

A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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:-

		Effective for financial periods beginning on or after
<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 Rates	1 January 2011
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 13	Customer Loyalty Programme	1 January 2011
IC Int 14	Prepayments of a Minimum Funding Requirement	1 July 2011
IC Int 15	Agreements for the Construction of Real Estate	30 August 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 the above factors, 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 RM19,763 and RM322,564 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

The Group was listed on Main Market of Bursa Malaysia on 6 January 2011.

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.

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 RM90.6 million (or RMB192.7 million) and profit after taxation (“PAT”) of RM17.3 million (or RMB36.8 million) for the current quarter and RM335.9 million (or RMB707.5 million) and RM67.1 million (or RMB141.2 million) respectively for the financial year-to-date.

The revenue of RM335.9 million (or RMB707.5 million) represents an increase of 11.6% (21.2% in RMB term) as compared to the revenue of RM301.0 million (or RMB583.7 million) recorded for the financial year ended 31 December 2009 (“FYE 2009”).

The increase in revenue was in line with the Group's increase in average selling price (“ASP”) of sports shoes from RM26.92 (or RMB52.20) per pair in FYE2009 to RM29.81 (or RMB62.79) per pair in FYE2010. The overall ASP has been on a general upward trend in line with the increased complexity of shoe designs and raw materials cost.

Between FYE 2009 and FYE 2010, the overall gross profit margin decreased marginally from 29.9% to 29.4%. In FYE 2010, the Group recorded an increase in profit before taxation (“PBT”) of 9.5%, from RM82.3 million (or RMB159.5 million) in FYE 2009 to RM90.1 million (or RMB189.8 million) in FYE 2010. The increase was primarily due to improved ASP. The increase was partly offset by the partial payment of listing expenses and non-statutory audit fees amounting to RM1.7 million in FYE 2010.

In FYE 2010, the Group posted a PAT of RM67.1 million (or RMB141.2 million) after deducting income tax expense of RM23.0 million (or RMB48.5 million). The effective tax rate of 25.6% was marginally higher than the statutory tax rate of 25%. As a result, PAT margin decreased marginally from 20.3% in FYE 2009 to 20.0% in FYE 2010.

2. Variation of results against immediate preceding quarter

	Current Quarter 31 December 2010 RM'000	Preceding quarter 30 September 2010 RM'000
Revenue	90,579	96,883
Profit before taxation	23,396	26,534
Profit after taxation	<u>17,283</u>	<u>19,854</u>

The Group recorded a decrease in revenue of 6.5% for the fourth quarter ended 31 December 2010 compared to the preceding quarter ended 30 September 2010. The Group's revenue is usually higher in middle of the year as a result of customer orders for the festive season at end of the year as our customers comprise mainly trading houses and brand distributors which in turn on sell our sports shoes to foreign purchasers. It will usually take a few months to reach the foreign customers based overseas.

3. Prospects for FYE 2011

Our Group 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>6,113</u>	<u>23,039</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 took effect on 1 January 2008.

The Group's effective tax rates for the current quarter and financial year-to-date were 26.1% and 25.6% respectively, which were marginally higher than the statutory tax rate of 25%.

As at 31 December 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 listing of and quotation for the entire issuance and paid-up share capital of the Company on the Main Market of Bursa securities, 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 issued and paid up 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) Public Issue

The 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 was allotted in the following manner:

(i) Malaysian Public

20,000,000 public issue shares, representing 5.0% of our enlarged issued and paid-up share capital had been made available for application by the Malaysian Public.

(ii) Selected investors by way of private placement

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

(c) Listing

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

(d) Utilisation of proceeds

The gross proceeds from the Public Issue amounting to RM34.4 million are expected to be fully utilized in the following manner:

		Estimated timeframe for utilisation upon Listing	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation Amount RM'000	Remark
(i)	Expansion of our production capacity and upgrading of existing production facilities	24 months	12,000	-	N/A	(N1)
(ii)	Increase our product design and development efforts and expansion of product range	12 months	6,000	-	N/A	(N1)
(iii)	Working capital purposes	12 months	9,675	-	N/A	(N1)
(iv)	Listing expenses	Upon Listing	6,750	6,750	-	
	Total proceeds		34,425	6,750	-	

N1: The allocated gross proceeds from public issue in respect of these purposes have not been utilised during the financial period under review as Maxwell was only listed on 6 January 2011.

9. Group borrowings and debts securities

Our Group's borrowings and debts securities as at 31 December 2010 were as follow: -

	RM'000
Short term borrowings	<u>4,674</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 public issue.

13. Retained earnings

Our Group's realised and unrealised profits/losses as at 31 December 2010 and 30 September 2010 were as follow: -

	Current Quarter 31 December 2010 RM'000	Preceding quarter 30 September 2010 RM'000
Total retained earnings of Maxwell and its subsidiary:		
- Realised	168,711	153,186
- Unrealised	<u>-</u>	<u>-</u>
	168,711	153,186
Less: Consolidation adjustments	<u>(20)</u>	<u>50</u>
Total retained earnings of Maxwell and its subsidiary as per consolidated accounts	<u>168,692</u>	<u>153,236</u>

14. 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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