

## A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2010

### 1. Basis of accounting and changes in accounting estimates

#### a) Basis of accounting

The interim financial statements are unaudited and have been prepared in accordance with the requirements of International Accounting Standard (“IAS”) 34 : Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements, and should be read in conjunction with the Group’s audited consolidated financial statements for the financial period ended 30 June 2010, Prospectus dated 21 December 2010 and the accompanying explanatory notes attached to this interim financial report.

#### b) Changes in accounting policies

On 1 January 2010, the Group adopted the new or revised Financial Reporting Standard (“FRS”) and interpretations that are mandatory for application on that date. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

#### (i) **FRS and IC Interpretations that are issued, not yet effective and have not been adopted early**

The Group has not adopted the following revised FRS, amendments to FRS, new FRS and IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Company:-

		<b>Effective for financial periods beginning on or after</b>
<u>New FRS</u>		
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
<u>Amendments/Improvements to FRSs</u>		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2011
FRS 2	Share-based Payment	1 July 2010 and 1 January 2011
FRS 3	Business Combinations	1 January 2011
FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
FRS 7	Financial Instruments: Disclosures	1 January 2011
FRS 101	Presentation of Financial Statements	1 January 2011
FRS 121	The Effects of Changes in Foreign Exchange	1 January 2011

	Rates	
FRS 128	Investments in Associates	1 January 2011
FRS 131	Interests in Joint Ventures	1 January 2011
FRS 132	Financial Instruments: Presentation	1 March 2010 and 1 January 2011
FRS 134	Interim Financial Reporting	1 January 2011
FRS 138	Intangible Assets	1 July 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2011
	<u>IC Int</u>	
IC Int 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Int 9	Reassessment of Embedded Derivatives	1 July 2010
IC Int 12	Service Concession Arrangements	1 July 2010
IC Int 14	Prepayments of a Minimum Funding Requirement	1 July 2011
IC Int 15	Agreements for the Construction of Real Estate	1 July 2010 and 1 January 2012
IC Int 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Int 17	Distributions of Non-cash Assets to Owners	1 July 2010
IC Int 18	Transfers of Assets from Customers	1 January 2011
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

The adoptions of the FRSs, Amendments to FRSs and Interpretations upon their effective dates are not expected to have any significant impact on the financial statements of the Group.

At the date of this report, certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods after 1 January 2010 or later periods and which the Group has not adopted to date.

The management does not anticipate that the adoption of the above FRSs (including consequential amendments) and interpretations will result in any material impact to the financial statements in the initial adoption period.

## 2. Seasonality or cyclicity of operation

We experienced lower level of production activities due to fewer working days resulting from the Chinese New Year holidays in the first quarter of the year, other than that the business of the Group was not affected by any significant seasonal and cyclical factors during the period under review.

## 3. Unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date.

#### **4. Changes in estimates**

There were no material changes in estimates for the current quarter and financial year-to-date.

#### **5. Changes in share capital and debts**

There were no issuances, cancellations, resale and repayments of debt and equity securities for the current financial period to date.

#### **6. Segment Information**

No separate analysis of segment information by business or geographical locations is presented as the Group's major business comprises the manufacture and sales of sports shoes. The Group's revenue, assets and capital expenditure are principally attributable to a single geographical region, which is The People's Republic of China ("PRC").

#### **7. Changes in the composition of the Group**

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

#### **8. Contingent liabilities or assets**

No material contingent liabilities and assets, which upon becoming enforceable may have a material effect on the financial position of the Group since the last balance sheet date.

#### **9. Property, plant and equipment**

The Group acquired additional property, plant and equipment amounting to RM18,583 and RM302,801 for current quarter and financial year-to-date, respectively.

#### **10. Capital commitments**

No material commitments for capital expenditure of the Group were incurred for the current quarter under review.

#### **11. Significant related party transaction**

N/A

## **12. Subsequent events**

Save as disclosed under notes A5 and B8, there were no material events subsequent to the end of the financial period under review that have not been reflected in this quarterly report as at the date of this report. The Group is expected to be listed on Main Market of Bursa Malaysia on 6 January 2011.

## **13. Dividends**

No dividends were declared by the Group for the current quarter.

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## **B. INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD UNDER LISTING REQUIREMENTS**

### **1. Review of the performance of the Group**

The Group recorded revenue of RM96.9 million and profit after taxation of RM19.9 million for the current quarter and RM245.3 million and RM49.8 million for the financial year-to-date.

### **2. Variation of results against immediate preceding quarter**

Not applicable as this is the first set of interim financial report to Bursa Malaysia Securities Berhad.

### **3. Prospects for FYE 2010**

Although the PRC economy has gradually recovered since the implementation of the stimulus package by the PRC government, market conditions are expected to remain challenging in the short term due to anticipated increases in labour cost and raw material prices.

Our Group however remains optimistic about the long-term growth potential of the sportswear market in PRC and overseas. To maintain our competitive edge, we will continue to focus on our Group's strategy of product design and development, strengthening and expanding our sale and distribution network.

### **4. Profit forecast and guarantee**

No profit forecast or guarantees were previously announced and disclosed by the Group in any public document.

### **5. Income tax charge**

	Current Quarter RM'000	Current Year-to-date RM'000
PRC income tax	<u>6,678</u>	<u>16,926</u>

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

The Group's effective tax rates for the current quarter and financial year-to-date were 25.2% and 25.4% respectively, which were marginally higher than the statutory tax rate of 25%.

As at 30 September 2010, no provisions were made for deferred tax as the 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.

## **6. Sales of unquoted investments and/or properties**

There have been no sales of unquoted investments and/or properties of the Group in the current quarter and financial year-to-date.

## **7. Purchase or disposal of quoted securities**

There has been no purchase or disposal of quoted securities by the Group in the current quarter and financial year-to-date.

## **8. Status of corporate proposals and utilisation of proceeds**

In conjunction with and in preparation for the proposed listing, we undertook the following: -

### **(a) Acquisition of Zhenxing Shoes**

Pursuant to the Restructuring Agreement dated 18 November 2009 entered into by our Company and Sports Asia Limited (“SA”), to acquire the entire interests in the registered capital of the 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. The Acquisition was completed on 8 December 2009.

### **(b) Proposed public Issue**

The proposed public issue of 63,750,000 shares in January 2011, representing approximately 15.9% of our enlarged issued and paid-up share capital, at an issue price of RM0.54 per share and will be allotted in the following manner:

#### **(i) Malaysian Public**

20,000,000 proposed public issue shares, representing 5.0% of our enlarged issued and paid-up share capital will be made available for application by the Malaysian Public to be allocated via balloting by 30 December 2010.

#### **(ii) Selected investors by way of private placement**

43,750,000 proposed public issue shares, representing approximately 10.9% of our enlarged issued and paid-up share capital have been made available for application by way of private placement to selected investors.

### **(c) Proposed Listing**

Subsequent to the proposed public issue, our issued and paid up share capital will be increased from 336,250,000 shares of RM0.40 each to 400,000,000 shares of RM0.40 each.

(d) Utilisation of proceeds

The proposed public issue is expected to raise gross proceeds of RM34.4 million, which shall be utilised by the Company. We intend to utilise the proceeds raised in the following manner:

	Estimated timeframe for utilisation upon Listing	Amount RM'000
(i) Expansion of our production capacity and upgrading of existing production facilities	24 months	12,000
(ii) Increase our product design and development efforts and expansion of product range	12 months	6,000
(iii) Working capital purposes	12 months	9,675
(iv) Listing expenses	Upon Listing	6,750
<b>Total proceeds</b>		<b>34,425</b>

## 9. Group borrowings and debts securities

Our Group's borrowings and debts securities as at 30 September 2010 were as follow: -

	RM'000
Short term borrowings	<u><u>4,610</u></u>

## 10. Off-balance sheet financial instruments risks

There were no financial instruments with material off balance sheet risk at the date of issue of this quarterly report.

## 11. Changes in material litigation

As at the date of this report, our Group is not engaged whether as plaintiff or defendant in any legal action, proceedings, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of our Group, and our Directors are not aware of any pending or threatened proceedings which may give rise to any proceedings which might materially and adversely affect the financial position or business of our Group.

## 12. Earnings per share

Basic and diluted earnings per share are calculated based on the assumptions that the enlarged share capital of 336,250,000 ordinary shares have been issued prior to the proposed public issue.

**Audit report of the Group's preceding annual financial statements**

Our Group's audited consolidated financial statements for the financial year ended 31 December 2009 were not subject to any audit qualification.

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