

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:-

RMB1: RM	FYE 2006 0.4597	FYE 2007 0.4518	FYE 2008 0.4819	FYE 2009 0.5157	1H 2010 0.4829
----------	--------------------	--------------------	--------------------	--------------------	-------------------

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*
<u>Advances extended to:-</u>						
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	-	-	-
<u>Advances extended from:-</u>						
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.

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

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.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK