Ministry of Finance and State Administration of Taxation on Several Preferential Policies in Respect of Enterprise Income Tax (《财政部、国家税务总局关于企业所得税若干优惠政策的通知》) announced on 2 February 2008 ("FM & SAT Notice"), (FM is in charge of managing financial income and expenses, formulating financial plan and accounting plan, implementing supervision to financial fund, and controlling national finance by finance and taxation policies. SAT, a ministry-level department directly under the State Council, is in charge of the state's revenue work.); and
- (11) The Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-invested Enterprises and Citizens (《国务院关于统一内外资企业和个人城市维护建设税和教育费附加制度的通知》) was issued by the State Council on 18 October 2010 and will become effective on 1 December 2010, under which foreign-invested enterprises and foreign enterprises shall be subject to the Urban Maintenance and Construction Tax and Educational Surcharges commencing from 1 December 2010.

**INCOME TAX ON FOREIGN INVESTMENT ENTERPRISES**

According to the Income Tax Law of PRC for Enterprises with Foreign Investment and Foreign Enterprises which came into effect on 1 July 1991, foreign investment enterprises are required to pay a national income tax at a rate of 30% of their taxable income and a local income tax at a rate of 3% of their taxable income.

A foreign investment enterprise engaged in production having a period of operation of not less than ten years shall be exempted from national income tax for the first two profit-making years and a 50% reduction in the income tax payable for the next three years.

A foreign investment enterprise engaged in production founded in the coastal economic open areas and in the old districts of the cities where the special economic zones or economic and technological development zones are located, shall be subject to the enterprise income tax at a reduced rate of 24%.

According to the Rules for the Implementation of the Income Tax Law of PRC for Enterprises with Foreign Investment and Foreign Enterprises was promulgated on 30 June 1991, export-oriented enterprises invested in and operated by foreign businesses for which

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in any year the output value of all export products amounts to 70% or more of the output value of the products of the enterprise for that year may pay enterprise income tax at the tax rate specified in the Tax Law reduced by half after the period of enterprise income tax exemptions or reductions has expired in accordance with the provisions of the Tax Law.

Pursuant to the New Income Tax Law, all enterprises (including the foreign investment enterprises) which have incomes within the territory of the PRC will be subject to a uniform tax rate of 25%.

Pursuant to the Notice of the State Council regarding the implementation of preferential policy of Enterprise Income Tax during the transition period which provides for transitional measures for enterprises that have obtained the business registrations at the local office of State Administration of Industry and Commerce before 16 March 2007 and eligible for lower tax rate preferential treatments in accordance with the then prevailing tax laws and regulations. As from 1 January 2008, the enterprises that have enjoyed preferential tax rates shall be taxed at rates to be increased from the current rate to the full rate under the New Income Tax Law within a period of 5 years.

According to the FM & SAT Notice, other than the preferential policies provided by the Enterprise Income Tax Law of PRC, the Implementing Regulations of the Enterprise Income Tax Law, the Notice of the State Council regarding the implementation of preferential policy of Enterprise Income Tax during the transition period, the Notice of the State Council regarding the transitional preferential tax on the high-tech enterprises newly incorporated in special economic zones and Shanghai Pudong new district and the FM & SAT Notice, all the preferential policies on enterprise income tax implemented before 1 January 2008 are annulled. None of the various regions or departments shall exceed the power to issue preferential policies on enterprise income tax.

**VALUE ADDED TAX ("VAT")**

The Provisional Regulations of the PRC concerning VAT (《中华人民共和国增值税暂行条例》) was promulgated by the State Council on 13 December 1993 and revised on 10 November 2008. Under the regulation and its Implementing Rules, VAT is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

The VAT rates shall be as follows:

1. The tax rate for goods sold or imported by taxpayers other than the goods set forth in Item 2 and 3 below shall be 17%.
2. The tax rate for sale or import of the following goods by taxpayers shall be 13%:
  - (a) grain, edible vegetable oil;

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- (b) tap water, central heating, air-conditioning, hot water, coal gas, liquid petroleum gas, natural gas, methane, and coal products for use by residents;
  - (c) books, newspapers, magazines;
  - (d) feed, chemical fertiliser, agrochemicals, agricultural machinery, agricultural film; and
  - (e) other goods specified by the State Council.
3. The tax rate for goods exported by taxpayers shall be zero, except where otherwise determined by the State Council.
  4. The tax rate for processing and repair and replacement services provided by taxpayers shall be 17%.
  5. The tax rate for the small-scale taxpayer shall be 3%.

**BUSINESS TAX**

The Provisional Regulations of the PRC Concerning Business Tax (《中华人民共和国营业税暂行条例》) was promulgated by the State Council came into effect on 1 January 1994 and revised on 10 November 2008. The revised provisional regulation will take effect on 1 January 2009. Under these regulations and the Implementing Rules of the Provisional Regulations of the PRC Concerning Business Tax (《中华人民共和国营业税暂行条例实施细则》) which was promulgated on 25 December 1993, businesses that provide services (including entertainment business), assign of intangible assets or sale of immovable property are liable to business tax at a rate ranging from 3.0% to 20.0%, of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be. The formula for calculation of the amount of tax payable is set forth below:

Amount of tax payable = amount of business × tax rate

The amount of tax payable shall be calculated in Renminbi ("RMB"). Taxpayers that settle their amounts of business income in foreign exchange shall convert the amounts into RMB at the foreign exchange market rate.

**TAX ON DIVIDENDS FROM PRC ENTERPRISE WITH FOREIGN INVESTMENT**

The profit derived by a foreign investor from a PRC enterprise with foreign investment is exempted from the PRC withholding tax according to the Applicable Foreign Enterprises Tax Law. With the effectiveness of New Tax Law since 1 January 2008, profits derived by a foreign investor, which is deemed as non-resident enterprise, from a PRC enterprise with



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foreign investment shall pay income tax at the rate of 20%. However, the Implementing Regulations of the Enterprise Income Tax Law of PRC reduced the rate from 20% to 10% since 1 January 2008.

The PRC and the Government of Malaysia had on 23 November 1985 executed the Agreement on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income 《中华人民共和国政府和马来西亚政府关于对所得税避免双重征税和防止偷漏税的协定》 (the "Agreement"). According to the Agreement, the 10% withholding tax rate applies to dividends paid by a PRC enterprise to a Malaysia resident.

### III FOREIGN EXCHANGE CONTROL

Major reforms have been introduced to the foreign exchange control system of the PRC since 1993.

The People's Bank of China ("PBOC"), with the authorization of the State Council issued the Notice on Further Reform of the Foreign Exchange Control System (《中国人民银行关于进一步改革外汇管理体制的通知》) on 28 December 1993 and the Provisional Regulations on the Foreign Exchange Settlement, Sale and Payments (《结汇、售汇及付汇管理暂行规定》) on 26 March 1994. On 29 January 1996 the State Council promulgated the PRC Foreign Exchange Administration Regulations (《中华人民共和国外汇管理条例》) which came into effect on 1 April 1996 and was revised on 14 January 1997 and 1 August 2008 respectively. On 20 June 1996, the PBOC issued the Administration Regulations on the Foreign Exchange Settlement, Sale and Payments (《结汇、售汇及付汇管理规定》) to replace the above Provisional Regulations. On 25 October 1998, the PBOC and SAFE issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business (《中国人民银行、国家外汇管理局关于停办外汇调剂业务的通知》) which stated that from 1 December 1998, all foreign exchange transactions for foreign investment enterprises may only be conducted through authorised banks.

These regulations contain detailed provision regulating the holding, sale, and purchase of foreign exchange by individuals, enterprises, economic bodies and social organisations in the PRC.

On 21 July 2005, the Public Announcement of PBOC on Reforming the RMB Exchange Rate Regime (《完善人民币汇率形成机制改革的公告》) ("the Announcement") was promulgated by PBOC. According to the Announcement, the RMB exchange rate mechanism became more flexible so that the RMB was no longer pegged to the US dollars but to a basket of currencies.

At present, control of the purchase of foreign exchange is relaxed. Enterprises within the PRC which require foreign exchange for their ordinary trading and non-trading activities, import activities and repayment of foreign debts may purchase foreign exchange from designated banks if the application is supported by the relevant documents without the

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need for any prior approval of the SAFE. Furthermore, foreign investment enterprise may distribute profit to their foreign investors with funds in their foreign exchange bank accounts kept with designated banks. Should such foreign exchange be insufficient, enterprises may purchase foreign exchange from designated banks upon the presentation of the resolutions of the directors on the profit distribution plan of the particular enterprise.

SAFE promulgated the Notice Concerning the Foreign Exchange Administration in the Financing and Round-trip Investment Conducted by PRC Residents via Special Purpose Vehicle Companies (《关于境内居民通过境外特殊目的公司融资及返程投资外汇管理有关问题的通知》) (the "SAFE Notice No. 75") on 21 October 2005. The SAFE Notice No. 75 provides that, inter alia, prior registration or postfiling with the local branches/offices of SAFE shall be undertaken by domestic residents when they established overseas special purpose companies as defined in the SAFE Notice No. 75.

According to the PRC Foreign Exchange Administration Regulations revised on 1 August 2008, the foreign exchange incomes of domestic enterprises and individuals may be transferred to PRC or deposited in overseas countries. The conditions and terms for transferring to PRC or depositing in overseas countries shall be provided by the administration of foreign exchange under the State Council according to balance of international payments and the needs for foreign exchange control. Overseas enterprises and individuals that directly invest in PRC shall go through registration formalities at foreign exchange control agencies after have been approved by relevant competent departments. Domestic enterprises and individuals that engaged in overseas direct investment or the issuance and transaction of securities and derivatives abroad shall go through registration formalities in accordance with provisions of the administration of foreign exchange under the State Council. With respect to those that the approval or filing of relevant competent departments are required by the state, approval or filing formalities shall be gone through prior to the foreign exchange registration.

**3. OPINION ON OWNERSHIP OF TITLE TO SECURITIES/ASSETS IN PRC ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS AND OTHER RELEVANT LEGAL MATTERS UNDER THE LAWS OF PRC**

**1. DOCUMENTS EXAMINED AND SEARCHES**

For the purpose of giving this Legal Opinion, we have examined the original or certified true copies of the documents set out in **Schedule 1** to this Legal Opinion ("**Documents**"). We have also examined the original or copies of such corporate records of Zhenxing Shoes, governmental authorizations or orders, laws, treaties, certificates of public officials and/ or conducted interviews with the officers of Zhenxing Shoes, and reviewed such other documents and material documents as we have considered necessary or appropriate including but not limited to those set out in Schedule 1 to this letter. Further we have made