MAXWELL INTERNATIONAL HOLDINGS BERHAD
(Company No.: 877480-X)
(Incorporated in Malaysia under the Companies Act, 1965)

Level 2, Tower 1, Avenue 5,
Bangsar South City, 59200, Kuala Lumpur

www.maxwellinternational.com.my

Maxwell International Holdings Berhad (Company No: 877480-X)

Annual Report 2015

MAXWELL INTERNATIONAL HOLDINGS BERHAD
(Company No.: 877480-X)
(Incorporated in Malaysia under the Companies Act, 1965)

Accelerating the future

ANNUAL REPORT
2015

contents

MAXWELL INTERNATIONAL HOLDINGS BERHAD
(Company No.: 877480-X)
(Incorporated in Malaysia under the Companies Act, 1965)

CORPORATE PROFILE

The business of **Maxwell International Holdings Berhad ("Maxwell International")** was founded in 1999 through its wholly-owned subsidiary Jinjiang Zhenxing Shoes & Plastics Co., Ltd. The Group has carved its niche as a designer and manufacturer of a wide variety of high-quality sports footwear, including court sports, running, and casual shoes.

Today, Maxwell International is the Original Equipment Manufacturer (OEM) and Original Design Manufacturer (ODM) for a host of third-party brands.

Indeed, our impeccable track record for manufacturing high-quality footwear is not only underscored by a large percentage of repeat customers orders, but also numerous accolades received to date, which cement our strong reputation in the industry.

Maxwell International distributes its products to international customers directly as well as via trading houses and brand distributors. Maxwell International's end-user markets include Europe, America, and Asia, consisting mainly of Japan, South Korea, Singapore, Hong Kong, Malaysia and Saudi Arabia.

Maxwell International has been listed on the Main Market of Bursa Malaysia Securities Berhad since 6 January 2011.

CORPORATE STRUCTURE

MAXWELL INTERNATIONAL HOLDINGS BERHAD
(Company No.: 877480-X)
(Incorporated in Malaysia under the Companies Act, 1965)

(Incorporated in Malaysia)
Investment holding

100%
JINJIANG ZHENXING SHOES & PLASTICS CO., LTD.
(Incorporated in PRC)
Original design manufacturer (ODM) and original equipment manufacturer (OEM) of sports shoes

100%
HEBI CITY YIFU PLASTICS PRODUCT CO., LTD.
(Incorporated in PRC)
Dormant

100%
MAXWELL INTERNATIONAL TRADING SDN BHD
(Incorporated in Malaysia)
Dormant

100%
MAXWELL GLOBAL INVESTMENT LIMITED
(Incorporated in BVI)
Investment holding

100%
MAXWELL INTERNATIONAL (HONG KONG) LIMITED
(Incorporated in Hong Kong)
Investment holding and general trading

100%
MAXWELL (XIAMEN) CO., LTD.
(Incorporated in PRC)
Trading on garment and plastic products

CORPORATE MILESTONES

1999

- Established Zhenxing Shoes.
- Started with one production line with annual production capacity of 1 million pairs of sports shoes.
- Set up design and development department.
- Secured contract to produce shoes for US sports brand Riddell.

2000

- Added 2nd production line to expand production capacity.
- Secured contract for US Polo

2002

- Secured contract with another US brand - Fubu

2005

- Secured contracts with Japanese brands Mizuno and Yonex

2006

- Added 3rd production line
- Secured contract with Kappa

2008

- Attained ISO9001:2000 status
- Awarded Excellent Quality Unit by Technology Supervisory Bureau of Jinjiang
- Added 4th production line
- Secured contracts with US and Italian sports brand Brooks and Diadora respectively

2009

- Awarded Quanzhou Famous Trademark

2010

- Secured contract with Italian brand Fila

2011

- Secured contract with China brand – Li Ning
- Listed on Main Market of Bursa Securities Malaysia Berhad

2012

- Acquisition of Henan Land
- Acquisition of business - Lim Ying Ying Limited

2013

- Opened retail branding stores in China – Spanish and US brand Punto Blanco and Thomas Dean respectively

2014

- Opened retail branding store in China – Gennylee & Company

CORPORATE INFORMATION

BOARD OF DIRECTORS

Li Kwai Chun
President and Executive Director

Tam Fook Cheong
Independent Non-Executive Chairman

Su DeMou
Independent Non-Executive Director
(Appointed on 5 May 2016)

Lim Wei Chien
Independent Non-Executive Director

AUDIT COMMITTEE

Tam Fook Cheong (Chairman)
Su DeMou (Appointed on 5 May 2016)
Lim Wei Chien

REMUNERATION COMMITTEE

Tam Fook Cheong (Chairman)
Su DeMou (Appointed on 5 May 2016)
Li Kwai Chun

NOMINATION COMMITTEE

Tam Fook Cheong (Chairman)
Su DeMou (Appointed on 5 May 2016)
Lim Wei Chien

COMPANY SECRETARIES

Wong Youn Kim (MAICSA 7018778)
Sin May Peng (MAICSA 7018354)

AUDITORS

Baker Tilly Monterio Heng (AF 0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel No. : +603 2297 1000
Fax No. : +603 2282 9980

REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel No. : +603 7841 8000
Fax No. : +603 7841 8151

PRINCIPAL BANKERS

Bank of China (Malaysia) Berhad
China Citic Bank
HSBC Bank Malaysia Berhad
Industrial and Commercial Bank of China
Bank of Communications Co., Ltd

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel No. : +603 2241 5800
Fax No. : +603 2282 5022

HEADQUARTERS

Zhenxing Shoes
Zhushuxia Industrial Zone
Meiling Street, Jinjiang City
Fujian Province, PRC
Tel No. : +86 595 8565 8977
Fax No. : +86 595 8566 5377

STOCK EXCHANGE LISTING

Main Market, Bursa Malaysia Securities Berhad
Bursa Code: 5198
Bloomberg Code : MAXWLL MK
Reuters Code : MAXW.KL

CORPORATE WEBSITE

www.maxwellinternational.com.my

FINANCIAL HIGHLIGHTS

SUMMARISED GROUP INCOME STATEMENT

For The Financial Year Ended 31 December (RM'000)	2011	2012	2013	2014	2015
Revenue	386,032	412,286	297,840	230,337	194,152
EBITDA	95,602	105,140	59,264	28,458	(59,630)
Profit/(Loss) Before Taxation	94,824	104,313	57,623	26,564	(62,350)
Net Profit/(Loss) Attributable to Equity Holders	69,856	77,679	41,710	16,813	(65,156)
EBITDA Margin	24.77%	25.50%	19.90%	12.36%	(30.71%)
Profit/(Loss) Before Tax Margin	24.56%	25.30%	19.35%	11.53%	(32.11%)
Net Profit/(Loss) Margin	18.10%	18.84%	14.00%	7.30%	(33.56%)
Returns on Equity	22.10%	20.48%	9.02%	3.37%	(12.70%)
Returns on Asset	18.30%	17.09%	8.11%	3.08%	(11.99%)

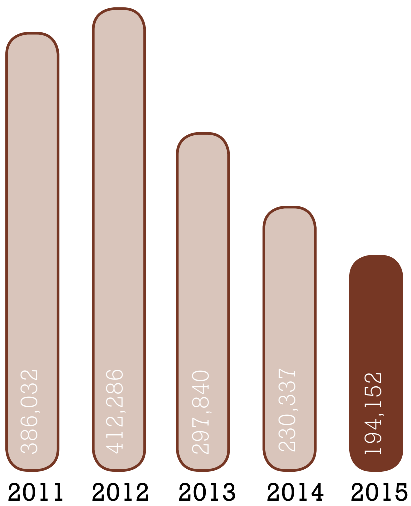
SUMMARISED GROUP CASH FLOWS

For the Financial Year Ended 31 December (RM'000)	2011	2012	2013	2014	2015
Operating Profit/(Loss) Before Working Capital Changes	95,620	105,552	59,711	35,960	(62,360)
Net Cash Flows From/(Used In) Operating Activities	47,221	74,105	97,468	26,362	(67,468)
Net Cash Flows Used In Investing Activities	(2,924)	(31,891)	(15,548)	(25,320)	(5,188)
Net Cash Flows From/(Used In) Financing Activities	14,537	(5,557)	(866)	567	1,396
Net Increase/(Decrease) in Cash And Cash Equivalent	58,834	36,657	81,054	1,609	(71,259)
Cash And Cash Equivalent At Beginning Of Year	139,007	212,265	243,708	354,132	371,284
Effect Of The Exchange Rate Changes	14,424	(5,214)	29,370	15,543	66,688
Cash And Cash Equivalent At End Of Year	212,265	243,708	354,132	371,284	366,713

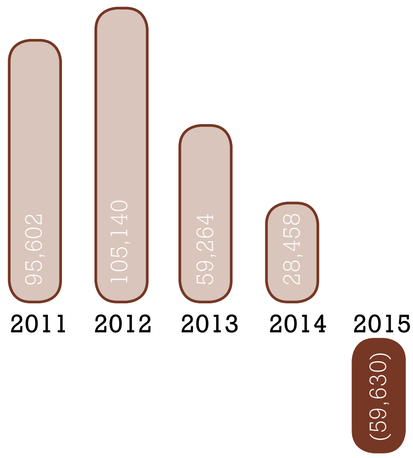
SUMMARISED GROUP BALANCE SHEET

As At 31 December (RM'000)	2011	2012	2013	2014	2015
Non-Current Assets	33,981	63,069	78,092	104,844	124,252
Current Assets	347,420	391,418	436,017	441,168	419,164
Total Assets	381,401	454,487	514,109	546,012	543,416
Share Capital	160,000	160,000	160,000	160,000	160,000
Reserves	155,754	219,233	302,656	339,315	352,849
Shareholders' Equity	315,754	379,233	462,656	499,315	512,849
Current Liabilities	65,647	75,254	51,453	46,698	30,567
Total equity and liabilities	381,401	454,487	514,109	546,012	543,416
Cash And Cash Equivalent	212,265	243,708	354,132	371,284	366,713
Total Borrowing	-	-	-	-	-
Gearing (net of cash)	Net cash	Net cash	Net cash	Net cash	Net cash

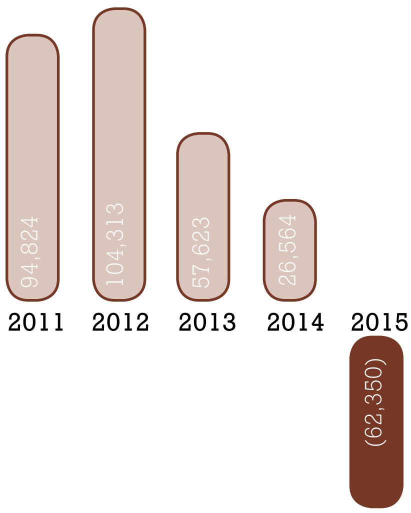
REVENUE
(RM'000)



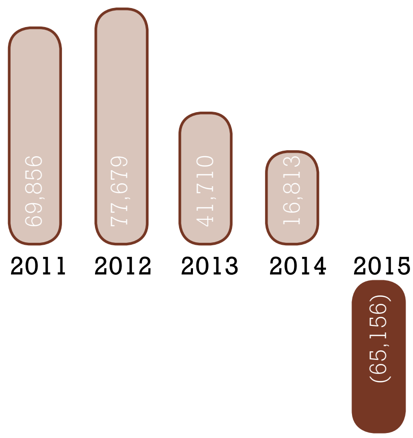
EBITDA
(RM'000)



PROFIT/(LOSS) BEFORE TAXATION
(RM'000)



NET PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS
(RM'000)



PRESIDENT'S STATEMENT

MDM LI KWAI CHUN
(PRESIDENT AND EXECUTIVE DIRECTOR)

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the fifth Annual Report of Maxwell International Holdings Berhad ("Company" or "Group") for the financial year ended 31 December 2015 ("FY2015") since it was listed on the Main Market of Bursa Malaysia Securities Berhad on 6 January 2011.

WEAKER FINANCIAL PERFORMANCE UNDER A YEAR OF TOUGH BUSINESS ENVIRONMENT

The Group experienced a challenging year for the financial performance in 2015. This is in tandem with the slower economic growth achieved by the global economy which registered a single digit GDP growth rate of +3.0% y-o-y in 2015 (2014 : +3.3% y-o-y), where the Group has been exporting its manufactured high quality footwear to various regions across the globe including Europe and America. On this note, the European economy has marginally recovered with a GDP growth rate of +1.5% y-o-y (2014: +0.8% y-o-y), while the economy of America registered a relatively flat GDP growth rate of +2.1% y-o-y (2014: +2.4% y-o-y) in 2015. (Note)

For the year ended 31 December 2015 ("FY2015"), the Group achieved lower revenue of RM194.152 million, which is 15.7% lower than the revenue of RM230.337 million registered for the year ended 31 December 2014 ("FY2014"). The decrease in revenue in FY2015 compared to FY2014 was mainly attributed to a lower quantity of sports shoes sold in FY2015, where sales volume of sports shoes decreased for the past 3 financial years consecutively, which reduced from approximately 8.85 million pairs in FY2013 to approximately 5.77 million pairs in FY2014 and thereafter to approximately 5.03 million pairs in FY2015. Total number of units sports shoes sold in FY2015 saw a decrease of 12.8% y-o-y.

The softening of new orders secured had contributed to the lower revenue achieved in FY2015, which was in line with the slower shoe industry market and overall challenging global economic climate that had led to continuous weaker consumer spending in 2015. However, the overall decrease in revenue was partly offset by the strengthening of China Renminbi ("RMB") against Ringgit Malaysia ("RM"), of which the conversion of average exchange rate in FY2014 was RMB1 : RM0.5312 against RMB1 : RM0.6209 in FY2015.

In FY2015, the Group registered lower gross profit and loss before tax at RM14.512 million and RM62.350 million respectively, compared to the gross profit and profit before tax at RM50.387 million and RM26.564 million respectively that achieved in FY2014. This had led the Group to register net loss attributable to the owners of the Company at RM65.156 million in FY2015 compared to the previous year's net profit attributable to the owners of the Company of RM16.813 million.

The losses registered in FY2015 was mainly attributed to the sharp increase of selling and distribution expenses incurred in FY2015 (2015: RM63.155 million vs. 2014: RM4.271 million) where a huge sum of advertisement expenses was incurred by the Group's fashion retailing business segment. This translated into loss per share of 16.38 sen for FY2015 against FY2014 earnings per share of 4.22 sen, based on the weighted average number of ordinary shares in issue for each financial year.

Note: The respective GDP numbers were obtained from the International Monetary Fund and/or private sector economic bodies.

PRUDENT FINANCIAL DISCIPLINE REMAINS INTACT

The shareholders' fund of the Group was RM512.849 million (2014: RM499.315 million) as at the end of 2015 which translated into net assets per share attributable to equity holders of the Company at RM1.29 (2014: RM1.25) as at the end of 2015, based on the adjusted number of ordinary shares (excluding treasury shares). (Note)

In addition, a cash balance of RM366.713 million (2014: RM371.284 million) was conserved with zero debt as at the end of the financial year 2015. As a result, the Group owned a huge cash reserve of RM366.713 million (2014: RM371.284 million) as at the end of 2015. With a strong balance sheet position and armed with vast available capacity for future borrowing, the Group is in the position to look out for potential business opportunities that may arise in the future and to expand its business ventures beyond its core sports shoes OEM and ODM businesses. The Group has been in net cash position for the past 5 financial years since it was listed on the Main Market of Bursa Malaysia Securities Berhad back in 2011. Our prudent and strong financial position is expected to ensure the Group will not only able to withstand any economy slowdown but also to pull through any recession that may arise in the near future.

Note: Based on the issued share capital (excluding treasury shares) of 397,860,600 shares as at 31 December 2014. Based on the issued share capital (excluding treasury shares) of 398,860,600 shares as at 31 December 2015.

REDUCTION OF FINANCIAL LIQUIDITY

The Group registered a net operating cash outflow of RM67.468 million for the 12-month period for the year ended 31 December 2015, against a net operating cash inflow of RM26.362 million for the 12-month period for the year ended 31 December 2014. The presence of operating cash outflow was mainly attributed to loss before tax of RM62.350 million incurred in FY2015 compared to profit before tax RM26.564 million achieved in FY2014. The higher than anticipated losses incurred in FY2015 resulted in a negative cash flow from the Group's operating activities while we were operating under tough and challenging business environment in 2015.

The Group registered a much lower net investing cash outflow of RM5.188 million for the 12-month period for the year ended 31 December 2015, against a higher net investing cash outflow of RM25.320 million for the 12-month period for the year ended 31 December 2014. Bulk of the investing cash outflow was spent to purchase property, plant and equipment while the Group completed the constructing of a new factory in Henan Province of China, which amounted to approximately RM33.246 million.

The Group registered a higher net financing cash inflow of RM1.396 million for the 12-month period for the year ended 31 December 2015 against a net financing cash outflow of RM0.567 million for the 12-month period for the year ended 31 December 2014.

Overall, the Group registered a substantial net decrease in cash and cash equivalents of RM71.259 million in FY2015 compared to a net increase in cash and cash equivalent of RM1.609 million in FY2014. Nonetheless, the cash and cash equivalents at the end of financial year 2015 remained strong at RM366.713 million against RM371.284 million at the end of financial year 2014. The marginal drop in cash and cash equivalents at the end of financial year 2015 against end of financial year 2014 was mainly attributed to foreign currency translation gain which contributed a positive effect on foreign exchange rate change of RM66.688 million in FY2015 against RM15.543 million in FY2014.

Despite experiencing a slight reduction of financial liquidity in the current financial year, the Group is still able to weather through challenging operating environment and tougher business landscape in the future, in view of the Group's strong cash and cash equivalents of RM366.713 million at the end of financial year 2015.

2015 CORE BUSINESS OPERATION REVIEW

The Group's revenue which declined at 15.7% y-o-y is in line with the Group's decrease in sales volume of our core products from 5.77 million pairs of sports shoes sold in FY2014 to 5.03 million pairs of sports shoes sold in FY2015. The total number of pairs sold in FY2015 decreased by 12.8% y-o-y compared to the previous financial year.

This decrease was mainly attributed to a reduction of orders placed out by our existing customers and new trading house customers for 3 years consecutively which is in line with the slower shoe industry market and weaker global consumer spending during the 2013 ~ 2015 period. The slower demand for sports shoes is as a result of the sports shoes OEM industry in China which is generally facing under-utilisation of production capacity and has led to several consolidations that took place over the past 3 years period (2013 ~ 2015).

The overall gross profit margin decreased from 21.9% in FY2014 compared to 7.5% in FY2015. The overall gross profit margin has slipped below the Group's internal target of 20% and deviated away from the management's preset limit before we could accept orders from customers. The Group usually adopts a "cost-up" method for pricing where quotations to customers are based on an internal cost structure, after taking into consideration the budgeted production costs and the budgeted gross profit margin. In view of slower economic performance worldwide, the Group was not able to pass through the increase of labour cost for our shoes manufacturing business in the current financial year which led to lower profitability achieved in FY2015.

The Group recorded loss before taxation of RM62.350 million in FY2015 against profit before taxation of RM26.564 million in FY2014. The losses were due to sharp increase of selling and distribution expenses incurred in FY2015. The selling and distribution expenses comprise mainly salaries, exhibition, promotion campaign, design and development, testing and other related expenses. The overall selling and distribution expenses ballooned from RM4.271 million in FY2014 to RM63.155 million in FY2015, an increase of RM58.883 million y-o-y. The increase was mainly due to advertisement expenses incurred in FY2015 in relation to fashion retailing business amounting to approximately RM57.249 million. However, there has been minimum contribution from this new business venture for the current financial year and instead our diversification into the fashion retailing business has deteriorated the profitability of the Group.

Administrative expenses comprises mainly salaries and staff related expenses, depreciation charges for buildings and office equipment, amortisation of land use rights, telecommunication charges, rental expenses other general office overheads. The overall administrative expenses increased from RM13.380 million in FY2014 to RM15.318 million in FY2015. The increase was mainly due to the strengthening of China Renminbi ("RMB") against Ringgit Malaysia ("RM"), of which the conversion of average exchange rate in FY2014 was RMB1 : RM0.5312 against RMB1 : RM0.6209 in FY2015.

Other operating expenses increased from RM7.643 million in FY2014 to RM9.014 million in FY2015. Other operating expenses was mainly attributed to inventories written off which accounted for 75.7% of other expenses; and the remaining balance of 24.3% was due to unrealised foreign exchange loss, impairment losses of trade and other receivables, etc recorded in FY2015.

CHALLENGING BUSINESS PROSPECTS FOR CORE BUSINESS IN 2016

The global economy is projected to grow at a moderate rate by +3.4% y-o-y in 2016 from +3.0% y-o-y in 2015, according to forecasts made by various economists and statutory bodies. The American economy is forecasted to grow at a GDP growth rate of +2.7% y-o-y in 2016 against a rate of +2.1% y-o-y in 2015. The European economy is forecasted to show gradual signs of recovery and to grow at +1.8% y-o-y in 2016 against GDP growth rate of +1.5% y-o-y in 2015, according to forecasts made by various economists and statutory bodies. (Note)

Against this weaker economic backdrop, we are turning cautious on our business prospects in 2016 due to a less robust global economic outlook which may derail the respective country and region's consumer confidence, sentiment, spending behaviour and pattern in 2016. No doubt the Group remains optimistic on the long term growth prospects of the sport shoes industry but the Group has decided to resolve in short term tactical business strategy to address the prevailing deterioration of profit margin issue. To maintain the Group's competitive edge, we are focusing to improve our sports shoes design and development capability, while strengthening and expanding our sales and customers network.

As part of the Group's business transformation process, we plan to outsource the manufacturing of the sports shoes to our existing pool of third party shoes manufacturers in the near future in order to curtail the rising labour cost. Instead, the Group is solely concentrating in securing new orders from our clients and win over new sports shoes order through our superior design and development capacities.

In view of tougher business landscape, the Group has adopted pragmatic business strategy and drawn out holistic business plans to take on greater challenges in the near future. We believe that all of our carefully carved out and well-planned initiatives will ensure that the Group is able to achieve better performance in the ensuing years.

Note: The respective GDP numbers were obtained from the International Monetary Fund and/or private sector economic bodies.

WITHHOLDING ON NEW FACTORY EXPANSION PLANS

From the IPO gross proceeds of RM34.425 million, a total of RM24.821 million has been utilised as at the end of 2015, with a balance of RM9.604 million to be utilised within 60 months from the listing date of 6 January 2011. From the IPO gross proceeds of RM12.0 million which was allocated for the expansion of our production capacity and upgrading of existing production facilities, the actual utilisation to-date is RM2.396 million, with a balance of RM9.604 million that has been earmarked to build another four new production lines.

Part of the allocated IPO proceeds has been utilised to acquire new machinery to upgrade existing production facilities of Jinjiang Zhenxing Shoes & Plastics Co. Ltd located in Fujian Province of China. The remaining portion is to be utilised to expand the production capacity by increasing the existing 4 production lines to 8 production lines. Since May 2013, the Group has constructed a new factory premise with a floor area of approximately 120,000 square meters in Henan Province, the People's Republic of China, and the new factory building was completed by end of 2015.

At present, the Group has 4 production lines with a total production capacity of about 8 million pairs of sports shoes per annum in Fujian Province of China. Our initial plan was to double the Group's total installed production capacity to about 16 million pairs of sports shoes per annum, backed by the additional 4 new production lines to be installed progressively in Henan Province new factory premise.

In view of over-capacity and prolonged slow down of sports shoes industry in the past 3 years, the Group has decided to withhold the new factory expansion plan save for the completion of new factory premise at Henan Province. In fact, the Group plans to adopt a tactical business strategy by leasing out our newly completed factory in Henan Province to any external parties or enterprises, either as short term or long term tenants. The businesses that we are targeting to rent or lease out our new factory floor space may be involved in a wide range of industries and various types of business, such as plastics products, garments, toy manufacturing, warehousing, logistic centres, food production, etc. This action plan would enable the Group to earn additional rental income while waiting for a fully recovery of the sport shoes industry recover back to a full swing cycle again in the future.

EXIT FROM COMPETITIVE FASHION BUSINESS VENTURES

Since the Group has began diversifying into the retail and branding of garment and fashion business in late 2012, the Group had invested substantial amount of human capital and financial resources to build up our fashion apparels distribution and retailing business in China. However, there has been no significant contribution to the overall revenue and profitability of the Group for the past 3 financial years. The Group was adopting a multi-brand fashion business model by forming strategic partnership with prestigious brands across the globe and bringing in various established fashion brands from abroad into China. The Group has initially aimed to transform itself to become one of the competitive fashion retailing players by introducing prestigious global brands into most of the well-known shopping malls or departmental stores in major developed cities of China. However, we faced strong headwinds and was forced to close down all our earlier opened stores, which either operated as boutique shops or consignment counters, as part of the Group business rationalisation exercises.

The Group encountered very strong competition and numerous challenges in fragmented men wear, children wear and sports apparel markets while expanding our fashion retailing business in China in the past few years. The weaker than expected consumer purchasing power and change of consumer spending pattern, where consumers nowadays are more attracted towards e-commerce online shopping and have substantially cut down their offline shopping presence at physical retail malls, has shifted the retailing industry and landscape significantly.

Against the backdrop of a challenging global economy landscape, China is projected to grow at a slower rate by +6.1% y-o-y in 2016 from +6.8% y-o-y in 2015, according to forecasts made by various economists and statutory bodies. (Note). After a careful and in-depth evaluation conducted by the management, the Group opined that the expansion into the fashion retailing business was providing less synergistic and smaller value-added growth to the Group's overall long term development plan. This has resulted into the Group's decision to exit from the fashion retailing business and thereafter, proceeded to close down all our retail outlets in China.

Note: The respective GDP numbers were obtained from the International Monetary Fund and/or private sector economic bodies.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend my heartfelt gratitude to our shareholders, bankers, customers, business partners, overseas corporate advisers and regulatory authorities for their continued support, guidance and assistance extended to the Group.

The Board would like to express its appreciation to the management and employees of the Group for their hard work and dedication.

Madam Li Kwai Chun
President and Executive Director
Date: 28 July 2016

PROFILE OF DIRECTORS

LI KWAI CHUN

Li Kwai Chun, a citizen of Hong Kong, aged 58, was appointed as our Executive Director on 18 November 2009 and re-designated as our President and Executive Director on 28 February 2013. She is responsible for the overall business, strategy and development of our Group.

From March 1980, she 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 Industrial Company in Hong Kong to engage in the business of trading of footwear, textile and chemicals. In October 1997, she set up Chun Hing Industry (Hong Kong) Co., Ltd. to engage in the business of trading footwear, textile and chemicals. In June 1999, she and her husband Li Chun Tak set up Jinjiang Zhenxing Shoes & Plastics Co., Ltd. ("Zhenxing Shoes") to commence the business of manufacturing sports shoes for overseas customers. In June 2003, she set up Jiayi (Fujian) Import & Export Trade Co., Ltd. ("Jiayi Trading") to engage principally in the footwear and sports apparel procurement business.

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.

Mdm Li does not have any family relationship with the other Directors and/or major shareholders of the Company. She has no conflict of interest other than disclosed under Additional Disclosure (Recurrent Related Party Transactions) which appears on page 31 in this Annual Report. She has no conviction for any offences within the past ten (10) years.

TAM FOOK CHEONG

Tam Fook Cheong, a Malaysian, aged 63, was appointed as our Independent Non-Executive Director on 3 November 2009 and re-designated as our Independent Non-Executive Chairman on 28 February 2013. He 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 Malaysian Institute of Accountants.

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 Malaysian Institute of Accountants in conducting seminars and facilitating workshop sessions for professional accountancy bodies.

Mr. Tam does not have any family relationship with the other Directors and/or major shareholders of the Company. He has no conflict of interest other than disclosed under Additional Disclosure (Recurrent Related Party Transactions) which appears on page 31 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

LIM WEI CHIEN

Lim Wei Chien, a Malaysian, aged 39, was appointed as our Independent Non-Executive Director on 1 November 2014. He holds an LL.B and Bachelor of Commerce (Accounting) from Macquarie University, Australia.

Mr. Lim has been in legal practice for more than 10 years and has extensive experience on corporate and commercial law, conveyance matters, banking and finance law as well as conducting due diligence exercises in connection with mergers & acquisitions and listing exercises.

Mr. Lim does not have any family relationship with the other Directors and/or major shareholders of the Company. He has no conflict of interest other than disclosed under Additional Disclosure (Recurrent Related Party Transactions) which appears on page 31 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

SU DEMOU

Su DeMou, a Chinese (PRC), aged 53, was appointed as our Independent Non-Executive Director on 5 May 2016. He holds a Bachelor Degree in Law from East China University of Politics and Law, China in 1988.

Mr. Su started his legal career upon being admitted to the Fujian Bar in 1991. He has been in legal practice for 25 years and is currently the Deputy Director of the law firm, Fuijan ZhiYi and his expertise is commercial and criminal cases. He is also adviser for a number of enterprises.

Mr. Su does not have any family relationship with the other Directors and/or major shareholders of the Company. He has no conflict of interest other than disclosed under Additional Disclosure (Recurrent Related Party Transactions) which appears on page 31 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

PROFILE OF KEY MANAGEMENT

TAN SWEE SONG

Tan Swee Song, a Malaysian, aged 37, Chief Financial Officer, is responsible for the overall financial, accounting, compliance and reporting of the Group. He joined the Group in September 2009. 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 fellow of the Association of Chartered Certified Accountants (ACCA) and he is also a member of the Malaysian Institute of Accountants.

Mr Tan does not have any family relationship with the other Directors and/or major shareholders of the Company. He has no conflict of interest other than disclosed under Additional Disclosure (Recurrent Related Party Transactions) which appears on page 31 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

TANG CHUNSHENG

Tang Chunsheng, a Chinese (PRC), aged 44, General Manager, 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.

Mr Tang does not have any family relationship with the other Directors and/or major shareholders of the Company. He has no conflict of interest other than disclosed under Additional Disclosure (Recurrent Related Party Transactions) which appears on page 31 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

ZHEN QINGGONG

Zhen Qinggong, a Chinese (PRC), aged 39, 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. He graduated from Fujian Business School（福建商业高等专科学校）in July 2000 with a Diploma in Accountancy.

Mr Zhen does not have any family relationship with the other Directors and/or major shareholders of the Company. He has no conflict of interest other than disclosed under Additional Disclosure (Recurrent Related Party Transactions) which appears on page 31 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

HONG TENGHUI

Hong TengHui, a Chinese (PRC), aged 45, Sales Manager for Zhenxing Shoes is responsible for the sales and marketing activities of the 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 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.

Mr Hong does not have any family relationship with the other Directors and/or major shareholders of the Company. He has no conflict of interest other than disclosed under Additional Disclosure (Recurrent Related Party Transactions) which appears on page 31 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of Maxwell International Holdings Berhad ("the Board") takes cognizance of the importance of good corporate governance to the success of Maxwell International Holdings Berhad ("the Group" or "the Company").

In line with this, the Board is fully committed to ensuring that the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("the Code") are observed and practised throughout the Group to safeguard the stakeholders' interests and to enhance the shareholders' value.

Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board is pleased to provide the following statement, which outlines how the Group has applied the principles and recommendations set out in the Code.

1. BOARD OF DIRECTORS

1.1 Principal Responsibilities of the Board

The Board assumes full responsibility for the overall performance of the Company and of the Group.

The Board is responsible to establish the overall strategic objectives of the Group, deliberating and directing strategic action plans and policies and strategic allocation of the Group's resources to align with the overall objectives of the Group. The primary focus of the Board mainly comprised formulation of strategies, monitoring of financial performance, evaluation and management of principal risks faced by the Group, implementation and review of internal control system, succession planning, as well as development of investor relations programme and shareholders' policy.

The Executive Directors assume the primary responsibility for managing the Group's operations and resources. Their intimate knowledge and vast experience of the business and their active-participation management style have contributed to the continued growth of the Group.

The Independent Non-Executive Directors take a supervisory role via their involvement in various Board committees and focus principally on performance monitoring and enhancement of corporate governance and internal controls. They offer a capable check and balance for the Executive Directors.

1.2 Board Composition and Balance

The Board currently consists of four (4) members, comprising one (1) Executive Director, and three (3) Independent Non-Executive Directors. The Board composition complies with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities which states the minimum of two (2) or one-third (1/3) of the Board should be independent directors. All the independent directors are independent of management and majority shareholders and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The Directors comprise amongst them an effective blend of professional expertise and entrepreneurship experience. A brief profile of each Director is presented under Profile of Directors of this Annual Report.

The Chairman ensures the orderly conduct and effective running of the Board while the Chief Executive Officer manages the Group's day to day activities in achieving corporate and business objectives.

The three (3) independent directors by virtue of their duties and involvement in various Board committees, in effect represent the minority shareholders' interests. The independent directors communicate with the management to address matters concerning the management and oversight of the Group's operations.

In the opinion of the Board, the identification of a senior independent non-executive director to whom concerns may be conveyed is not necessary. The Board operates in an open environment in which information is freely exchanged and in these circumstances any concern need not be focused on a single director as all members of the Board fulfil this role collectively.

1.3 Board Meeting & Supply of Information

The Board holds regular meetings on quarterly basis, while additional meetings may be convened to resolve any major and ad hoc matters requiring immediate attention. Relevant information and agenda are circulated to the Board members in advance of the Board meeting to ensure the Directors have sufficient time to obtain further information and explanation, where necessary, before the meeting so as to enable them to duly discharge their duties.

During the financial year under review, four (4) Board meetings were held. Details of the Directors' attendance are as follows:

Board Members	Total Number of Meetings	Number of Meetings Attended
Li Kwai Chun	4	4
Tam Fook Cheong	4	4
Lim Wei Chien	4	4
Su DeMou *(appointed on 05/05/2016)*	-	-
Xie Zhenan *(retired on 22/06/2015)*	2	2
Lee Chong Hoe *(resigned on 05/02/2016)*	4	4

The proceedings and relevant board resolutions passed at the Board meetings are properly documented and filed in the Minutes Book maintained at the Registered Office.

The Board has unrestricted access to any pertinent information to the Group's affairs. In addition, the Board has access to the advice and services of the Company Secretary who are responsible to the Board for ensuring that the Board meeting procedures are adhered to and that applicable rules and regulations are being complied with. In exercising their duties, the Board is also entitled to obtain independent professional advice at the Company's expense whenever the need arises.

1.4 Appointment to the Board

All appointments of new directors to the Board are properly made with an established and transparent procedure and in compliance with the relevant rules of the relevant authorities. Any appointment of additional director will be made as and when it is deemed necessary by the existing Board with due consideration given to the mix and range of expertise and experience required for an effective Board.

In line with the recommendations of the Code, the Company has established three Committees of Directors ("Committees") to assist in the performance of certain duties of the Board under specific terms of reference. The Committees are composed mainly of non-executive directors, with the majority being independent directors. The Board considers that the mix of commercial experience from the non-executive directors will complement the executive directors and create an effective Board.

The Committees established are Audit Committee, Remuneration Committee and Nomination Committee.

I. AUDIT COMMITTEE

The composition of the Audit Committee, its role and Terms of Reference and attendance of each member during the financial year is set out in the Audit Committee Report of this Annual Report.

II. REMUNERATION COMMITTEE

The Remuneration Committee is principally responsible for reviewing and recommending to the Board the remuneration package and the terms of employment of the Executive Directors.

An Executive Director does not participate in any way in determining his/her individual remuneration.

The policy adopted by the Remuneration Committee is to provide the necessary package to attract, retain and motivate the Executive Directors of the quality required to manage the business and to align the interest of the Executive Directors with those of shareholders.

Remuneration Committee meeting is held at least once a year. During the financial year, one (1) meeting was held by the Remuneration Committee which was attended by all members.

III. NOMINATION COMMITTEE

The Nomination Committee is principally responsible for recommending to the Board, the appointment of new Directors and committee members, with regard to the directors' contribution and performance, as well as reviewing on an annual basis the appropriate balance and size of non-executive participation.

This requires a review of the mix of skills and experience, including core competencies and qualities that Non-Executive Directors should bring to the Board in order for the Board to function effectively. The Board as a whole makes all decision on appointments after considering the recommendations of the Nomination Committee.

During the financial year ended 31 December 2015, the Nomination Committee conducted one (1) meeting during which the following were discussed:

(a) review and appraisals of individual Director, Board Committees and the Board as a whole;
(b) re-election of Directors at the next annual general meeting; and
(c) consider and recommend candidate as part of succession planning.

1.5 Re-election

Pursuant to the Articles of Association of the Company, an election of Directors shall take place each year. At every annual general meeting of the Company, one-third (1/3) of the Directors (including the Managing Director) or if their number is not a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office PROVIDED ALWAYS that all Directors shall retire from office at least once every three (3) years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election.

1.6 Board Gender Diversity Policy

The Board is supportive of gender diversity recommendations made in the Code as evidenced by the presence of a female Executive Director namely, Mdm Li Kwai Chun.

1.7 Directors' Training

The Board acknowledges the paramount importance of continuous education for its members to keep abreast with the latest economic, industry, technical and regulatory developments and updates. As at the date of this Annual Report, all the Directors (except Mr Su DeMou who was appointed on 5 May 2016) have attended the Mandatory Accreditation Programme in accordance with the Main Market Listing Requirements of Bursa Securities. The Directors will continue to undergo other relevant training programmes and conferences to further enhance their knowledge and skills to enable them to discharge their responsibilities more effectively. Briefing will be conducted for the new members of the Board, where necessary, to equip them with comprehensive understanding on the Group's operations.

During the financial year ended 31 December 2015, all the Directors were updated on the Listing Requirements, Companies Act, 1965 and accounting standards by the External Auditors and Company Secretary.

1.8 Independence of Directors

The Nomination Committee reviews the independence of each Director on an annual basis based on the Code's definition of what constitutes an Independent Director. The Nomination Committee is of the view that the three (3) Independent Directors are independent and that there is a strong and independent element on the Board which is able to exercise objective judgment on corporate matters independently from Management.

Recommendation 3.2 of the Malaysian Code on Corporate Governance 2012 ("Code") recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years.

None of the Independent Directors has served on the Board beyond nine (9) years.

1.9 Chairman and CEO

The roles of Chairman and CEO are separate and the positions are held by two separate persons. This is to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and the CEO facilitates effective oversight and clear segregation of duties. The Chairman and the CEO are not related to each other and the Chairman is an Independent Non-Executive Director.

The Chairman leads the Board to ensure the effectiveness on all aspects of its role and sets its agenda. He ensures that members of the Board receive accurate, clear and timely information, facilitates the contribution of Non-Executive Directors, encourages constructive relationships between Executive Directors, Non-Executive Directors and management, ensures effective communication with shareholders and promotes a high standard of corporate governance.

The Chairman also ensures that the Board and the management work together with integrity, competency and moral authority, and the Board engages management in constructive debate on strategies, business operations and enterprise risks.

The CEO has full executive responsibilities over the business direction and operational decisions in managing the Group.

2. DIRECTORS' REMUNERATION

2.1 The Level and Make-up of Remuneration

The remuneration package is structured to attract, retain and motivate the Executive Directors of the quality required to manage the Group's operations and to align the interests of the Executive Directors with those of shareholders. The remuneration scheme is linked to performance, service seniority, experience and responsibilities.

2.2 Procedure

The Remuneration Committee, meets when necessary, has the responsibility for reviewing and recommending to the Board the remuneration package and terms of employment of the Executive Directors. Directors play no part in decisions on their own remuneration.

The determination of the remuneration package including directors' fees of Non-Executive Directors is a matter for the Board as a whole.

2.3 Disclosure

The details of the remuneration of Directors for the financial year ended 31 December 2015 are as follows:

Directors	Directors Fees RM	Salaries, other emoluments and benefits RM	Total RM
Executive Directors	-	4,656,750	4,656,750
Non-Executive Directors	180,000	-	180,000
Grand Total	**180,000**	**4,656,750**	**4,836,750**

Pursuant to the Main Market Listing Requirements of Bursa Securities, the aggregate remuneration of Directors are set out in applicable bands of RM50,000 as follows:

	Executive Directors	Non-Executive Directors
RM4,500,001 and above	1	-
RM50,001 – RM100,000	-	3

3. SHAREHOLDERS

3.1 Dialogue between the Company and Investors

The Board recognises the importance of timely dissemination of information to shareholders, stakeholders and general public and their rights to be well informed of the Group's activities and performance to enable them to make own evaluation and investment decision. In line with this, the Board is committed to maintain an active and constructive communication policy that enables effective communication with shareholders and other stakeholders through the following:

- Annual Report; and
- Various disclosures and announcements lodged with Bursa Securities, including quarterly results and annual results, which are available for online internet access by the public at Bursa Securities' website of http://www.bursamalaysia.com.

For the financial year ended 31 December 2015, the Company has met global and local fund managers and analysts. The Company has also conducted several press conferences and media interviews.

The Company has established a website http://www.maxwellinternational.com.my/ for shareholders and the public to access for corporate information.

While the Company strives to provide as much information as possible to its shareholders and stakeholders, the Board and management are always mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

3.2 The Annual General Meeting ("AGM")

The Company considers the AGM as an important forum for effective dialogue with its shareholders and is looking forward to feedbacks and views from its shareholders and answer shareholders' questions on all issues relevant to the Company at the AGM. The notice of the AGM and Annual Report will be forwarded to shareholders with adequate time notice before the meeting. All shareholders are invited and encouraged to attend the Company's AGM and to actively participate in the proceedings by posting questions on the proposed resolutions and to seek clarification on the Group's business and performance.

The Company also encourages poll voting. At the 6th AGM of the Company held on 22 June 2015, no substantive resolutions were put forth for shareholders' approval, other than resolutions pertaining to the adoption of Audited Financial Statements for the year ended 31 December 2014, re-appointment/re-election of retiring directors, payment of Directors' fees, re-appointment of external auditors, authority to issue shares pursuant to Section 132D of the Companies Act, 1965, renewal of authority for share buy-back and shareholders' mandate for recurrent related party transactions of a revenue or trading nature. As such, the resolutions put forth for shareholders' approval at the 6th AGM were voted on by a show of hands.

4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

The Board aims to present a balanced and understandable assessment of the Group's financial position, performance and prospects in preparing and presenting the annual financial statements as well as quarterly announcement of results to the shareholders. The Board, with the assistance of the Audit Committee, takes due care and reasonable steps to ensure that the financial results are released to the shareholders and the general public timely and the financial statements are presented with accuracy and adequacy and comply with regulatory reporting requirements and applicable approved financial reporting standards.

4.2 Statement on Internal Controls

The Board has an overall responsibility in maintaining a sound internal control system that provides reasonable assurance of effective and efficient operations and compliance with internal procedures and guidelines.

The information on the Group's internal control is presented in the Statement on Risk Management and Internal Controls of this Annual Report.

4.3 Relationship with Auditors

With the assistance of the Audit Committee, the Board has established a transparent and appropriate relationship with the Group's external auditors.

The Board recognises that the Group's independent external auditors serve an essential role in enhancing shareholders' confidence on the reliability of the Group's financial statements by expressing an independent opinion on whether the financial statements give a true and fair view of the Group's financial position and performance to the shareholders.

5. COMPLIANCE WITH THE CODE

The Group has complied throughout the financial year with the principles and recommendations of the Code except for the nomination of a Senior Independent Non-Executive Director.

Deviation from the Code is explained above under Section 1.2 "Board Composition and Balance".

6. RESPONSIBILITY STATEMENT BY THE BOARD

The Directors affirm that they are responsible for ensuring the financial statements of the Group are drawn up in accordance with the requirements of the applicable approved Financial Reporting Standards in Malaysia and the Listing Requirements of Bursa Securities and that the financial statements give a true and fair view of the state of affairs of the Group at the end of the financial year and of the results of the operations and of the cash flows of the Group for the financial year then ended.

In preparing the financial statements, the Directors have:

- adopted the applicable approved Financial Reporting Standards in Malaysia;
- applied the appropriate and relevant accounting policies on consistent basis;
- made judgements and estimates that are reasonable and prudent;
- prepared the financial statements on going concern basis; and
- ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors have also taken reasonable steps to safeguard the assets of the Group, and to prevent and detect fraud as well as other irregularities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

INTRODUCTION

In line with the Malaysian Code on Corporate Governance ("the Code") which requires listed companies to maintain a sound system of risk management and internal control to safeguard shareholders' investments and Maxwell International Holdings Berhad ("Maxwell") or ("the Company") and its subsidiaries ("the Group") assets, the Board of Directors ("Board") is pleased to present this Statement on Risk Management and Internal Controls pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

BOARD RESPONSIBILITIES

The Board acknowledges its overall responsibilities for establishing an appropriate control environment which should encompass financial, operational and compliance controls as well as risk assessment and communication frameworks; and for reviewing its adequacy and integrity. The system of internal controls is primarily designed to manage principal risks faced by the Group within an acceptable risk profile, rather than eliminate the risk of failure to achieve the business objectives of the Group. Accordingly, it should be noted that such system is designed to provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT

Risk management forms an integral part of business management. The Group's risk management and internal control is designed to provide reasonable assurance that business objectives are met by embedding management control into daily operations to achieve efficiency, effectiveness and safeguard of assets, ensuring compliance with legal and regulatory requirements, and ensuring the integrity of the Group's financial reporting and its related disclosures. It makes management responsible for the identification of critical business risks and the development and implementation of appropriate risk management procedures to address these risks. The risk management and control procedures are reviewed and updated regularly to reflect changes in market conditions and the activities of the Group.

The Board has review on internal control system and risk management and believes that the system of the Group is in place for the year under review and up to the date of issuance of the financial statements is effective and adequate to safeguard the shareholders' investment, the interests of regulators and employees. The Executive Directors of the Group are responsible for risk management and internal control system, in material aspects, effective and adequate throughout the year.

The following set out an overview of the key risks faced by Maxwell, the nature and the extent of the Group's exposure to these risks and the approach to managing these risks.

MARKET RISK

The Group's business operations are exposed to economic uncertainties that continue to affect the global economy and international markets. Although these circumstances may be beyond its control, the Board and the management consistently keep themselves up-to-date on the changes in political, economic and industrial developments so as to be able to anticipate or respond to any adverse changes in market conditions in a timely manner.

As at 31 December 2015, revenue from domestic trading house customers in China constitutes approximately 99% of the total revenue in FY 2015. These trading house customers in turn sell the sports shoes over the world. In view of the Group's products are eventually sold to overseas customers, the effect of geographical diversification reduces the risk of concentration in a single market.

INVESTMENT RISK

The Group grows businesses through organic growth of its existing activities, development of new production capabilities and ventures into new business.

To expand the business through acquisitions, joint ventures or form strategic alliances with companies which we believe are complementary to our business. Such acquisitions, joint ventures or strategic alliances would bring about an expanded network of customers and/or an increase in our production capacity.

Business proposals and investment activities are evaluated through the performance of due diligence exercise.

All business proposals, if any, are assessed and reviewed by the Company's senior management before obtaining the Board's approval.

OPERATIONAL RISK

Operational risk is the potential loss caused by a breakdown in internal process, deficiencies in people and management, or operational failure arising from external events. The Group strives to minimise unexpected losses and manage expected losses through a series of quality and people management programmes, as well as through business continuity planning.

The Group has put in place a succession planning to identify and develop a team of employees based on their merit as the Group believes that training a team of next-generation leaders is critical to the continuity of the business.

The Group is also susceptible to various operational risks such as accidents, power shortage, production downtime, outbreaks of fire or floods and/or other natural disasters, which may cause disruption and/or loss of or damage to our goods, warehouse, manufacturing facility and office. The Group is aware of the adverse consequences arising from inadequate insurance coverage for such accidents and outbreaks that could disrupt our business operations.

The Group seeks to limit the above risks through the following plans and risk management practices:-

(i) the facilities are equipped with the regulatory basic fire-fighting equipment such as fire extinguishers and/or hose reels. The employees are also informed on the use of this equipment as well as the proper fire-fighting techniques and procedures. In addition, the Group has purchased adequate insurance coverage for the properties, warehouses and equipment;

(ii) equipment and spare parts to cope with unexpected emergencies at any one time, such as spare parts storage. The production department also holds regular meetings and discussions to identify and mitigate any foreseeable problems in the business operations; and

(iii) the facilities, manufacturing plant and warehouse meet all safety requirements stipulated by relevant authorities. The Group also conduct various on the job training and briefing on safety requirements to minimise the risks of industrial accidents.

Risks arising from the Group's financial operations are separately discussed in Note 23 to the Financial Statements.

KEY ELEMENTS OF INTERNAL CONTROLS

The key elements of the Group's system of internal controls include the following:

- An organisational structure with clear lines of accountability.
- Active involvements by the Executive Directors on the day-to-day affairs of the Group, with regular discussion and meetings conducted with the management team to discuss on operational issues and performance as well as to formulate appropriate business strategies and targets in response to the changes in business environment and risks faced by the Group.
- The Board reviews and monitors the performance of the Group, with Board meetings conducted for quarterly financial reviews.
- The Audit Committee is tasked by the Board to review internal control issues identified and evaluate the adequacy and effectiveness of the Group's prevailing risk management and internal control systems; as well as holds discussion with the management to deliberate appropriate action plans in addressing the identified internal control issues.

In accordance with the Malaysian Code on Corporate Governance, the Group has engaged an external professional firm to carry out the internal audit function. The internal audit function will report directly to the Audit Committee and is responsible to assist the Group in evaluating and improving the effectiveness of internal control systems and highlights any significant risk and issues that may cause adverse impact on the Group. The internal audit will focus on the key operational processes of major subsidiaries in PRC. The Audit Committee is responsible to review and discuss with the management on the issues highlighted by the internal auditors, whenever necessary.

KEY ELEMENTS OF INTERNAL CONTROLS (continued)

However, the slowdown in the retail segment in China has resulted in the numerous resignations of key management personnel in Maxwell (Xiamen) Co. Ltd ("Maxwell Xiamen").

Resulting from the above resignations, the Group's strategic, financial, organisational and compliance structures were subject to various risk such as follows:

- lack of segregation of duties. Critical review, check and balance in many areas of operations are difficult due to the lack of segregation of duties resultant from the resignations of staff at all levels.
- absence of good knowledge of senior management staff to oversee the progress of business and the financial management of the retail segment. The lack of sufficient senior management staff meant that progress meetings, evaluation and assessment are not held effectively and efficiently to monitor the operations.
- No business plan was presented to the board of directors for approval.
- a number of key decisions were made by the Executive Director without due consultation with the Board of Directors. For instance, there appears to be inadequate assessment and review of the advertisement undertaken prior to the engagement and during the execution phase of the projects.
- the executive management has not addressed itself adequately to the issue of succession planning, and this posed a serious problem with the resignation of senior management staff within a short time frame.

CONCLUSION

The Board confirms that its risk management and internal control systems which were operational throughout the financial year and up to the date of approval of the Annual Report are adequate and effective to safeguard the Group's assets. Other than those disclosed in the notes to the financial statements, there were no other instances of material losses incurred during the current financial year as a result of controls failures or weaknesses that require disclosure in the Group's annual report for the financial year under review.

The Board and the management continue to take measures to strengthen the control environment.

This Statement was made in accordance with a resolution of the Board dated 28 July 2016.

AUDIT COMMITTEE REPORT

COMMITTEE

Name	Designation	Directorship
Tam Fook Cheong	Chairman	Independent Non-Executive Chairman
Lim Wei Chien	Member	Independent Non-Executive Director
Su DeMou *(appointed on 05/05/2016)*	Member	Independent Non-Executive Director
Lee Chong Hoe *(resigned on 05/02/2016)*	Member	Independent Non-Executive Director

TERMS OF REFERENCE

1.1 Membership

The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members, a majority of whom shall be Independent Directors. All members of the audit committee should be non-executive directors.

The members of the Audit Committee shall elect a chairman from among their members who shall be an independent director. No alternate director shall be appointed as a member of the Audit Committee.

1.2 Qualification

At least one (1) member of the Audit Committee:-

(a) must be a member of the Malaysian Institute of Accountants; or

(b) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience and:

- he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
- he/she must be a member of one (1) of the association of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
- fulfils such other requirement as prescribed by the Bursa Securities.

1.3 Meeting and Minutes

Meetings shall be held not less than four (4) times a year and attended by the Chief Executive Officer, General Manager of Finance and other senior management who may be invited as and when required. The presence of external and/or internal auditors will be requested, if required. Other members of the Board and senior management may attend meetings upon the invitation of the Audit Committee. Both the internal and/or external auditors may request a meeting if they consider it to be necessary. The Audit Committee shall meet with the external auditors without executive board members present at least twice a year.

The Secretary to the Audit Committee shall be the Company Secretary. The Chairman of the Audit Committee shall report on each meeting to the Board.

1.4 Authority

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to any information pertaining to the Group, both the internal and external auditors and to all employees of the Group. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary in the discharge of its duties.

1.5 Responsibilities and Duties

In fulfilling its primary objectives, the Audit Committee undertakes, amongst others, the following responsibilities and duties:-

a) To discuss with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of audit;

b) To review major audit findings arising from the interim and final external audits, the audit report and the assistance given by the Group's officers to the external auditors;

c) To review with the external auditors, their evaluation of the system of internal controls, their management letter and management's responses;

d) To review the following in respect of internal audit:-

- adequacy of scope, functions and resources of the firm of internal auditors (that was engaged to undertake the internal audit function) and that it has the necessary authority to carry out its work;
- the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function;
- review any appraisal or assessment of the performance of members of the internal audit function;
- review and approve any appointment or termination of senior staff members of the internal audit function; and
- take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

e) To review the quarterly reporting to the Bursa Securities and year end annual financial statements of the Group before submission to the Board, focusing on:-

- compliance with accounting standards and regulatory requirements;
- any major changes in accounting policies;
- significant and unusual items and events.

f) To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

g) To consider the nomination and appointment of external auditors, as well as the audit fee;

h) To review any letter of resignation from the external auditors and any questions of resignation or dismissal;

i) To review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;

j) To verify that the allocation of options pursuant to the Employees' Share Options Scheme of the Company is in accordance with the criteria for allocation established under the scheme at the end of each financial year; and

k) To promptly report to Bursa Securities if it is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

2. NUMBER OF MEETINGS AND SUMMARY OF ACTIVITIES

2.1 Number of Meeting and Details of Attendance

Four (4) meetings were held during the financial year ended 31 December 2015. The attendance record of each member is as follows:

Audit Committee Members	Total Number of Meetings	Number of Meetings Attended
Tam Fook Cheong	4	4
Lim Wei Chien	4	4
Su DeMou *(appointed on 05/05/2016)*	-	-
Lee Chong Hoe *(resigned on 05/02/2016)*	4	4

2.2 Summary of Activities

In line with the Terms of Reference of the Audit Committee, during the financial year ended 31 December 2015 and from 1 January 2016 to the date of Directors' Report of 28 July 2016, the activities of the Audit Committee included:

(i) reviewed the unaudited quarterly financial results announcements before they were approved by the Board;

(ii) reviewed the audited financial statements for the financial year ended 31 December 2015 before recommending them for Board's approval;

(iii) communicated with the external auditors on their scope of work, the results of their examinations and recommendations, the auditors' report and management letters in relation to the audit and accounting issues arising from the audit, as well as new developments on accounting standards and regulatory requirements;

(iv) considered the remunerations of external auditors;

(v) reviewed and assessed yearly internal audit plan, scope of work to be performed by internal auditors, internal audit findings and areas for improvement and ensure that appropriate action has been taken by the management to implement the recommendations of the internal auditors;

(vi) reviewed the report of the corporate governance and communicated with the Board to deliberate on appropriate improvement plans and actions; and

(vii) reviewed related party transactions and conflict of interest situations.

3. INTERNAL AUDIT FUNCTION

Pursuant to the Listing Requirements of Bursa Securities and in compliance with the Code, the Company has engaged an external professional firm to carry out the internal audit function for financial years ended 31 December 2014 and 2015. The Internal Auditors report directly to the Audit Committee.

The main role of the internal audit function is to review the effectiveness of the Group's systems on internal control and this is performed with impartiality, proficiency and due professional care.

Internal audit function adopts a risk based auditing approach by focusing on reviewing identified high risk areas for compliance with control policies and procedures, identifying business risk which have not been appropriately addressed and evaluating the adequacy and integrity of controls. Internal audit function assists the Audit Committee in discharging its duties and responsibilities with respect to the adequacy and integrity of the system of internal control within the Group.

During the year, the internal audit function conducted risk based audit of the Group's operating divisions of subsidiary by reviewing the Group's business activities and processes to ensure compliance with internal control procedures, control weaknesses and proposing appropriate recommendations towards improving and strengthening of controls.

The costs incurred for the internal audit function in respect of the financial year ended 31 December 2015 was RM25,000.

ADDITIONAL CORPORATE DISCLOSURES

1. UTILISATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The gross proceeds that had been raised from the public issue of RM34.4 million and its status of utilisation as at the latest practicable date are as follows:

Purpose	Estimated timeframe for utilisation	Proposed Utilisation RM'000	Actual Utilisation Up to 30.5.2016 RM'000	Deviation Amount RM'000	Remark
Expansion of our production capacity and upgrading of existing production facilities	60 months	12,000	2,396	9,604	(#)
Increase our product D&D efforts and expansion of product range	24 months	6,000	6,000	-	
Working capital purposes	12 months	9,675	9,675	-	
Listing expenses	Upon Listing	6,750	6,750	-	
Gross proceeds		**34,425**	**24,821**	**9,604**	

(#) *Part of the IPO proceeds will be utilised for the expansion of production capacity. The Company intends to install four (4) new production lines together with other new machinery which include sewing machines, roller machines, cutting machines and grinding machines in the new factory premise in Henan Province, the People's Republic of China. However, due to uncertain economic situation in China, the completion of construction is on-hold.*

2. SHARE BUY-BACK

During the financial year, the Company did not buy-back any of its own ordinary shares from the open market but re-sold 1,000,000 of its treasury shares in the open market in March 2015 at the resale highest, lowest and average price of RM0.235 per share. The total consideration received for the resale of the 1,000,000 treasury shares was RM235,000.

As at 31 December 2015, a total of 1,139,400 shares were held as treasury shares. None of the treasury shares were cancelled during the financial year.

3. OPTIONS OR CONVERTIBLE SECURITIES

There were no options or convertible securities issued to any parties during the financial year under review.

4. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year under review.

5. SANCTIONS AND / OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiary, Directors or Management by the relevant regulatory bodies during the financial year.

6. NON-AUDIT FEES

During the financial year, the amount of non-audit fees paid or payable to the external auditors amounted to RM10,000.

7. VARIATION IN RESULTS

There was no material variance between the results for the financial year and the unaudited results previously announced.

No profit forecast was announced or published by the Group and hence, no comparison is made between actual and forecast results.

8. PROFIT GUARANTEE

No profit guarantee was given by the Company in respect of the financial year.

9. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS' INTEREST

There were no other material contracts entered into by the Company and its subsidiary which involve the directors' and major shareholders' interests during the financial year.

10. CONTRACT RELATING TO LOAN BY THE COMPANY

There is no contract relating to loan by the Company.

11. REVALUATION POLICY ON LANDED PROPERTIES

The Group does not adopt a policy on regular revaluation of its landed properties.

12. CONFLICT OF INTEREST WITH THE COMPANY

None of the Directors have any conflict of interest with the Company.

13. RECURRENT RELATED PARTY TRANSACTIONS

On 22 June 2015, the Company obtained approval from the Shareholders of the Company to enter into Recurrent Related Party Transactions ("RRPT") of revenue or trading nature with persons who are considered to be a "Related Party" as defined in the listing requirements.

Details of the significant RRPT during the financial year ended 31 December 2015 are as follows:

Transacting Parties	Interested Related Parties	Nature of Transactions	Actual Value Transacted During The Financial Year (RM)
Jinjiang Zhenxing Shoes & Plastics Co., Ltd.	Jiayi (Fujian) Import & Export Trade Co., Ltd ("Jiayi Trading")	Sales of sports shoes	23,497,859

Note:
A director of Jiayi Trading is an immediate family member of the President and Executive Director who is also a Major Shareholder of the Company.

14. CORPORATE SOCIAL RESPONSIBILITY

- **Community**

The Group takes cognizance that each member should play his/her part in contributing to the development of the society. The Group has adhered to the local tax regulations and made prompt payments in the belief that well-doing of the society underpins future success of the Group.

In addition to that, the Group has also complied with all applicable laws and regulations and did not involve in any significant litigations, arbitration or claims up to the date of this report except as disclosed in the audited financial statements.

The Group endeavours to uphold strict compliance with all relevant laws and regulations to promote a healthy and positive corporate image believing that this would share some effects on introducing ethical values and practices within the society.

- **Market place**

The Group applies stringent quality control in the manufacturing process to ensure that the final products to be sold in the market are safe to be used and meet the consumers' expectation, thereby creating value-for-money for the consumers preserving consumer's rights. This is corroborated with the ISO 9001:2008 Quality Management System attained by the Group.

- **Work place**

The Group maintains a clean and orderly-organised production floor with the view to enhance workplace safety and provide a pleasant working environment to the factory workers. In addition to that, the Group also arranges for canteen within the factory compound for the convenience of the employees and accommodation for outstation workers as staff welfare.

- **Environment**

The manufacturing process of the Group does not create waste that would cause significant pollution and damage to the environment. The waste created mainly comprised of off-cuts in the process of constructing the bottom part of the shoes. The Group adopts careful waste-handling procedures where the wastes are being gathered and subsequently forwarded to waste collection centres for proper disposal to avoid contaminating surrounding public areas.

SUSTAINABILITY REPORT

"At MAXWELL, we believe that growth and progress should not be at the expense of environmental and social well-being, that economic interests can be aligned with environmental-social objectives to build successful businesses which are sustainable for our future generations".

The Group and their stakeholders are increasingly aware of the need to manage not only corporate and financial performance, but also the social and environmental impact of the businesses. In essence, the focus is on creating a sustainable business strategy that is compatible with profitability. Beyond the financial numbers, sustainable companies look at a wider spectrum of business factors including for example, continuous innovation to develop socially responsible and quality products, employee engagement and development. This section reflects MAXWELL's focus areas on sustainability vis-à-vis our business, our approach and future plans on managing some of these issues. We hope that this will provide investors and stakeholders with a more comprehensive understanding of our business, and a basis for a more holistic assessment of our performance.

We aim to align our business interests with that of our stakeholders. More importantly, we aspire to be an organisation with a heart – one that is continually aware of the impact that our business activities or actions may have on the environment and communities that we operate in, one that recognises the importance of healthy ecosystems and social equity. We continually instill these fundamental principles in our people, believing that our commitment and involvement in corporate social responsibility will see us through the long haul.

The following sustainability issues rank highly on the priorities of the Group and our stakeholders:

EMPLOYEE RELATIONS

Our people are indeed our biggest asset and pivotal to our continued sustainability.

We believe in engaging and developing our staff to their fullest potential, and nurturing a motivated and competent workforce who will spearhead the Group's growth.

We believe that our track record of staff retention is attributable to our corporate culture which seeks to integrate everyone into the MAXWELL family. Of our total workforce (excluding factory workers), 40.7% have been working for more than 6 years and 37.0% for between 4 to 6 years.

DIVERSITY AND EQUAL OPPORTUNITY

As a corporation with a heart, MAXWELL is committed to respecting diversity. We treat all employees with respect, dignity and fair treatment, irrespective of nationality, race or religion.

The Group aims to embed equity and diversity principles in its work practices and organisational environment. To ensure that these practices remain appropriate and foster an inclusive environment, the Management considers its workforce diversity profile and any relevant external developments.

We abide by labour laws and adopted appropriate guidelines that promote fair employment practices as a reflection of our fundamental principles and employee rights at work, for example, recruiting employees based on (i) competencies, merit and appropriate fit within the organisation; (ii) regardless of age, race, marital status, gender or religion in relation to the job requirement, and providing equal opportunity for job training and development when necessary.

Employees at all levels of employment are responsible for the creation and implementation of a diverse, inclusive and tolerant workplace, and for elimination of discriminatory practices.

As at 31 December 2015, the Group has at least one female in the Board and women accounted for 59.3% of total current permanent employees (excluding factory workers) at various levels.

PRODUCT RESPONSIBILITY

Recognising that our long-term survivability is in part dependent on having products that are able to meet the changing requirements of the market, MAXWELL has and will continue to focus on design and development. Of equal importance are our commitment to develop socially responsible products which are not hazardous to the environment nor jeopardise the health and safety of our consumers or workers, and our stance that product development should be a disciplined process - that consumer requirements need to be clearly and fully understood in order to develop and bring quality and viable products that consumers will actually buy and continue to use over a period of time.

QUALITY MANAGEMENT

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.

Our 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. Our Group's emphasis on quality management is attested by the fact that we have 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. Our Group is ISO 9001:2008 certified with quality management systems in place. The quality awards of our 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 our Group's product quality.

INTEGRATED BUSINESS DIVERSIFICATION

The integrated business diversification is part of the Group's plan to diversify and expand its business activities to enhance the Group's overall long term growth prospects. The Group believes that the diversification of the Group's business into other businesses will contribute positively to the Group's future earnings and improve the financial position of the Group given the prospects and dynamism of the manufacturing industry. Furthermore, the integrated business diversification will provide the Group with an additional revenue stream and may potentially contribute to stable earnings growth for the Group in the future.

Financial Statements

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 7 to the financial statements.

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

RESULTS

	Group RM	Company RM
Net loss for the financial year	(65,156,078)	(9,813,905)
Attributable to:		
Owners of the Company	(65,156,078)	(9,813,905)

DIVIDENDS

No dividend has been paid or declared by the Company since the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2015.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected to realise.

CURRENT ASSETS (CONTINUED)

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liabilities of the Group and of the Company have become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

On 24 March 2015, the Company issued 199,430,300 new Warrants 2015/2020 ("Warrants") pursuant to a bonus issue on the basis of one Warrant for every two ordinary shares held in the capital of the Company. On 30 March 2015, the Warrants were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The outstanding Warrants during the financial year ended 31 December 2015 are stated as below:-

	Number of Warrants			
	At 30.3.15 (Date of listing)	**Exercised**	**Expired**	**At 31.12.15**
Warrants	199,430,300	-	-	199,430,300

TREASURY SHARES

During the financial year, the Company resale 1,000,000 of its issued ordinary shares to the open market at an average price of RM0.235 per share. The total proceed received for the resale was RM218,297.

As at 31 December 2015, the Company held a total of 1,139,400 of its 400,000,000 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM387,500 and further relevant details are disclosed in Note 13 to the financial statements.

DIRECTORS

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

Li Kwai Chun (李桂真)	
Xie Zhenan (谢振安)	(Retired on 22 June 2015)
Tam Fook Cheong	
Lee Chong Hoe	(Resigned on 5 February 2016)
Lim Wei Chien	
Su DeMou (苏德谋)	(Appointed on 5 May 2016)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings required to be kept by the Company under Section 134 of the Companies Act, 1965, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:-

	Number of ordinary shares of RM0.40 each			
	At 1.1.2015	**Bought**	**Sold**	**At 31.12.2015**
Direct Interest:				
Ordinary shares of the Company				
Li Kwai Chun (李桂真)	232,650,433	-	-	232,650,433
Tam Fook Cheong	2	-	-	2

	Number of warrants			
	At 1.1.2015	**Issued**	**Sold**	**At 31.12.2015**
Direct Interest:				
Warrants of the Company				
Li Kwai Chun (李桂真)	-	116,325,217	(82,465,194)	33,860,023
Tam Fook Cheong	-	1	-	1

By virtue of her interest in shares of the Company, Li Kwai Chun (李桂真) is deemed to have interest in ordinary shares of the subsidiary companies to the extent the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 19 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Events after the end of the reporting period are disclosed in Note 28 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

LI KWAI CHUN（李桂真）	SU DEMOU (苏德谋)
Director	Director

Date: 2 August 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Non-current assets					
Property, plant and equipment	5	84,824,093	70,521,774	-	-
Land use rights	6	39,428,340	34,322,309	-	-
Investment in subsidiary companies	7	-	-	179,767,095	179,767,127
Total non-current assets		124,252,433	104,844,083	179,767,095	179,767,127
Current assets					
Inventories	8	2,404,924	4,880,808	-	-
Trade and other receivables	9	49,856,664	65,003,046	29,622	10,706,489
Tax recoverable		189,779	-	-	-
Cash and cash equivalents	10	366,712,618	371,284,348	31,339	17,108
Total current assets		419,163,985	441,168,202	60,961	10,723,597
TOTAL ASSETS		543,416,418	546,012,285	179,828,056	190,490,724
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	11	160,000,000	160,000,000	160,000,000	160,000,000
Share premium	12	7,419,293	7,403,566	7,419,293	7,403,566
Treasury shares	13	(387,500)	(605,797)	(387,500)	(605,797)
Reserves	14	78,783,222	326,312	-	-
Retained earnings/(Accumulated loss)		267,034,418	332,190,496	(4,240,224)	5,573,681
TOTAL EQUITY		512,849,433	499,314,577	162,791,569	172,371,450
Current liabilities					
Trade and other payables	15	30,566,985	45,648,738	17,036,487	18,119,274
Current tax liabilities		-	1,048,970	-	-
Total current liabilities		30,566,985	46,697,708	17,036,487	18,119,274
TOTAL LIABILITIES		30,566,985	46,697,708	17,036,487	18,119,274
TOTAL EQUITY AND LIABILITIES		543,416,418	546,012,285	179,828,056	190,490,724

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Group		Company	
		2015	**2014**	**2015**	**2014**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	16	194,152,390	230,336,694	-	-
Cost of sales		(179,640,697)	(179,949,331)	-	-
Gross profit		14,511,693	50,387,363	-	-
Other income	17	10,722,743	1,476,971	913,960	7,212
Selling and distribution expenses		(63,154,942)	(4,271,397)	-	-
Administrative expenses		(15,318,232)	(13,380,221)	(1,149,257)	(1,000,686)
Other operating expenses		(9,014,238)	(7,643,248)	(9,577,248)	(305,197)
Operating (loss)/profit		(62,252,976)	26,569,468	(9,812,545)	(1,298,671)
Finance costs	18	(96,706)	(5,530)	-	-
(Loss)/profit before taxation	19	(62,349,682)	26,563,938	(9,812,545)	(1,298,671)
Income tax	21	(2,806,396)	(9,751,415)	(1,360)	829
Net (loss)/profit for the financial year		(65,156,078)	16,812,523	(9,813,905)	(1,297,842)
Other comprehensive income					
Foreign currency translation		78,456,910	20,106,080	-	-
Total comprehensive income/(loss) for the financial year		13,300,832	36,918,603	(9,813,905)	(1,297,842)
Net (loss)/profit for the financial year attributable to:-					
Owners of the Company		(65,156,078)	16,812,523	(9,813,905)	(1,297,842)
Total comprehensive income/(loss) attributable to:-					
Owners of the Company		13,300,832	36,918,603	(9,813,905)	(1,297,842)
Earnings per share					
Basic earnings per share (sen)	22	(16.38)	4.22		
Diluted earnings per share (sen)	22	(16.38)	4.22		

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

			←	Non-Distributable		→	Distributable	
Group	**Note**	**Share Capital RM**	**Treasury Shares RM**	**Share Premium RM**	**Statutory Reserve RM**	**Translation Reserve RM**	**Other Reserve RM**	**Retained Earnings RM**	**Total Equity RM**
Balance at 1 January 2014		160,000,000	(345,397)	7,403,566	42,204,016	42,187,436	(104,171,220)	315,377,973	462,656,374
Total comprehensive income for the financial year		-	-	-	-	20,106,080	-	16,812,523	36,918,603
Transactions with owners:									
Purchase of treasury shares	13	-	(260,400)	-	-	-	-	-	(260,400)
Total transactions with owners		-	(260,400)	-	-	-	-	-	(260,400)
Balance at 31 December 2014		160,000,000	(605,797)	7,403,566	42,204,016	62,293,516	(104,171,220)	332,190,496	499,314,577
Total comprehensive income for the financial year		-	-	-	-	78,456,910	-	(65,156,078)	13,300,832
Transactions with owners:									
Resale of treasury shares	13	-	218,297	15,727	-	-	-	-	234,024
Total transactions with owners		-	218,297	15,727	-	-	-	-	234,024
Balance at 31 December 2015		160,000,000	(387,500)	7,419,293	42,204,016	140,750,426	(104,171,220)	267,034,418	512,849,433

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

				Non-Distributable	Distributable	
Company	**Note**	**Share Capital RM**	**Treasury Shares RM**	**Share Premium RM**	**Retained Earnings/ (Accumulated Loss) RM**	**Total Equity RM**
Balance at 1 January 2014		160,000,000	(345,397)	7,403,566	6,871,523	173,929,692
Total comprehensive loss for the financial year		-	-	-	(1,297,842)	(1,297,842)
Transactions with owners:						
Purchase of treasury shares	13	-	(260,400)	-	-	(260,400)
Total transactions with owners		-	(260,400)	-	-	(260,400)
Balance at 31 December 2014		160,000,000	(605,797)	7,403,566	5,573,681	172,371,450
Total comprehensive loss for the financial year		-	-	-	(9,813,905)	(9,813,905)
Transactions with owners:						
Resale of treasury shares	13	-	218,297	15,727	-	234,024
Total transactions with owners		-	218,297	15,727	-	234,024
Balance at 31 December 2015		160,000,000	(387,500)	7,419,293	(4,240,224)	162,791,569

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before taxation	(62,349,682)	26,563,938	(9,812,545)	(1,298,671)
Adjustments for:				
Amortisation of land use rights	800,016	684,440	-	-
Deposit written off	593,890	4,937,400	-	-
Depreciation of property, plant and equipment	2,987,212	2,446,723	-	-
Interest income	(1,067,948)	(1,236,754)	(382)	(7,212)
Impairment of trade receivable	378,216	-	-	-
Impairment of other receivable	942,533	2,230,425	-	-
Impairment loss on investment in subsidiary companies	-	-	32	-
Impairment loss on amounts due by subsidiary companies	-	-	5,544,879	-
Inventory written off	2,753,812	-	-	-
Property, plant and equipment written off	277,754	-	-	-
Prepayment written off	119,889	-	-	-
Waiver of debt from other payables	(1,374,852)	-	-	-
Unrealised foreign exchange (gain)/loss	(6,421,152)	334,327	(913,578)	305,197
Operating (loss)/profit before working capital changes	(62,360,312)	35,960,499	(5,181,594)	(1,000,686)
Changes in Working Capital				
Inventories	(277,928)	2,336,819	-	-
Receivables	13,111,853	1,948,544	(25,122)	-
Payables	(14,869,350)	(4,459,128)	(17,404,471)	3,805,131
Cash (used in)/generated from operations	(64,395,737)	35,786,734	(22,611,187)	2,804,445
Interests received	1,067,948	1,236,754	382	7,212
Tax paid	(4,140,634)	(10,664,144)	(1,360)	(1,994)
Tax refunded	-	2,493	-	2,493
Net Operating Cash Flows	(67,468,423)	26,361,837	(22,612,165)	2,812,156

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (Continued)

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in subsidiary companies	-	-	-	(2)
Purchase of property, plant and equipment	(5,187,565)	(25,320,192)	-	-
Net Investing Cash Flows	(5,187,565)	(25,320,192)	-	(2)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from resale/(purchase) of treasury shares	234,024	(260,400)	234,024	(260,400)
Net change in amount owing by/to subsidiary companies	-	-	22,392,372	(3,031,201)
Net change in amount owing to a director	1,162,449	827,793	-	-
Net Financing Cash Flows	1,396,473	567,393	22,626,396	(3,291,601)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(71,259,515)	1,609,038	14,231	(479,447)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	371,284,348	354,132,150	17,108	496,637
EFFECT OF THE EXCHANGE RATE CHANGES	66,687,785	15,543,160	-	(82)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR (Note 10)	366,712,618	371,284,348	31,339	17,108

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Securities. The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur.

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are disclosed in Note 7 to the financial statements.

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

The principal place of business of the Group is located at Zhushuxia Industrial Zone, Meiling Street, Jinjiang City, Fujian Province, the People's Republic of China ("PRC") (中国福建省晋江市梅龄街道竹树下工业区).

The financial statements are expressed in Ringgit Malaysia ("RM").

The English names of certain companies/parties referred to in the financial statements represents non-official translation of their registered Chinese names by management and those English names have not been legally adopted by those entities.

The financial statements were authorised during the meeting of the Board of Directors on 28 July 2016 and to be issued at a later date.

The financial statements are issued on 2 August 2016.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

2.2 Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs and that are mandatory for the current financial year:-

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 8	Operating Segments
MFRS 10	Consolidated Financial Statements
MFRS 13	Fair Value Measurement
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 124	Related Party Disclosures
MFRS 138	Intangible Assets
MFRS 140	Investment Property

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Company or did not result in significant changes to the Company's existing accounting policies.

2. BASIS OF PREPARATION (Continued)

2.3 Adoption of amendments/improvements to MFRSs

The Group and the Company have not adopted the following new MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective:-

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 14	Regulatory Deferral Accounts	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments/Improvements to MFRSs		
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
MFRS 7	Financial Instruments: Disclosures	1 January 2016
MFRS 10	Consolidated Financial Statements	Deferred/ 1 January 2016
MFRS 11	Joint Arrangements	1 January 2016
MFRS 12	Disclosure of Interests in Other Entities	1 January 2016
MFRS 101	Presentation of Financial Statements	1 January 2016
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 116	Property, Plant and Equipment	1 January 2016
MFRS 119	Employee Benefits	1 January 2016
MFRS 127	Separate Financial Statements	1 January 2016
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2016
MFRS 134	Interim Financial Reporting	1 January 2016
MFRS 138	Intangible Assets	1 January 2016
MFRS 141	Agriculture	1 January 2016

A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below. Due to the complexity of these new MFRS and amendments/improvements to MFRSs, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

Key requirements of MFRS 9:-

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

2. BASIS OF PREPARATION (Continued)

2.3 Adoption of amendments/improvements to MFRSs (Continued)

MFRS 9 Financial Instruments (Continued)

Key requirements of MFRS 9 (Continued):-

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 14 Regulatory Deferral Accounts

MFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of MFRS. Entities that adopt MFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Company is an existing MFRS preparer, this standard would not apply.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:-

(i) Identify the contracts with a customer;
(ii) Identify the performance obligation in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to the performance obligations in the contract; and
(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

2. BASIS OF PREPARATION (Continued)

2.3 Adoption of amendments/improvements to MFRSs (Continued)

MFRS 15 Revenue from Contracts with Customers (Continued)

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations ("IC Int") will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Int 13	Customer Loyalty Programmes
IC Int 15	Agreements for the Construction of Real Estate
IC Int 18	Transfers of Assets from Customers
IC Int 131	Revenue – Barter Transactions Involving Advertising Services

MFRS 16 Leases

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

Amendments to MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments to MFRS 5 introduce specific guidance on when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution is discontinued.

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7.

The amendments also clarify the applicability of Disclosure – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

2. BASIS OF PREPARATION (Continued)

2.3 Adoption of amendments/improvements to MFRSs (Continued)

Amendments to MFRS 11 Joint Arrangements

Amendments to MFRS 11 clarify that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in MFRS 3, it shall apply the relevant principles on business combinations accounting in MFRS 3, and other MFRSs, that do not conflict with MFRS 11. Some of the impact arising may be the recognition of goodwill, recognition of deferred tax assets/liabilities and recognition of acquisition-related costs as expenses. The amendments do not apply to joint operations under common control and also clarify that previously held interests in a joint operation are not re-measured if the joint operator retains joint control.

Amendments to MFRS 101 Presentation of Financial Statements

Amendments to MFRS 101 improves the effectiveness of disclosures. The Amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to MFRS 107 Statement of Cash Flows

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more that their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

Amendments to MFRS 116 Property, Plant and Equipment

Amendments to MFRS 116 prohibit revenue-based depreciation because revenue does not reflect the way in which an item of property, plant and equipment is used or consumed.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability and the depth of the market for high quality corporate bonds should be assessed at a currency level.

Amendments to MFRS 127 Separate Financial Statements

Amendments to MFRS 127 allow a parent and investors to use the equity method in its separate financial statements to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

2. BASIS OF PREPARATION (Continued)

2.3 Adoption of amendments/improvements to MFRSs (Continued)

Amendments to MFRS 138 Intangible Assets

Amendments to MFRS 138 introduce a rebuttable presumption that the revenue-based amortisation method is inappropriate. This presumption can be overcome only in the following limited circumstances:-

- when the intangible asset is expressed as a measure of revenue, i.e. in the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold; or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosures of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures

These amendments address the following issues that have arisen in the application of the consolidation exception for investment entities:-

- Exemption from presenting consolidated financial statements: the amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Consolidation of intermediate investment entities: the amendments clarify that only a subsidiary is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Policy choice for equity accounting for investments in associates and joint ventures: the amendments allow a non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture.

Amendments to MFRS 116 Property, Plant and Equipment and Amendments to MFRS 141 Agriculture

With the amendments, bearer plants would come under the scope of MFRS 116 and would be accounted for in the same way as property, plant and equipment. A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Nevertheless, the produce growing on the bearer plant would remain within the scope of MFRS 141. This is because the growth of the produce directly increases the expected revenue from the sale of the produce. Moreover, fair value measurement of the growing produce provides useful information to users of financial statements about future cash flows that an entity will actually realise as the produce will ultimately be detached from the bearer plants and sold separately.

2. BASIS OF PREPARATION (Continued)

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operates ("the functional currency"). The consolidated financial statements are presented in RM, which is also the Company's functional currency, unless otherwise stated.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 3 to the financial statements.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with the MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires the directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4 to the financial statements.

2.7 Fundamental accounting principles and going concern

The financial statements of the Group and of the Company have been prepared on the assumption that the Group and the Company will continue as going concerns. The application of the going concern basis is based on the assumption that the Group and the Company will be able to realise their assets and liquidate their liabilities in the normal course of business.

During the financial year, the Group and the Company incurred net losses amounting to RM65,156,078 and RM9,813,905 respectively and recorded a negative operating cash flows of RM67,468,423 and RM22,612,165 respectively.

Subsequent to the end of the financial year, a subsidiary company of the Company, Jinjiang Zhenxing Shoes & Plastics Co. Ltd., (晋江振兴鞋塑有限公司) had ceased its factory operations.

On 5 February 2016, the external auditors, Messrs. Baker Tilly Monteiro Heng, recommended to the Company that an investigative audit be commissioned on Advertising and Promotion Expenses (Note 19(a) to the financial statements), cash placed with an asset management company (Note 10(b) to the financial statements), litigation cases (Note 25 to the financial statements), the change of Legal Representative of a subsidiary company (Note 7(a) to the financial statements), advances to a debtor (Note 9(b) to the financial statements) and raised significant concerns from their audit findings. These issues may have a significant impact on the recorded assets, liabilities, income and expenses. The Company has yet to appoint an investigative auditor to investigate various significant issues as highlighted by the external auditors, Messrs. Baker Tilly Monteiro Heng. These issues may have significant impacts on the financial statements of the Group and the Company. However, the financial statements has not taken into consideration the adjustments, if any, that may arise from an investigation.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

The ability of the Group and of the Company to continue as going concerns is dependent upon:

(i) the timely and successful formulation and implementation of a regularisation plan taking into consideration the commission and completion of an investigation to determine the extent of any impact on the financial position of the Group and the Company;

(ii) the Group and the Company achieving sustainable and viable operations; and

(iii) the Group and the Company generating adequate cash flows for its operating activities.

If these are not forthcoming, the application of the going concern concept may be inappropriate and adjustments may be required to, inter alia, write down assets to their immediate realisable value, reclassify all long term assets and liabilities as current and to provide for further costs which may arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiary companies, associates, and joint ventures used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Subsidiary companies and business combination

Subsidiary companies are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiary companies are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the merger method of accounting except for those business combinations which were accounted for using acquisition method of accounting. The acquisition of 100% equity in Jinjiang Zhenxing Shoes & Plastics Co., Ltd. (晋江振兴鞋塑有限公司) pursuant to the restructuring under common control was accounted for using the merger method of consolidation., the rest of the subsidiary companies are accounted for using the acquisition method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiary companies acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of subsidiaries are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had isposed directly of the previously held equity interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (Continued)

Subsidiary companies and business combination (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

In 2009, the acquisition of 100% equity in Jinjiang Zhenxing Shoes & Plastics Co. Ltd., pursuant to the restructuring under common control was accounted for using the merger method of consolidation. A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Under the merger method, components of financial statements of the combining entities or businesses for the reporting periods in which the common control combination occurs are included in the consolidated financial statements of the consolidated entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties. The cost of the merger should be cancelled against the nominal values of the shares/paid-up capital received. The difference between the cost of the merger and nominal values of the shares/paid-up capital received will remain and continue to be classified as part of equity of the Group and will be adjusted against suitable reserve in future, where appropriate.

3.2 Separate financial statements

An investment in subsidiary companies, which are eliminated on consolidation, stated in the Company's separate financial statements at costs less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9 to the financial statements. On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is included in the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the dates of the transactions.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instrument.

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at costs.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9 to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9 to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Financial instruments (Continued)

(a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows (Continued):

(i) Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available-for-sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Unquoted equity instruments carried at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9 to the financial statements.

(ii) Financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Financial instruments (Continued)

(b) Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payment to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company themselves purchase or sell an asset). Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9 to the financial statements.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate items of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment, other than bearer plants, is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

All property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

Plants and machinery	5-10 years
Office equipment	5 years
Motor vehicles	5 years
Renovation	3-10 years
Buildings	50 years

Capital work-in-progress are not depreciated as these assets are not yet available for use.

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.6 Other intangible assets

<u>Land use rights</u>

Land use rights that normally has a finite economic life and title is not expected to pass to the lessee by the end of lease term is treated as an operating lease. Land use rights are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the land use rights. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9 to the financial statements. The land use rights are amortised over their lease terms of 50 years expiring in financial years 2049, 2056 and 2063 respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials: purchase costs on a first-in first-out basis.
- finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.8 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3.9 Impairment of assets

(a) Impairment and uncollectibility of financial assets

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries, associates and joint ventures) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

<u>Loans and receivables and held-to-maturity investments</u>

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Impairment of assets (Continued)

(a) Impairment and uncollectibility of financial assets (Continued)

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity instruments carried at cost

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from customers for contract work, deferred tax assets, assets arising from employee benefits, investment properties measured at fair value, biological assets and non-current assets or disposal groups classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Impairment of assets (Continued)

(b) Impairment of non-financial assets (Continued)

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.10 Share capital

(a) Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs.

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(b) Treasury shares

When share capital recognised as equity is repurchased, the amount of consideration paid is recognised directly in equity. Repurchased shares that have not been cancelled including any attributable transaction costs are classified as treasury shares and presented as a deduction from total equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration and the carrying amount is presented as a movement in equity.

3.11 Employee benefits

(a) Short-term employee benefits

Wages, salaries, bonuses, social security contribution and non-monetary benefits are recognised as an expense in the financial year in which the associated services are rendered by the employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave, maternity and paternity leave are recognised when absences occur.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Employee benefits (Continued)

(b) Post-employment benefits

The Company contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once the contributions have been paid, the Company has no further payment obligations.

Pursuant to the relevant laws and regulations of the PRC, the subsidiary companies have joined a basic pension insurance scheme for the employees arranged by local Labour and Social Security Bureau, whereby the subsidiary companies make contributions to the pension insurance at the applicable rates based on the amounts stipulated by the government organisation. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local Labour and Social Security Bureaus are responsible for the payment on the basic pension benefits to the retired employees.

3.12 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.13 Revenue recognition

The Group and the Company recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's and the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group and the Company base its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of Goods

Revenue is recognised upon delivery of products and customers' acceptance, net of valued-added-tax ("VAT"), discounts and returns and when the significant risk and rewards of ownership have been passed to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods.

(ii) Interest Income

Interest income is recognised on an accrual basis.

(iii) Dividend Income

Dividend income is recognised when the shareholders' rights to receive payment is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Income tax

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

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

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Income tax (Continued)

(c) Other taxes

The subsidiary companies' sales of goods in the PRC are subjected to VAT at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from the output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "other receivables" or "other payables" in the statements of financial position.

Revenue, expenses and assets are recognised net of amount of VAT except where:-

(i) The VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) Receivables and payables that are stated with the amount of VAT included.

3.15 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.16 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:-

(i) Basis of consolidation – business combination involving entities under common control

The Group is regarded as a continuing entity resulting from the restructuring exercise, i.e. acquisition of 100% equity interests in Jinjiang Zhenxing Shoes & Plastics Co. Ltd., since the management of all the entities, which took part in the restructuring exercise, was ultimately controlled by the same management and under the common controlling parties before and immediately after the restructuring exercise. Consequently, there was a continuation of the control over the entities' financial and operating policy decisions, and risk and benefits to the ultimate controlling parties that existed prior to the restructuring exercise, and that control is not transitory. The restructuring exercise has been accounted for as a restructuring under common control in a manner similar to pooling of interest method or merger. Accordingly, consolidated financial statements have been prepared on the basis of merger accounting and comprise the financial statements of the subsidiary companies, which was under common control of the ultimate controlling parties and management that existed prior to the restructuring exercise during the relevant period or since their respective dates of incorporation.

(ii) Withholding tax on dividend

The Group is subject to income tax in the jurisdiction in the PRC. According to the Enterprise Income Tax Law and the Detailed Implementation Regulation, dividends distributed to a foreign investor by Foreign Invested Enterprise in the PRC would be subject to a withholding tax. For the Group, the applicable rate for withholding rate is 10%. The Chinese tax authorities have granted a special tax concession which state that dividends distributed out of earnings from 1 January 2008 onwards, shall be subject to withholding tax. The directors have considered the above tax exposure and has not provided for any deferred tax liabilities as at 31 December 2015 in respect of its retained earnings as the directors are of the opinion that the profits accumulated will or will not be distributed as future dividends and will depend upon the Group's operating results, financial conditions, other cash requirements and other factors in the near future.

(iii) Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.5 to the financial statements, the Group review the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's property, plant and equipment are disclosed in Note 5 to the financial statements.

(iv) Land use rights

The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance lease in accordance with MFRS 117 *Leases*. For clarity purpose, the Group has presented the related leased assets under a separate line item – "Land use rights" in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(v) Impairment of non-financial assets

The Group and the Company assess impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Group's and the Company's estimates, taking into consideration factors such as historical and industry trends, general market and economic conditions and other available information. Cash flows that are projected based on those inputs or assumptions and the discount rate applied in the measurement of value-in-use may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

(vi) Write-down of obsolete or slow moving inventories

Reviews are made periodically by the Group, if any, on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories

(vii) Impairment of financial assets

The Group and the Company recognise impairment losses for loans and receivables using the incurred loss model. At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that loans and receivables is impaired. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the impairment made and this may affect the Group's and the Company's financial position and results.

The carrying amounts of the Group's and the Company's financial assets are disclosed in Note 23(a) to the financial statements.

(viii) Measurement of income tax

Certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Plants and Machinery RM	Office Equipment RM	Motor Vehicles RM	Renovation RM	Buildings RM	Capital Work-in-progress RM	Total RM
Cost								
At 1 January 2014		8,084,230	2,372,685	1,350,511	2,245,746	33,181,161	11,019,472	58,253,805
Additions		232,060	62,670	40,796	1,477,505	-	23,507,161	25,320,192
Reclassifications		-	-	-	371,840	-	(371,840)	-
Exchange differences		347,237	101,190	58,131	203,526	1,367,474	1,856,543	3,934,101
At 31 December 2014		8,663,527	2,536,545	1,449,438	4,298,617	34,548,635	36,011,336	87,508,098
Additions		-	6,111	188,749	1,194,039	-	3,798,666	5,187,565
Write-offs		-	(606,076)	-	(1,281,073)	-	-	(1,887,149)
Exchange differences		1,503,892	409,967	263,857	759,069	5,997,260	6,497,725	15,431,770
At 31 December 2015		10,167,419	2,346,547	1,902,044	4,970,652	40,545,895	46,307,727	106,240,284
Accumulated depreciation								
At 1 January 2014		3,717,558	1,285,626	795,016	294,044	7,730,417	-	13,822,661
Depreciation charge for the financial year	19	652,574	255,251	152,750	669,783	716,365	-	2,446,723
Exchange differences		192,767	68,244	42,024	51,893	362,012	-	716,940
At 31 December 2014		4,562,899	1,609,121	989,790	1,015,720	8,808,794	-	16,986,324
Depreciation charge for the financial year	19	767,101	289,545	188,705	904,529	837,332	-	2,987,212
Write-offs		-	(334,679)	-	(1,274,716)	-	-	(1,609,395)
Exchange differences		841,858	279,720	184,064	162,951	1,583,457	-	3,052,050
At 31 December 2015		6,171,858	1,843,707	1,362,559	808,484	11,229,583	-	21,416,191
Net carrying amounts								
At 31 December 2014		4,100,628	927,424	459,648	3,282,897	25,739,841	36,011,336	70,521,774
At 31 December 2015		3,995,561	502,840	539,485	4,162,168	29,316,312	46,307,727	84,824,093

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Included in property, plant and equipment is an amount of RM46.31 million (RMB70.04 million) representing the capital work-in-progress of a subsidiary company, Hebi City Yifu Plastics Product Co. Ltd. (鶴壁市怡福塑料制品有限公司), located at Henan Province, PRC. The carrying amount of the land use rights pertaining to this capital work-in-progress of RM36.78 million (RMB55.62 million) is disclosed in Note 6 to the financial statements.

The main structure of capital work-in-progress has been completed. However the management has no definite plan to complete fully the capital work-in-progress in view of the uncertain economic condition. The property ownership certificate has yet to be obtained. However, the recoverable amount of the capital work-in-progress and land use rights have not been reliably determined by the Company at this stage.

The Company is of the view that no impairment is required on the carrying amount of the capital work-in-progress.

(b) Included in property, plant and equipment is an amount for property, plant and equipment of a subsidiary company, Jinjiang Zhenxing Shoes & Plastics Co. Ltd., of RM38.48 million (RMB58.20 million) located at Fujian Province, PRC. The carrying amount of the land use rights pertaining to this capital work-in-progress of RM2.65 million (RMB4.01 million) is included in Note 6 to the financial statements.

Subsequent to the end of the financial year, the subsidiary company, had ceased its factory operations. The management has not assessed the recoverable amount of the property, plant and equipment.

The Company is of the view that no impairment is required on the carrying amount of the property, plant and equipment.

(c) All property, plant and equipment held by the Group are located in the PRC.

(d) Certain motor vehicles with net carrying amounts of RM246,283 (2014: RM321,138) were held in trust by the employees of the Group.

(e) Depreciation expenses of RM1,013,959 (2014: RM863,768), RM1,435,837 (2014: RM1,582,955) and RM537,416 (2014: Nil) have been charged to profit or loss as cost of sales, administrative expenses and selling and distribution expenses respectively.

(f) A wholly-owned subsidiary company had entered into various construction contracts for the construction of a factory. The balance of the capital work-in-progress is disclosed as a commitment in Note 24 to the financial statements.

6. LAND USE RIGHTS

	Note	Group 2015 RM	Group 2014 RM
Cost			
At the beginning of the financial year		36,838,519	35,380,410
Exchange differences		6,394,759	1,458,109
At the end of the financial year		43,233,278	36,838,519
Accumulated amortisation			
At the beginning of the financial year		2,516,210	1,719,420
Amortisation for the financial year	19	800,016	684,440
Exchange differences		488,712	112,350
At the end of the financial year		3,804,938	2,516,210
Net carrying amount			
At the end of the financial year		39,428,340	34,322,309
Amount to be amortised : -			
- Not later than one year		851,942	725,929
- Later than one year but not later than five years		3,407,767	2,903,713
- Later than five years		35,168,631	30,692,667
		39,428,340	34,322,309

(a) The land use rights of the Group comprise of:-

- Two plots of state-owned land in Zhushuxia Industrial Zone, Jinjiang City Fujian Province, PRC（中国福建省晋江市竹树下工业区）("Jinjiang Land Use Rights") which are not transferable and having remaining tenure of 34 years (2014: 35 years) and 41 years (2014: 42 years) respectively.

- Six parcels of state-owned industrial land in Qixian County, Hebi City, Henan Province, PRC（中国河南省鹤壁市淇县）having remaining tenure of 48 years (2014: 49 years).

(b) The Group has not obtained the Jinjiang Land Use Rights and property ownership certificates as at the end of the financial year and as at the date of this report. On 25 March 2016, the Securities Commission had granted the approval for a further extension of time of twenty-four (24) months to 25 February 2018 to allow Jinjiang Zhenxing Shoes & Plastics Co. Ltd., to obtain the abovementioned Jinjiang Land Use Rights and property ownership certificates from the relevant PRC authorities.

The Company believe that the pending issuance of the abovementioned Jinjiang Land Use Rights and property ownership certificates from PRC authorities will not have any material effect on the operations and financial position of the Group.

(c) Included in the carrying amount of land use rights are amount of RM36.78 million (RMB55.62 million) and RM2.65 million (RMB4.01 million) representing the land use rights of subsidiary companies, Hebi City Yifu Plastics Product Co. Ltd., and Jinjiang Zhenxing Shoes & Plastics Co. Ltd., respectively.

The cost of capital work-in-progress pertaining to the above land use rights is disclosed in Notes 5(a) and 5(b) to the financial statements.

7. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2015 RM	Company 2014 RM
At cost		
Unquoted shares, at cost	179,767,127	179,767,127
Less: Impairment loss	(32)	-
	179,767,095	179,767,127

Details of the subsidiaries are as follows:-

Subsidiary Companies	Place of Incorporation	Effective Equity Interest 2015 %	Effective Equity Interest 2014 %	Principal activities
#^Jinjiang Zhenxing Shoes & Plastics Co. Ltd. (晋江振兴鞋塑有限公司)	PRC	100	100	Original design manufacturer (ODM) and original equipment manufacturer (OEM) of sports shoes.
*+ Maxwell Global Investment Limited (麦斯威环球投资有限公司)	British Virgin Islands	100	100	Investment holding.
Maxwell International Trading Sdn. Bhd.	Malaysia	100	100	Dormant.
Subsidiary of Zhenxing Shoes				
#^Hebi City Yifu Plastics Product Co. Ltd. (鹤壁市怡福塑料制品有限公司)	PRC	100	100	Dormant.
Subsidiary of Maxwell Global Investment Limited				
# Maxwell International (Hong Kong) Limited ("Maxwell Hong Kong") (麦斯威国际(香港)有限公司)	Hong Kong	100	100	Investment holding and general trading.
Subsidiary of Maxwell Hong Kong				
#^Maxwell (Xiamen) Co. Ltd. ("Maxwell Xiamen") (麦斯威(厦门)有限公司)	PRC	100	100	Trading on garment products.

* *The financial statements of these subsidiary companies were audited by Messrs. Baker Tilly Monteiro Heng for consolidation reporting purposes.*

\# *Audited by a firm of Certified Public Accountants other than Messrs. Baker Tilly Monteiro Heng.*

\+ *The financial statements of this subsidiary company is exempted from statutory audit in British Virgin Islands.*

^ *The audited financial statements of these subsidiary companies for the financial year ended 31 December 2015 is not available as the audit have commenced but have not been completed.*

7. INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

(a) On 12 November 2015, the Legal Representative of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., a subsidiary company of the Company, has been changed from Li Kwai Chun (李桂真), the President and Executive Director of the Company, to Zhuang Qiong Zhen (庄琼珍).

On 3 March 2016 and 7 March 2016, the Company announced that the change of legal representative does not affect the control of business operation as the day to day operation is being managed by the respective Heads of Departments of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., as well as the official stamp of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., is kept in the custody of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., which is a best risks mitigation process in relation to the appointment of the new legal representative.

Despite the absence of the assessment of the impact under MFRS 10 *Consolidated Financial Statements* on the change of Legal Representative, the Company is of the view that the Company is still in control of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., and therefore it is appropriate to consolidate the said subsidiary company, pursuant to MFRS 10 *Consolidated Financial Statements*.

(b) The audit of the subsidiary companies, namely Jinjiang Zhenxing Shoes & Plastics Co. Ltd., Maxwell (Xiamen) Co. Ltd. (麦斯威(厦门)有限公司), and Hebi City Yifu Plastics Product Co. Ltd., are unable to be completed due to insufficient documents and information, and no audited financial statements is available for the financial year ended 31 December 2015. The financial position and results of these subsidiary companies has been consolidated based on latest available management financial statements.

(c) Included in carrying amount of investment in subsidiary companies is an amount of RM179.77 million representing the investment cost in Jinjiang Zhenxing Shoes & Plastics Co. Ltd..

The Company is of the view that no impairment is required for the investment cost in Jinjiang Zhenxing Shoes & Plastics Co. Ltd., notwithstanding that Jinjiang Zhenxing Shoes & Plastics Co. Ltd., had ceased its factory operations subsequent to the end of the financial year.

8. INVENTORIES

	Group	
	2015	**2014**
	RM	**RM**
At lower of cost and net realisable value:-		
Raw material	1,989,552	1,346,245
Work-in-progress	-	2,419,960
Finished goods	415,372	1,114,603
	2,404,924	4,880,808

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM135,014,399 (2014: RM126,878,450).

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Current					
Trade					
Trade receivables	(a)	42,905,639	62,766,328	-	-
Less: Allowance for impairment loss		(378,216)	-	-	-
Trade receivables, net		42,527,423	62,766,328	-	-
Non-trade					
Other receivables	(b)	10,500,927	2,959,538	28,350	4,500
Less: Allowance for impairment loss	(d)	(3,172,958)	(2,230,425)	-	-
Other receivables,net		7,327,969	729,113	28,350	4,500
Deposits	(e)	-	1,377,371	-	-
Amount owing by subsidiary companies	(f)	-	-	5,544,879	10,701,989
Less: Allowance for impairment loss		-	-	(5,544,879)	-
		-	-	-	10,701,989
Prepayment		1,272	130,234	1,272	-
Total trade and other receivables		49,856,664	65,003,046	29,622	10,706,489

(a) Trade receivables

Trade receivables are non-interest bearing and the Group's normal trade credit terms usually range from 60 days to 90 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 ageing analysis of trade receivables are as follows:-

	Group 2015 RM	Group 2014 RM
Neither past due nor impaired	42,527,423	62,766,328
Impaired		
Individually	378,216	-
	42,905,639	62,766,328

9. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of other receivables is as follows:-

	Note	Group 2015 RM	Group 2014 RM
At 1 January		-	-
Charge for the financial year	19	378,216	-
At 31 December		378,216	-

Included in trade receivables is an amount of RM4,796,413 (2014: RM10,118,168) owing by a company in which the director of the said company is the immediate family member of a director of the Company.

(b) During the financial year, Jinjiang Zhenxing Shoes & Plastics Co. Ltd., a subsidiary company of the Company, advanced an amount of RM6.61 million (RMB10.00 million) to Jiayi Fujian Import & Export Trade Co. Ltd., (加怡(福建)进出口贸易有限公司) which is a company connected to the President and Executive Director of the Company, Li Kwai Chun (李桂真).

The Company is of the view that no impairment is required for the said amount owing by Jiayi Fujian Import & Export Trade Co. Ltd..

(c) Included in other receivables of the Group in the previous financial year was an amount of RM430,887 represented advance payments to Lim Ying Ying Limited ("LYY") and its subsidiary companies pursuant to the terms of the agreement as described in (e) below.

(d) Other receivables that are impaired

The Group's other receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of other receivables is as follows:-

	Note	Group 2015 RM	Group 2014 RM
At 1 January		2,230,425	-
Charge for the financial year	19	942,533	2,230,425
At 31 December		3,172,958	2,230,425

(e) Deposits

Included in deposits of the Group in the previous financial year was an amount of RM4,942,525 (HKD11,700,000) for the acquisition of 92.5% of the issued share capital of LYY together with its wholly-owned subsidiary company, namely Shantou S.E.Z. Lim Ying Ying Fashion Company Limited ("LYY Group").

Following the termination of Investment in LYY, the deposit paid of RM4,942,525 (HKD11,700,000) previously paid to Kon Wing-On George and Ho Hiu Yan Alan was written off in the profit and loss in for the financial year ended 31 December 2014.

9. TRADE AND OTHER RECEIVABLES (Continued)

(f) Amount owing by subsidiary companies

Amount owing by subsidiary companies are non-trade in nature, unsecured, interest free and repayable on demand.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash in hand	61,215	66,366	-	-
Cash at banks	29,425,534	371,204,495	17,470	3,621
Deposits placed with an asset management company	337,212,000	-	-	-
Money market fund	13,869	13,487	13,869	13,487
	366,712,618	371,284,348	31,339	17,108

(a) The RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the subsidiary companies are only permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The bank balances and money market fund of the Group generally have effective interest rates of 0.42% (2014: 0.42%) and 2.55% (2014: 2.55%) per annum respectively for the financial year under review.

(b) During the financial year, Jinjiang Zhenxing Shoes & Plastics Co. Ltd., a subsidiary company of the Company, placed RM337.21 million (RMB510.00 million) with an asset management company, Jinjiang Jin Chuang Private Capital Management Co. Ltd., ("Jin Chuang") (晋江晋创民间资本管理有限公司). The management of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., are unable to provide the relevant information and supporting documents to the Company in respect of the placement of the cash with the asset management company.

On 26 April 2016, the Company announced that Jinjiang Zhenxing Shoes & Plastics Co. Ltd., had on 6 April 2016 notified Jin Chuang to transfer all the funds. On 19 July 2016, the Company announced that the funds placed with Jin Chuang would be transferred into Jinjiang Zhenxing Shoes & Plastics Co. Ltd.'s bank account or a bank account nominated by Jinjiang Zhenxing Shoes & Plastics Co. Ltd., upon maturity.

(c) There is no maturity period for money market fund as this money is callable on demand.

11. SHARE CAPITAL

	Group and Company			
	Number of ordinary share of RM0.40 each		Amounts	
	2015 '000	2014 '000	2015 RM'000	2014 RM'000
Authorised :-				
At beginning/end of the financial year	1,250,000	1,250,000	500,000	500,000
Issued and fully paid up:-				
At beginning/ end of the financial year	400,000	400,000	160,000	160,000

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Warrants

On 24 March 2015, the Company issued 199,430,300 Warrants pursuant to a bonus issue on the basis of one warrant for every two ordinary shares held in the capital of the Company. On 30 March 2015, the Warrants were listed and quoted on the Main Market of Bursa Securities.

The outstanding Warrants during the financial year ended 31 December 2015 are stated as below:-

	Number of Warrants			
	At 30.3.15 (Date of listing)	Exercised	Expired	At 31.12.15
Warrants	199,430,300	-	-	199,430,300

12. SHARE PREMIUM

	Group/Company	
	2015 RM	2014 RM
At 1 January	7,403,566	7,403,566
Resale of treasury shares	15,727	-
At 31 December	7,419,293	7,403,566

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965 in Malaysia.

13. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares, net of the proceeds received on their subsequent sale or issuance.

The shareholders of the Company, by an ordinary resolution passed in the annual general meeting held on 22 June 2015, approved the renewal of the Company's authority for share buy-back. The directors of the Company are committed in enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965 in Malaysia.

In the previous financial year, the Company repurchased 1,195,200 of its issued ordinary shares from the open market at an average price of RM0.2179 per share. The repurchase transactions were financed by internally generated funds.

During the financial year, the Company resale 1,000,000 of its issued ordinary shares at an average price of RM0.235 per share.

As at 31 December 2015, a total of 1,139,400 (2014: 2,139,400) of its 400,000,000 issued ordinary shares with carrying amount of RM387,500 (2014: RM605,797) are held by the Company as treasury shares.

14. RESERVES

		Group	
		2015	2014
	Note	RM	RM
Statutory reserve	(a)	42,204,016	42,204,016
Currency translation reserve	(b)	140,750,426	62,293,516
Other reserve	(c)	(104,171,220)	(104,171,220)
		78,783,222	326,312

(a) In accordance with relevant laws and regulations of the PRC, the subsidiary companies in the PRC are 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 those said subsidiary companies, subject to the approval from the PRC authority, and are not available for dividend distribution to the shareholders of the said subsidiary companies.

(b) The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) The other reserves arises from the difference between the nominal value of shares issued by the Company and the paid-up capital of subsidiary company consolidated under the merger method of accounting.

15. TRADE AND OTHER PAYABLES

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
Current:-					
Trade					
Trade payables	(a)	18,410,161	17,780,699	-	-
Non-trade					
Other payables	(b)	3,081,471	19,754,205	67,622	17,460,277
Accrued operating expenses		361,366	330,148	251,400	231,016
Salaries and wages payables		2,415,040	2,385,387	45,960	78,160
VAT and other taxes		3,503,424	3,765,225	-	-
Amounts owing to subsidiary companies	(c)	-	-	16,671,505	349,821
Amount owing to a director	(d)	2,795,523	1,633,074	-	-
Total trade and other payables		30,566,985	45,648,738	17,036,487	18,119,274

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit term granted to the Group ranges from 30 to 60 days. The trade payables are denominated in RMB.

(b) Other payables

Included in other payables of the Group is an amount of RM1,845,308 (2014: RM18,181,283) due to a company which is connected to Li Kwai Chun (李桂真), the director of the Company. The amount owing is non-trade in nature, unsecured, interest free and repayable on demand.

(c) Amounts owing to subsidiary companies are non-trade in nature, unsecured, interest free and repayable on demand.

(d) Amount owing to a director is non-trade in nature, unsecured, interest free and repayable on demand.

16. REVENUE

	Group	
	2015	2014
	RM	RM
Sales of goods	194,152,390	230,336,694

17. OTHER INCOME

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Interest income	1,067,948	1,236,754	382	7,212
Realised foreign exchange gain	-	7,919	-	-
Unrealised foreign exchange gain	6,421,152	-	913,578	-
Promotion income for exhibition	-	137,299	-	-
Waiver of debts from other payables	1,374,852	-	-	-
Others	1,858,791	94,999	-	-
	10,722,743	1,476,971	913,960	7,212

18. FINANCE COSTS

	Group	
	2015	2014
	RM	RM
Bank charges	96,706	5,530

19. (LOSS)/PROFIT BEFORE TAXATION

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving at (loss)/profit before taxation:-

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
After charging: -					
Advertising and promotion expenses	(a)	57,248,708	75,071	-	-
Amortisation of land use rights	6	800,016	684,440	-	-
Auditors' remuneration:-					
Statutory					
- current financial year		220,414	174,771	200,000	150,000
- under accrual in prior financial year		(15,000)	35,000	(15,000)	35,000
Non-statutory					
- current financial year		10,000	10,000	10,000	10,000
Deposit written off		593,890	4,937,400	-	-
Depreciation of property, plant and equipment	5	2,987,212	2,446,723	-	-
Directors' remuneration:-					
- directors' fees		180,000	162,000	180,000	162,000
- other emoluments		4,656,750	92,163	-	-
Design and development expenses		3,770,637	610,510	-	-
Impairment of trade receivable	9(a)	378,216	-	-	-
Impairment of other receivable	9(d)	942,533	2,230,425	-	-
Impairment loss on investment in subsidiary companies		-	-	32	-
Impairment loss on amounts due by subsidiary companies		-	-	5,544,879	-
Inventories written off		2,753,812	-	-	-
Property, plant and equipment written off		277,754	-	-	-
Prepayment written off		119,889	-	-	-
Rental of premises		547,482	902,856	-	-
Staff costs	20	31,833,218	24,630,907	271,833	268,065
Foreign exchange loss:					
- unrealised		-	334,327	-	305,197
- realised		3,899,073	-	4,032,338	-

(a) During the financial year, Maxwell (Xiamen) Co. Ltd., a subsidiary company of the Company, incurred Advertising and Promotion Expenses of RM57.25 million (RMB92.40 million).

The Company had on 18 December 2015 engaged Ferrier Hodgson MH Sdn Bhd ("FHMH") to conduct an extended scope of audit on the Advertising and Promotion Expenses.

The Company is unable to provide complete supporting documents for the Advertising and Promotion Expenses as Maxwell (Xiamen) Co. Ltd.'s office had ceased operations. Certain documents were not handed over by the staff of Maxwell (Xiamen) Co. Ltd., to the Company.

On 19 July 2016, FHMH reported in their report that a significant volume of important documents and explanations were not provided to FHMH and they were unable to ascertain, verify and substantiate if the Group received any valuable consideration for Advertising and Promotion Expenses.

20. STAFF COSTS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Wages and salaries	27,905,719	21,607,985	201,000	195,000
Defined contribution	1,785,834	2,780,095	24,120	23,400
Other staff related expenses	2,141,665	242,827	46,713	49,665
	31,833,218	24,630,907	271,833	268,065

Included in staff costs are the following:-

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Included in staff costs were remunerations paid to:-				
- key management personnel	5,263,455	450,798	271,833	268,065

Key management personnel comprises persons other than the directors of the Group and the Company, having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly.

21. INCOME TAX

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Current income tax:-				
- Current income tax charge	2,806,396	9,753,908	1,360	1,664
- Adjustments in respect of prior years	-	(2,493)	-	(2,493)
Total current income tax	2,806,396	9,751,415	1,360	(829)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 25% (2014: 25%) of the estimated assessable profit for the financial year. In the Budget Speech 2014, the Government announced that the domestic corporate tax rate in Malaysia would be reduced to 24% from the current year's rate of 25% with effect from the year of assessment 2016.

Tax expenses for other jurisdiction are calculated at the rates prevailing in the respective jurisdiction.

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's income tax are as follows:-

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
(Loss)/profit before taxation	(62,349,682)	26,563,938	(9,812,545)	(1,298,671)
Taxation at applicable statutory tax rates	(15,587,421)	6,640,984	(2,453,136)	(324,668)
- Different tax rates in foreign jurisdiction	442,557	370,775	-	-
Adjustments:-				
- Income not subject to tax	(133,484)	(964,966)	-	-
- Non-deductible expenses	18,009,222	2,987,376	2,454,496	326,332
- Deferred tax not recognised on tax losses	75,522	719,739	-	-
Adjustments in respect of prior years	-	(2,493)	-	(2,493)
Income tax	2,806,396	9,751,415	1,360	(829)

21. INCOME TAX (Continued)

Deferred tax asset has not been recognised in respect of the following item:

	Group	
	2015	**2014**
	RM	**RM**
Unutilised tax loss	5,740,281	4,425,741
Potential deferred tax benefit *	947,146	730,247

*Calculated using 16.5% (2014: 16.5%) which is the tax rate applicable to a subsidiary company of the Group

According to the Enterprise Income Tax Law ("EIT Law") of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary companies from 1 January 2008 onwards. The applicable withholding tax rate is 10%. No deferred tax has been provided for in relation to undistributed retained earnings as the Group does not have a policy to distribute profits out of its retained earnings of the PRC subsidiary companies.

22. EARNINGS PER SHARE

Basic earnings per ordinary share

Basic earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:-

	Group	
	2015	**2014**
	RM	**RM**
Net (loss)/profit for the financial year attributable to owners of the Company	(65,156,078)	16,812,523
Weighted average number of ordinary shares in issue *	397,663,340	398,845,658
Basic earnings per ordinary shares (sen)	(16.38)	4.22

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the financial year.

Diluted earnings per ordinary share

As of 31 December 2015, the Group has 199,430,300 of warrant in issue, which entitles the holders the rights for conversion into one (1) ordinary share for every one (1) warrant at an exercise price of RM0.40 each. This gives rise to potential ordinary shares which, upon conversion, could result in dilution to earnings per share in future financial periods.

In accordance with MFRS 133 *Earnings Per Share*, options and warrants have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the options and warrants (i.e. they are 'in the money').

For diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential ordinary shares. The volume-weighted average market price of the Group's ordinary shares during the year was lower than the warrant exercise price. As such, the issued warrants are not regarded as dilutive and accordingly, no diluted earnings per share is being presented.

23. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:-

(i) Loans and receivables ("L&R")
(ii) Fair value through profit or loss ("FVTPL")
- Held for trading ("HFT") or
- Designated as at FVTPL ("DFVTPL")
(iii) Available-for-sale financial assets ("AFS")
(iv) Held-to-maturity investments ("HTM")
(v) Other financial liabilities ("FL")

At 31 December 2015	Carrying amount RM	L&R/ (FL) RM
Financial assets		
Group		
Trade and other receivables	49,856,664	49,856,664
Cash and cash equivalents	366,712,618	366,712,618
	416,569,282	416,569,282
Company		
Other receivables	29,622	29,622
Cash and cash equivalents	31,339	31,339
	60,961	60,961
Financial liabilities		
Group		
Trade and other payables	30,566,985	30,566,985
Company		
Other payables	17,036,487	17,036,487
At 31 December 2014		
Financial assets		
Group		
Trade and other receivables	65,003,046	65,003,046
Cash and cash equivalents	371,284,348	371,284,348
	436,287,394	436,287,394
Company		
Other receivables	10,706,489	10,706,489
Cash and cash equivalents	17,108	17,108
	10,723,597	10,723,597
Financial liabilities		
Group		
Trade and other payables	45,648,738	45,648,738
Company		
Other payables	18,119,274	18,119,274

23. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk, interest rate risk and market price risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit risk

Trade and other receivables

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

As at the end of the reporting period, the maximum exposure to credit risk arising from trade and other receivables is represented by their carrying amounts in the statements of financial position.

The carrying amount of trade and other receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group and the Company use ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the financial year is disclosed in Note 9 to the financial statements. Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. A significant portion of these trade receivables are regular customers that have been transacting with the Group and the Company. Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. Impairment are made on specific receivables when there is objective evidence that the Group and the Company will not be able to collect all amounts due.

The Group and the Company monitor the results of the immediate holding company, subsidiaries and related companies in determining the recoverability of these intercompany balances.

<u>Credit risk concentration profile</u>

As at 31 December 2015, there was no significant concentration of credit risk in the Group.

23. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:-

	On demand or within a year RM	Total RM
Group		
At 31 December 2015		
Trade and other payables	30,566,985	30,566,985
At 31 December 2014		
Trade and other payables	45,648,738	45,648,738
Company		
At 31 December 2015		
Other payables	17,036,487	17,036,487
At 31 December 2014		
Other payables	18,119,274	18,119,274

23. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales, purchases and borrowings that are denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

	Group		Company	
	|---Functional currencies---|		|---Functional currencies---|	
	2015 RM	2014 RM	2015 RM	2014 RM
Trade and other receivables				
Renminbi	49,227,372	63,490,941	-	-
Hong Kong Dollar	599,670	1,377,371	-	-
	49,827,042	64,868,312	-	-
Cash and cash equivalents				
Renminbi	366,672,754	370,248,509	-	-
United States Dollars	1,117	1,017,770	-	983
Singapore Dollars	25	21	-	-
Hong Kong Dollar	7,381	1,225	-	-
Euro Dollars	-	695	-	-
	366,681,277	371,268,220	-	983
Trade and other payables				
Renminbi	28,020,697	26,106,572	-	-
Hong Kong Dollar	2,181,132	18,929,545	-	17,156,832
	30,201,829	45,036,117	-	17,156,832

(c) Fair value measurement

The carrying amounts of cash and cash equivalents and short-term receivables and payables approximate to their fair values due to the relatively short-term nature of these financial instruments

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The Company does not have any financial assets or financial liabilities measured at Level 1, Level 2 and Level 3 hierarchy.

There were no unrecognised financial instruments as at 31 December 2015 that are required to be disclosed.

24. CAPITAL COMMITMENTS

The Group and the Company have made commitments for the following capital expenditures:-

	Group	
	2015 RM	2014 RM
- Construction of buildings (Note 5(f))	6,687,582	9,021,335

25. LITIGATIONS

During and subsequent to the financial year, there were legal litigations brought by certain parties against Jinjiang Zhenxing Shoes & Plastics Co. Ltd., a subsidiary company of the Company, and Li Kwai Chun (李桂真), the President and Executive Director of the Company, on certain loan contracts. The management of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., is unable to provide the required information and comprehensive legal advice to assess the extent of liabilities, including contingent liabilities that may arise from these legal suit.

On 19 July 2016, the Company announced that the Company is still waiting for the legal advice/opinion on any potential litigation claims from its solicitors in the People's Republic of China. Further announcement will be made upon the legal counsel revert with the opinion on any potential litigation claims.

The President and Executive Director of the Company, Li Kwai Chun (李桂真) represented to the board that the said loan dispute was in fact involving herself as a personal guarantor and it should not involve Jinjiang Zhenxing Shoes & Plastics Co. Ltd., and she would be responsible for any losses arising, if any.

Based on the above, the Company is of the view that no provision of liabilities, including the disclosure of contingent liabilities is required to be made in the financial statements.

26. RELATED PARTIES

(a) Identify of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Company's holding company;
(ii) Entities having significant influence over the Group;
(iii) Subsidiary companies;
(iv) Associates;
(v) Joint ventures;
(vi) Entities in which directors have substantial financial interests; and
(vii) Key management personnel of the Group's and the Company's holding company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:-

	Group	
	2015	**2014**
	RM	**RM**
Sales of goods		
Entities in which directors have substantial interest	23,497,859	33,457,296
Rental paid/payable		
Entities in which directors have substantial interest	120,888	90,477
Management fee paid/payable		
Entities in which directors have substantial interest	302,220	354,480

27. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company'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 Group and the Company with the funds to fund its expansion and growth.

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

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

The capital structure of the Group and the Company consist of equity attributable to owners of the Company, comprising share capital, statutory reserve, retained earnings, currency translation reserve and merger deficit, and total liabilities which represent current liabilities.

The debt-to-equity ratio is as follows:-

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Total liabilities	30,566,985	46,697,708	17,036,487	18,119,274
Equity attributable to owners of the Company	512,849,433	499,314,577	162,791,569	172,371,450
Debt-to-equity ratio	6.0%	9.4%	10.5%	10.5%

28. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) On 24 March 2015, the Company issued 199,430,300 Warrants pursuant to a bonus issue on the basis of one warrant for every two ordinary shares held in the capital of the Company. On 30 March 2015, the Warrants were listed and quoted on the Main Market of Bursa Securities.

(b) During the financial year, the Company resale 1,000,000 of its issued ordinary shares to the open market at an average price of RM0.235 per share. The total proceed received for the resale was RM218,297.

As at 31 December 2015, the Company held a total of 1,139,400 of its 400,000,000 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM387,500 and further relevant details are disclosed in Note 13 to the financial statements.

(c) Subsequent to the end of the reporting period, a subsidiary company, Jinjiang Zhenxing Shoes & Plastics Co. Ltd., had ceased its factory operations.

(d) The Company has failed to submit its Annual Report that includes the annual audited financial statements together with the auditors' and directors' reports in respect of the financial year ended 31 December 2015 ("AR 2015") to Bursa Securities for public release by 30 April 2016.

The Company's shares has been suspended with effect of 10 May 2016 until further notice.

29. SEGMENT REPORTING

Segment analysis has not been prepared as the Group is primarily engaged in the manufacture of sports shoes mainly in the PRC.

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

Pursuant to the Paragraphs 2.06 and 2.23 of the Main Market Listing Requirements of Bursa Securities, the amounts of realised and unrealised profits or losses included in the retained earnings of the Group and of the Company as at the end of the reporting period are as follows:-

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Total retained earnings of the Group and of the Company				
- Realised	172,691,086	332,379,107	(5,153,802)	5,878,878
- Unrealised	6,421,152	(334,327)	913,578	(305,197)
	179,112,238	332,044,780	(4,240,224)	5,573,681
Less: Consolidation adjustments	87,922,180	145,716	-	-
Retained earnings as per statements of financial position	267,034,418	332,190,496	(4,240,224)	5,573,681

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits and losses is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

STATEMENT BY DIRECTORS

We, **LI KWAI CHUN** (李桂真) and **SU DEMOU** (苏德谋), being two of the directors of **MAXWELL INTERNATIONAL HOLDINGS BERHAD,** do hereby state that in the opinion of the directors, the financial statements are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

LI KWAI CHUN (李桂真)
Director

SU DEMOU (苏德谋)
Director

Date: 2 August 2016

STATUTORY DECLARATION

I, **TAN SWEE SONG**, being the officer primarily responsible for the financial management of **MAXWELL INTERNATIONAL HOLDINGS BERHAD,** do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TAN SWEE SONG

Subscribed and solemnly declared by the abovenamed at Puchong in the state of Selangor Darul Ehsan on 2 August 2016.

Before me,

Commissioner for Oaths
NG SAY JIN
No. B195

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAXWELL INTERNATIONAL HOLDINGS BERHAD

(Incorporated in Malaysia)

Report on the Financial Statements

We were engaged to audit the financial statements of Maxwell International Holdings Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 88.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with approved standards on auditing in Malaysia. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. As disclosed in Note 19(a) to the financial statements, during the financial year, Maxwell (Xiamen) Co. Ltd., a subsidiary company of the Company, incurred Advertising and Promotion Expenses of RM57.25 million (RMB92.40 million).

   The Company had on 18 December 2015 engaged Ferrier Hodgson MH Sdn Bhd ("FHMH") to conduct an extended scope of audit on the Advertising and Promotion Expenses.

   The Company is unable to provide complete supporting documents for the Advertising and Promotion Expenses as Maxwell (Xiamen) Co. Ltd.'s office had ceased operations. Certain documents were not handed over by the staff of Maxwell (Xiamen) Co. Ltd., to the Company.

   On 19 July 2016, FHMH reported in their report that a significant volume of important documents and explanations were not provided to FHMH and they were unable to ascertain, verify and substantiate if the Group received any valuable consideration for Advertising and Promotion Expenses.

   We were unable to obtain sufficient appropriate audit evidence on the Advertising and Promotion Expenses. Therefore, we could not determine the effect of adjustment, if any, on the financial statements of the Group.

2. As disclosed in Note 10(b) to the financial statements, during the financial year, Jinjiang Zhenxing Shoes & Plastics Co. Ltd., a subsidiary company of the Company, placed RM337.21 million (RMB510.00 million) with an asset management company, Jinjiang Jin Chuang Private Capital Management Co. Ltd., ("Jin Chuang") (晋江晋创民间资本管理有限公司). The management of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., are unable to provide the relevant information and supporting documents to the Company in respect of the placement of the cash with the asset management company.

   On 26 April 2016, the Company announced that Jinjiang Zhenxing Shoes & Plastics Co. Ltd., had on 6 April 2016 notified Jin Chuang to transfer all the funds. On 19 July 2016, the Company announced that the funds placed with Jin Chuang would be transferred into Jinjiang Zhenxing Shoes & Plastics Co. Ltd.'s bank account or a bank account nominated by Jinjiang Zhenxing Shoes & Plastics Co. Ltd., upon maturity.

   We were unable to obtain sufficient appropriate audit evidence on the cash and cash equivalents as at the end of the financial year. Therefore, we could not determine the effect of adjustment, if any, on the financial statements of the Group.

3. As disclosed in Note 25 to the financial statements, during and subsequent to the financial year, there were legal litigations brought by certain parties against Jinjiang Zhenxing Shoes & Plastics Co. Ltd., a subsidiary company of the Company, and Li Kwai Chun (李桂真), the President and Executive Director of the Company, on certain loan contracts. The management of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., is unable to provide the required information and comprehensive legal advice to assess the extent of liabilities, including contingent liabilities that may arise from these legal suits.

   On 19 July 2016, the Company announced that the Company is still waiting for the legal advice/opinion on any potential litigation claims from its solicitors in the People's Republic of China. Further announcement will be made upon the legal counsel revert with the opinion on any potential litigation claims.

   The President and Executive Director of the Company, Li Kwai Chun (李桂真) represented to the board that the said loan dispute was in fact involving herself as a personal guarantor and it should not involve Jinjiang Zhenxing Shoes & Plastics Co. Ltd., and she would be responsible for any losses arising, if any.

   Based on the above, the Company is of the view that no provision of liabilities, including the disclosure of contingent liabilities is required to be made in the financial statements.

   We were unable to obtain sufficient and appropriate audit evidence on the completeness of the liabilities including any contingent liabilities which has not been reliably assessed by the Group. Therefore, we could not determine the effect of adjustment, if any, on the financial statements of the Group.

4. As disclosed in Note 7(a) to the financial statements, on 12 November 2015, the Legal Representative of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., a subsidiary company of the Company, has been changed from Li Kwai Chun (李桂真), the President and Executive Director of the Company, to Zhuang Qiong Zhen (庄琼珍).

   On 3 March 2016 and 7 March 2016, the Company announced that the change of legal representative does not affect the control of business operation as the day to day operation is being managed by the respective Heads of Departments of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., as well as the official stamp of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., is kept in the custody of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., which is a best risks mitigation process in relation to the appointment of the new legal representative.

   Despite the absence of the assessment of the impact under MFRS 10 *Consolidated Financial Statements* on the change of Legal Representative, the Company is of the view that the Company is still in control of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., and therefore it is appropriate to consolidate the said subsidiary company, pursuant to MFRS 10 *Consolidated Financial Statements*.

   We were unable to obtain sufficient and appropriate audit evidence whether the Company is still in control of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., and on the appropriateness of the consolidation of the financial statements of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., as the impact of the change of the Legal Representative has not been assessed by the Company in accordance with MFRS 10 *Consolidated Financial Statements*. Therefore, we could not determine the effect of adjustment, if any, on the financial statements of the Group and the Company.

5. As disclosed in Note 9(b) to the financial statements, during the financial year, Jinjiang Zhenxing Shoes & Plastics Co. Ltd., a subsidiary company of the Company, advanced an amount of RM6.61 million (RMB10.00 million) to Jiayi Fujian Import & Export Trade Co. Ltd., (加怡(福建)进出口贸易有限公司) which is a company connected to the President and Executive Director of the Company, Li Kwai Chun (李桂真).

   The Company is of the view that no impairment is required for the said amount owing by Jiayi Fujian Import & Export Trade Co. Ltd..

   We were unable to obtain sufficient and appropriate audit evidence on the advance and the carrying amount of the amount owing by the other debtor as at 31 December 2015. The recoverability of the debt has not been reliably assessed by the Group to ensure the carrying amount are recorded in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*. Therefore, we could not determine the effect of adjustment, if any, on the financial statements of the Group.

6. (i) As disclosed in Notes 5(a) and 6 to the financial statements, the carrying amounts of capital work-in-progress and land use rights in a subsidiary company, Hebi City Yifu Plastics Product Co. Ltd., located at Henan Province, PRC amounted to RM46.31 million (RMB70.04 million) and RM36.78 million (RMB55.62 million) respectively. The main structure of capital work-in-progress has been completed. However, the management has no definite plan to complete fully the capital work-in-progress in view of the uncertain economic condition. The property ownership certificate has yet to be obtained. However, the recoverable amount of the capital work-in-progress and land use rights have not been reliably determined by the Company at this stage. The Company is of the view that no impairment is required on the carrying amount of the capital work-in-progress.

   (ii) As disclosed in Notes 5(b) and 6 to the financial statements, the carrying amount of the property, plant and equipment and land use rights pertaining to this property, plant and equipment of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., are RM38.48 million (RMB58.20 million) and RM2.65 million (RMB4.01 million) respectively. Subsequent to the end of the financial year, the subsidiary company of the Company, had ceased its factory operations. The management has not assessed the recoverable amount of the property, plant and equipment. The Company is of the view that no impairment is required on the carrying amount of the property, plant and equipment.

   We were unable to obtain sufficient appropriate audit evidence on the carrying amount of the property, plant and equipment and land use rights as at 31 December 2015 as the recoverable amount has not been reliably assessed by the Group in accordance with MFRS 136 *Impairment of Assets*. Therefore, we could not determine the effect of adjustment, if any, on the financial statements of the Group.

7. As disclosed in Note 7(b) to the financial statements, the audit of the subsidiary companies, namely Jinjiang Zhenxing Shoes & Plastics Co. Ltd., Maxwell (Xiamen) Co. Ltd., and Hebi City Yifu Plastics Product Co. Ltd., are unable to be completed due to insufficient documents and information, and no audited financial statements is available for the financial year ended 31 December 2015. The financial position and results of these subsidiary companies has been consolidated based on latest available management financial statements.

   We were unable to carry out procedures or to obtain information we consider necessary on the management financial statements of these subsidiary companies during our audit of the financial statements of the Group. Therefore, we could not determine the effect of adjustment, if any, on the financial statements of the Group.

8. As disclosed in Note 7(c) to the financial statements, included in carrying amount of investment in subsidiary companies is an amount of RM179.77 million representing the investment cost in Jinjiang Zhenxing Shoes & Plastics Co. Ltd..

   The Company is of the view that no impairment is required for the investment cost in Jinjiang Zhenxing Shoes & Plastics Co. Ltd., notwithstanding that Jinjiang Zhenxing Shoes & Plastics Co. Ltd., had ceased its factory operations subsequent to the end of the financial year.

   We were unable to obtain sufficient appropriate audit evidence on the carrying amount of the investment in subsidiary companies. Therefore, we could not determine the effect of adjustment, if any, on the financial statements of the Company.

9. As disclosed in Note 2.7 to the financial statements, the financial statements of the Group and of the Company have been prepared on the assumption that the Group and the Company will continue as going concerns. The application of the going concern basis is based on the assumption that the Group and the Company will be able to realise their assets and liquidate their liabilities in the normal course of business.

   During the financial year, the Group and the Company incurred net losses amounting to RM65,156,078 and RM9,813,905 respectively and recorded a negative operating cash flows of RM67,468,423 and RM22,612,165 respectively.

   Subsequent to the end of the financial year, a subsidiary company of the Company, Jinjiang Zhenxing Shoes & Plastics Co. Ltd., had ceased its factory operations.

   On 5 February 2016, we recommended to the Company that an investigative audit be commissioned on Advertising and Promotion Expenses (Note 19(a) to the financial statements), cash placed with an asset management company (Note 10(b) to the financial statements), litigation cases (Note 25 to the financial statements), the change of Legal Representative of a subsidiary company (Note 7(a) to the financial statements), advances to a debtor (Note 9(b) to the financial statements) and raised significant concerns from our audit findings. These issues may have a significant impact on the recorded assets, liabilities, income and expenses. The Company has yet to appoint an investigative auditor to investigate various significant issues as highlighted by us. These issues may have significant impacts on the financial statements of the Group and the Company. However, the financial statements has not taken into consideration the adjustments, if any, that may arise from an investigation.

   These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

   The ability of the Group and of the Company to continue as going concerns is dependent upon:

   (i) the timely and successful formulation and implementation of a regularisation plan taking into consideration the commission and completion of an investigation to determine the extent of any impact on the financial position of the Group and the Company;
   (ii) the Group and the Company achieving sustainable and viable operations; and
   (iii) the Group and the Company generating adequate cash flows for its operating activities.

   If these are not forthcoming, the application of the going concern concept may be inappropriate and adjustments may be required to, inter alia, write down assets to their immediate realisable value, reclassify all long term assets and liabilities as current and to provide for further costs which may arise.

   We were unable to obtain sufficient appropriate audit evidence regarding the ability of the Group and of the Company to achieve sustainable and viable operations and to generate adequate cash flows for its operating activities. The timely and successful formulation and implementation of a regularisation plan, including the commission and completion of an investigation, remain in doubt at the date of this report.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion. Accordingly we do not express an opinion on the financial statements.

Report on other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

(a) Because of the significance of the matters as described in the Basis for Disclaimer of Opinion paragraphs, we are unable to report whether the accounting and other records required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia. However, in our opinion, the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and the subsidiary company of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

(b) Because of the significance of the matters as described in the Basis for Disclaimer of Opinion paragraphs, we have not considered the financial statements and the audit reports of the subsidiary companies.

(c) Because of the significance of the matters as described in the Basis for Disclaimer of Opinion paragraphs, we are unable to report whether we are satisfied that the financial statements of the subsidiary companies 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 financial statements of the Group and whether we have received satisfactory information and explanations required by us for those purpose s.

(d) We are unable to report whether the audit reports on the financial statements of the subsidiary companies contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia, as the audit reports on the financial statements of the subsidiary companies are not available as at the date of this report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAXWELL INTERNATIONAL HOLDINGS BERHAD
(CONTINUED)

Other Reporting Responsibilities

The supplementary information set out in page 89 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad's Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we are unable to report as to whether the supplementary information is prepared, in all material aspects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Ng Boon Hiang
No. 2916/03/18(J)
Chartered Accountant

Kuala Lumpur

Date: 2 August 2016

LIST OF PROPERTIES

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

Name of Registered owner and Location	Description	Existing use	Tenure	Land area and/or gross floor area(sq m)	Net book value (RM)
Zhushuxia Industrial Zone, Jinjiang City, Fujian Province, PRC [1] (中国福建省晋江市竹树下工业区)	Land use right	Industrial use/ one (1) block of warehouse for storage of inventories	50 years from 31 March 2006 to 30 March 2056	626 /1,220	615,767
Zhushuxia Industrial Zone, Jinjiang City, Fujian Province, PRC[2] [3] (中国福建省晋江市竹树下工业区)	Land use right	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	Pending	15,318/ 17,076.2	2,036,229
South Wei 6 Road, East He Qi Dadao in Qixian County, Hebi City, Henan Province, PRC. (中国河南省鹤壁市淇县,纬六路南侧,鹤淇大道东侧)	Land use right	Industrial use/ construction of new factory building	50 years from 16 August 2013 to 6 June 2063	173,453.55/ NA [4]	36,776,344

NOTE:

(1) *The Planning and Construction and Housing Management Bureau of Jinjiang City ("PCHMB") (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, PCHMB had vide 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.*

As at 22 February 2011, there are no further developments on the application of the property ownership certificates. The PCHMB had via their letters dated 22 February 2011 further confirmed that there will be no legal obstacles to complete the procedures for the issuance of the property ownership certificates then. The Housing and Urban and Rural Construction Bureau of Jinjiang City ("HURCB") (晋江市住房和城乡建设局) (formerly known as Planning and Construction and Housing Management Bureau of Jinjiang City) had via their letters dated 25 January 2016 further confirmed that there will be no legal obstacles to complete the procedures for the issuance of the property ownership certificates.

(2) *By a letter dated 15 December 2009 the Villagers Committee of Zhushuxia 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 ("RELMB") (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 vide its letters dated 10 May 2010 and 25 January 2016 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.*

(3) *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 vide 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.*

As at 22 February 2011, there are no further developments on the application of the land use rights and property ownership certificates. The PCHMB and RELMB had via their letters dated 22 February 2011 further confirmed that there will be no legal obstacles to complete the procedures for the issuance of the land use rights and property ownership certificates. The Housing and Urban and Rural Construction Bureau of Jinjiang City ("HURCB") (晋江市住房和城乡建设局) (formerly known as Planning and Construction and Housing Management Bureau of Jinjiang City) had via their letters dated 25 January 2016 further confirmed that there will be no legal obstacles to complete the procedures for the issuance of the property ownership certificates.

(4) *N/A: not applicable*

ANALYSIS OF SHAREHOLDINGS

AS AT 30/6/2016

Authorised Share Capital	:	1,250,000,000
Issued and Fully Paid - Up - Capital	:	398,860,600 (excluding treasury shares of 1,139,400)
Class of Shares	:	Ordinary shares of RM0.40 each
Voting Rights	:	One vote per ordinary share
No. of Shareholders	:	1,933

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shareholdings	%
1 – 99	7	0.36	198	0.00
100 – 1,000	429	22.20	165,320	0.04
1,001 – 10,000	504	26.07	3,199,326	0.80
10,001 – 100,000	742	38.39	30,372,903	7.61
100,001 – 19,943,029*	250	12.93	146,844,807	36.82
19,943,030 AND ABOVE**	1	0.05	218,278,046	54.73
TOTAL	1,933	100.00	398,860,600	100.00

** Less than 5% of issued holdings*
*** 5% and above of issued holdings*

LIST OF DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Li Kwai Chun	232,650,433	58.33	0	0.00
Tam Fook Cheong	2	*0.00	0	0.00
Lim Wei Chien	0	0.00	0	0.00
Su DeMou	0	0.00	0	0.00

** Negligible*

LIST OF SUBSTANTIAL SHAREHOLDERS

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Li Kwai Chun	232,650,433	58.33	0	0.00

LIST OF TOP 30 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares Held	Percentage (%)
1	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK (HONG KONG) LIMITED (HK PVB CL AC)	218,278,046	54.73
2	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR UBS AG HONG KONG (FOREIGN)	14,372,387	3.60
3	RHB BANK (L) LTD	9,748,200	2.44

LIST OF TOP 30 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares Held	Percentage (%)
4	LEUNG SING KIT	4,215,900	1.06
5	LEE SEE JIN	4,143,200	1.04
6	CHONG KING CHUN	3,917,500	0.98
7	TANG WAN	3,882,500	0.97
8	CHEONG SIEW PARK	3,531,100	0.89
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TANG SING LING	2,382,900	0.60
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD TEOH KAI HING	2,265,300	0.57
11	TEH WENG KONG @ TENG WENG KONG	2,037,600	0.51
12	TEE AH SWEE	2,021,800	0.51
13	LEE YIH YEONG	1,927,900	0.48
14	CHEUNG WAI MEE	1,900,000	0.48
15	CHANG WEE YAP	1,880,000	0.47
16	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN VUN SU (8045771)	1,783,000	0.45
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG SENG GIAP (E-KDA)	1,753,100	0.44
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHOO SIAW LIM	1,742,800	0.44
19	HEE WAH CHIN	1,620,000	0.41
20	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG MOO LING	1,600,000	0.40
21	WONG YU @ WONG WING YU	1,600,000	0.40
22	CHIN AH SUN	1,590,200	0.40
23	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG MOO LING (M)	1,440,000	0.36
24	NG TIN CHOO	1,439,000	0.36
25	TAN CHEE KOON	1,400,000	0.35
26	MAH SIEW SEONG	1,338,000	0.34
27	TAN JOCK	1,263,000	0.32
28	TAN SIEW HOONG	1,224,000	0.31
29	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR TAN CHONG MENG	1,200,000	0.30
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD TAN SENG	1,200,000	0.30
	TOTAL	298,697,433	74.89

ANALYSIS OF WARRANTHOLDINGS

AS AT 30/6/2016

Warrants 2015/2020

No. of Warrants 2015/2020 issued	:	199,430,300
No. of Warrants 2015/2020 outstanding	:	199,430,300
Exercise Price of Warrants	:	RM0.40 per Warrant
Expiry date of Warrants	:	24/3/2020

DISTRIBUTION OF WARRANTHOLDINGS

Size of Holdings	No. of Warrantholders	%	No. of Warrantholdings	%
1 – 99	296	15.85	14,597	0.01
100 – 1,000	239	12.80	151,223	0.08
1,001 – 10,000	654	35.03	3,592,400	1.80
10,001 – 100,000	488	26.14	17,674,360	8.86
100,001 – 9,971,514*	188	10.07	120,644,720	60.49
9,971,515 AND ABOVE**	2	0.11	57,363,000	28.76
TOTAL	1,867	100.00	199,430,300	100.00

** Less than 5% of issued holdings*
*** 5% and above of issued holdings*

LIST OF DIRECTORS' WARRANTHOLDINGS

	Direct		Indirect	
	No. of Warrants	%	No. of Warrants	%
Li Kwai Chun	25	*0.00	0	0.00
Tam Fook Cheong	1	*0.00	0	0.00
Lim Wei Chien	0	0.00	0	0.00
Su DeMou	0	0.00	0	0.00

** Negligible*

LIST OF SUBSTANTIAL WARRANTHOLDERS

	Direct		Indirect	
	No. of Warrants	%	No. of Warrants	%
Chong Fong Yu	33,836,000	16.97	0	0.00
Lum Yin Mui	23,527,000	11.80	0	0.00

LIST OF TOP 30 WARRANTHOLDERS

No.	Name of Warrantholder	No. of Warrants Held	Percentage (%)
1	CHONG FONG YU	33,836,000	16.97
2	LUM YIN MUI	23,527,000	11.80
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TANG SING LING	5,015,400	2.51

LIST OF TOP 30 WARRANTHOLDERS

No.	Name of Warrantholder	No. of Warrants Held	Percentage (%)
4	RHB BANK (L) LTD	4,874,100	2.44
5	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHENG SIEW FONG	4,000,000	2.01
6	FOONG WAI CHEE	3,981,800	2.00
7	WEE LIONG SWEE	3,700,000	1.86
8	LUM FOOK SENG	3,625,000	1.82
9	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PEK KIAM KEK (MARGIN)	3,500,000	1.75
10	WONG KIM HAI	3,438,950	1.72
11	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KWONG MING KWEI (08KW032ZQ-008)	2,884,400	1.45
12	MAH KOK FOON	2,500,000	1.25
13	GAN BOON KIM	2,403,900	1.21
14	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAI LI CHONG (PENANG-CL)	2,373,500	1.19
15	ESMOND SIT BO SHENG	2,120,000	1.06
16	TEMBUSU GROWTH FUND LTD	2,023,020	1.01
17	CHIN CHEE HAUR	2,000,000	1.00
18	PAK LIEW MEI	1,950,000	0.98
19	LING KAU @ LIM HONG MEOW	1,782,100	0.89
20	PEK KIAM KEK	1,670,000	0.84
21	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOH SIEW ENG	1,430,000	0.72
22	DAN YOKE PYNG	1,350,000	0.68
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP SOON LEE (E-SS2)	1,207,100	0.61
24	LOKE CHOOI GAIK	1,102,700	0.55
25	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOH SIEW ENG	1,091,600	0.55
26	CHAI SEE BOON	1,040,000	0.52
27	ABDULLAH BIN MOHD SALLEH	1,000,000	0.50
28	CHANG VUI YIN	1,000,000	0.50
28	KONG FOOD KIM	1,000,000	0.50
30	LEE YIH YEONG	1,000,000	0.50
	TOTAL	122,426,570	61.39

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of the Company will be held at Dewan Putra Perdana 2 & Centre, Level 1, Putrajaya Shangri-La Hotel, Taman Putra Perdana, Presint 1, 62000 Wilayah Persekutuan, Putrajaya on Tuesday, 30 August 2016 at 3.00 p.m., for the following purposes :-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon. **Please refer to Note 1**

2. To approve the payment of Directors' fees for the financial year ended 31 December 2015. **Resolution 1**

3. To re-elect the following Directors who retire in accordance with the Company's Articles of Association and being eligible, offer themselves for re-election :-

   (a) Article 85 - Mr Tam Fook Cheong **Resolution 2**
   (b) Article 92 - Mr Su DeMou **Resolution 3**

4. To re-appoint Messrs Baker Tilly Monteiro Heng as the Auditors of the Company and to authorize the Board of Directors to fix their remuneration. **Resolution 4**

AS SPECIAL BUSINESS

5. To consider and, if thought fit, to pass the following Ordinary Resolution:-

   Proposed Resolution Pursuant to Section 132D of the Companies Act, 1965

   "THAT subject always to the Companies Act, 1965, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental and/or regulatory authorities (if any), the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue new shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued in any one financial year of the Company pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at the time of issue and that the Directors be also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company." **Resolution 5**

6. To transact any business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board,

WONG YOUN KIM
SIN MAY PENG
Company Secretaries

Dated this 5 August 2016
Kuala Lumpur

NOTES:

1. *Item 1 of the Agenda is meant for discussion only as under the provision of Section 169(1) of the Companies, Act 1965, the Audited Financial Statements do not require formal approval of the shareholders. Hence, this matter is not put forward for voting.*

2. *A proxy may but need not be a member of the Company and the provisions of Section 149 (1) (b) of the Companies Act, 1965 shall not apply to the Company.*

3. *To be valid, this form, duly completed must be deposited at the Registered Office of the Company not less than forty eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).*

4. *A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting provided that the provisions of Section 149 (1)(c) of the Companies Act, 1965 are complied with.*

5. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he or she specifies the proportion of his or her holdings to be represented by each proxy.*

6. *Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*

7. *If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.*

8. *Only depositors whose names appear in the Record of Depositors as at 23 August 2016 shall be entitled to attend the Seventh AGM.*

EXPLANATORY NOTES ON SPECIAL BUSINESS

The Ordinary Resolution proposed under item 5 above is a new mandate and if passed, will authorize the Directors of the Company to issue new shares up to a maximum ten percent (10%) of the total issued and paid-up share capital of the Company at the time of issue for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next AGM of the Company.

This mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. This mandate is also meant for any possible fund raising exercises including but not limited to further placement of shares, for purpose of funding current and/or future investment, working capital and/or acquisitions.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. The Seventh Annual General Meeting of the Company will be held at Dewan Putra Perdana 2 & Centre, Level 1, Putrajaya Shangri-La Hotel, Taman Putra Perdana, Presint 1, 62000 Wilayah Persekutuan, Putrajaya on Tuesday, 30 August 2016 at 3.00 p.m.

2. The Directors who are standing for re-election at the Seventh Annual General Meeting of the Company pursuant to the Articles of Association of the Company are :-

   (a) Article 85 - Mr Tam Fook Cheong
   (b) Article 92 - Mr Su DeMou

   The details of the above Directors seeking re-election are set out in the Profile of Directors as disclosed on pages 12 and 13 of this Annual Report.

   Mr Tam Fook Cheong's interests in the securities of the Company are set out in the List of Directors' Shareholdings and List of Directors' Warrantholdings on pages 98 and 100, respectively of the Annual Report.

   Mr Su DeMou does not have any interests in the securities of the Company and/or its related corporations.

This page intentionally left as blank

This page intentionally left as blank

MAXWELL INTERNATIONAL HOLDINGS BERHAD
(Company No. 877480-X)
(Incorporated in Malaysia)

PROXY FORM

I / We ____
(FULL NAME IN BLOCK LETTERS)

of ____

____
(FULL ADDRESS)

being a member/members of MAXWELL INTERNATIONAL HOLDINGS BERHAD, hereby appoint the following person(s) or failing him, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Seventh Annual General Meeting of the Company to be held at Dewan Putra Perdana 2 & Centre, Level 1, Putrajaya Shangri-La Hotel, Taman Putra Perdana, Presint 1, 62000 Wilayah Persekutuan, Putrajaya on Tuesday, 30 August 2016 at 3.00 p.m. and any adjournment thereof :-

Name of Proxy, NRIC No. & Address	No. of Shares to be represented by Proxy
1. Name : NRIC No. : Address :	
2. Name : NRIC No. : Address :	

NO.	RESOLUTION		FOR	AGAINST
1.	Approval of Directors' Fees	Resolution 1		
2.	Re-election of Directors :-			
	Mr Tam Fook Cheong	Resolution 2		
	Mr Su DeMou	Resolution 3		
3.	Re-appointment of Auditors :- Messrs Baker Tilly Monteiro Heng	Resolution 4		
4.	Approval for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965	Resolution 5		

Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast on the Resolutions specified in the Notice of Meeting. Unless voting instructions are indicated in the space above, the proxy will vote as he/she thinks fit.

Number of shares		CDS A/C No.	

________________________ Date

________________________ Signature

NOTES:

1. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. To be valid, this form, duly completed must be deposited at the Registered Office of the Company not less than forty eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).
3. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting provided that the provisions of Section 149 (1)(c) of the Companies Act, 1965 are complied with.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he or she specifies the proportion of his or her holdings to be represented by each proxy.
5. Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
7. Only depositors whose names appear in the Record of Depositors as at 23 August 2016 shall be entitled to attend the Seventh AGM.

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Company Secretary

MAXWELL INTERNATIONAL HOLDINGS BERHAD
(877480-X)

Level 2, Tower 1, Avenue 5, Bangsar South City,
59200 Kuala Lumpur

1st Fold Here