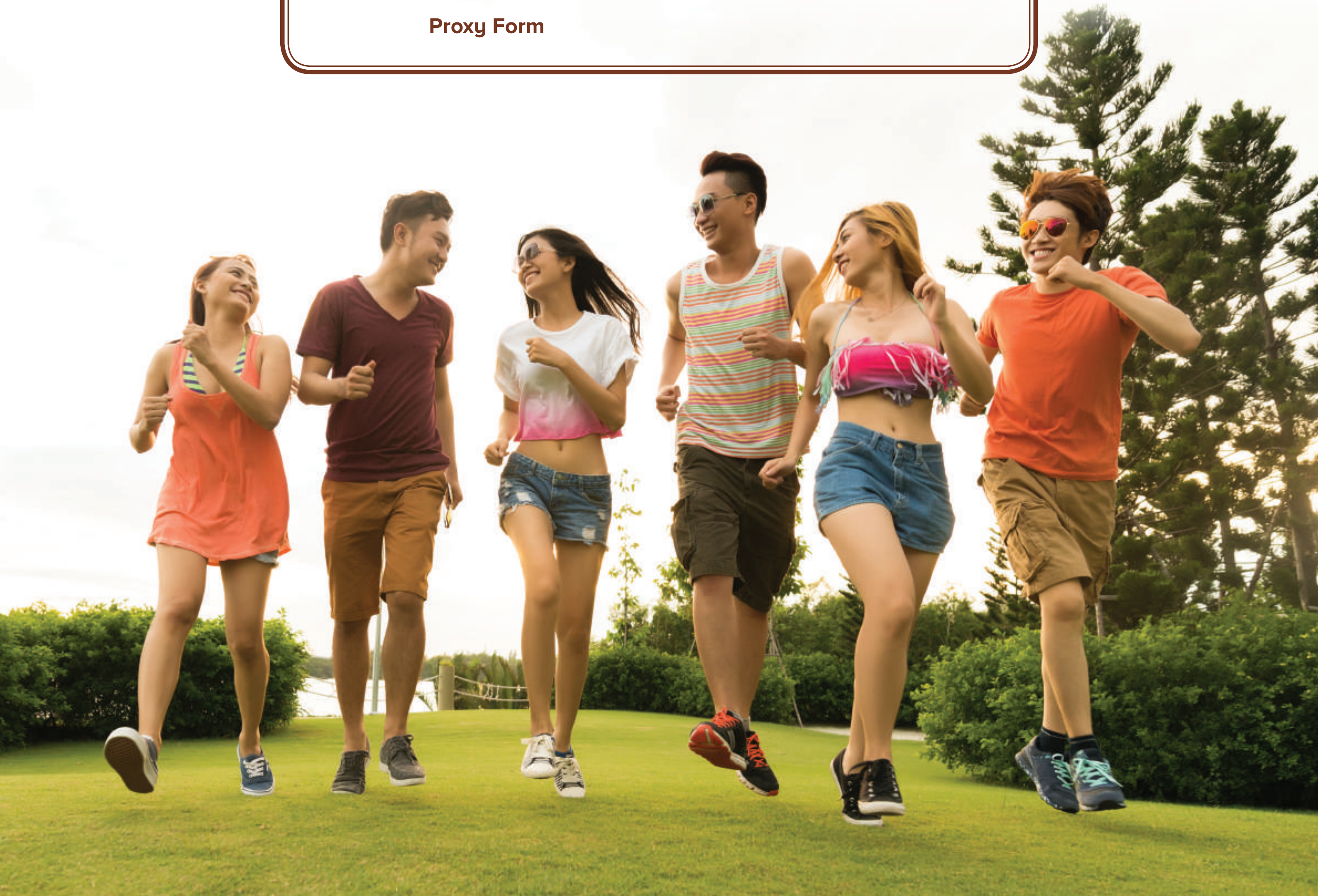
MAXWELL INTERNATIONAL HOLDINGS BERHAD
(Company No.: 877480-X)
(Incorporated in Malaysia)

Moving Forward

ANNUAL REPORT 2016

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

Contents



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)

(Incorporated in Malaysia)
Investment holding

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Li Kwai Chun
President and Executive Director

You Xi Liang
Executive Director
(appointed on 12 January 2017)

Yung Chi Man
Executive Director
(appointed on 12 January 2017)

Tam Fook Cheong
Independent Non-Executive Chairman

Lim Wei Chien
Independent Non-Executive Director

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

Lee Chong Hoe
Independent Non-Executive Director
(Resigned on 5 February 2016)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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
HSBC Bank Malaysia Berhad
Industrial and Commercial Bank of China

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)	2012	2013	2014	2015	2016
Revenue	412,286	297,840	230,337	194,152	14,086
EBITDA	105,140	59,264	28,458	(59,630)	(58,666)
Profit/(Loss) Before Taxation	104,313	57,623	26,564	(62,350)	(86,707)
Net Profit/(Loss) Attributable to Equity Holders	77,679	41,710	16,813	(65,156)	(86,707)
EBITDA Margin	25.50%	19.90%	12.36%	(30.71%)	(416.48%)
Profit/(Loss) Before Tax Margin	25.30%	19.35%	11.53%	(32.11%)	(615.56%)
Net Profit/(Loss) Margin	18.84%	14.00%	7.30%	(33.56%)	(615.55%)
Returns on Equity	20.48%	9.02%	3.37%	(12.70%)	(21.13%)
Returns on Asset	17.09%	8.11%	3.08%	(11.99%)	(20.81%)

SUMMARISED GROUP CASH FLOWS

For the Financial Year Ended 31 December (RM'000)	2012	2013	2014	2015	2016
Operating Profit/(Loss) Before Working Capital Changes	105,552	59,711	35,960	(62,360)	(2,202)
Net Cash Flows From Operating Activities	74,105	97,468	26,362	(67,468)	5,863
Net Cash Flows Used In Investing Activities	(31,891)	(15,548)	(25,320)	(5,188)	12
Net Cash Flows From/(Used In) Financing Activities	(5,557)	(866)	567	1,396	(2,068)
Net Increase/(Decrease) in Cash And Cash Equivalent	36,657	81,054	1,609	(71,259)	3,808
Cash And Cash Equivalent At Beginning Of Year	212,265	243,708	354,132	371,284	366,713
Effect Of The Exchange Rate Changes	(5,214)	29,370	15,543	66,688	(9,848)
Cash And Cash Equivalent At End Of Year	243,708	354,132	371,284	366,713	360,673

SUMMARISED GROUP BALANCE SHEET

As At 31 December (RM'000)	2012	2013	2014	2015	2016
Non-Current Assets	63,069	78,092	104,844	124,252	49,356
Current Assets	391,418	436,017	441,168	419,164	367,387
Total Assets	454,487	514,109	546,012	543,416	416,743
Share Capital	160,000	160,000	160,000	160,000	160,000
Reserves	219,233	302,656	339,315	352,849	250,300
Shareholders' Equity	379,233	462,656	499,315	512,849	410,300
Current Liabilities	75,254	51,453	46,698	30,567	6,443
Total equity and liabilities	454,487	514,109	546,012	543,416	416,743
Cash And Cash Equivalent	243,708	354,132	371,284	366,713	360,673
Total Borrowing	-	-	-	-	-
Gearing (net of cash)	Net cash	Net cash	Net cash	Net cash	Net cash

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

For the year ended 31 December 2016 ("FY2016"), the Group achieved lower revenue of RM14.086 million, which is 92.7% lower than the revenue of RM194.152 million registered for the year ended 31 December 2015 ("FY2015"). The decrease in revenue in FY2016 compared to FY2015 was mainly attributed to a lower quantity of sports shoes sold in 2016, where sales volume of sports shoes decreased for the past four financial years consecutively. The sales volume reduced from approximately 8.85 million pairs in FY2013 to approximately 5.77 million pairs in FY2014, thereafter, dropped to approximately 5.03 million pairs and 0.45 million pairs in FY2015 and FY2016 respectively. The manufacturing of sports shoes has ceased from production since second quarter of financial year 2016.

In FY2016, the Group registered gross loss and loss before tax at RM0.122 million and RM86.708 million respectively, compared to the gross profit of RM14.512 million and loss before tax of RM62.349 million achieved in FY2015. This had led the Group to register net loss attributable to the owners of the Company at RM86.707 million in FY2016 compared to the previous year's net loss attributable to the owners of the Company at RM65.156 million.

The losses registered in FY2016 was mainly attributed to the sharp increase of other operating expenses incurred in FY2016 (2016: RM84.120 million vs. 2015: RM9.014 million) where a huge sum of expenses was incurred by the Group on impairment of property, plant and equipment, impairment of land use rights and impairment of trade receivables which collectively amounting to RM83.505 million after OEM & ODM of sports shoes have ceased operation. This translated into loss per share of 21.74 sen for FY2016 against FY2015 loss per share of 16.38 sen, based on the weighted average number of ordinary shares in issue for each financial year.

FINANCIAL POSITION

The shareholders' fund of the Group was RM410.300 million (2015: RM512.849 million) as at the end of 2016 which translated into net assets per share attributable to equity holders of the Company at RM1.03 (2015: RM1.29) as at the end of 2016, based on the adjusted number of ordinary shares (excluding treasury shares). (Note)

The Group owned a cash and cash equivalents of RM360.673 million (2015: RM366.713 million) with zero debt as at the end of the financial year 2016. The Group has been in net cash position for the past 6 financial years since it was listed on the Main Market of Bursa Malaysia Securities Berhad back in 2011.

FINANCIAL LIQUIDITY

The Group registered a net operating cash inflow of RM5.863 million for the 12-month period for the year ended 31 December 2016, against a net operating cash outflow of RM67.468 million for the 12-month period for the year ended 31 December 2015. The sharp reverse into operating cash inflow in FY2016 was mainly attributed to one off non cash expenses, such as, impairment of property, plant and equipment (RM50.278 million), impairment of land use rights (RM16.661 million), impairment of trade receivables (RM16.566 million) and improved in collection of receivables (RM28.467 million).

The Group registered a much lower net investing cash outflow of RM0.012 million for the 12-month period for the year ended 31 December 2016, against a higher net investing cash outflow of RM5.187 million for the 12-month period for the year ended 31 December 2015. This was mainly due to the Group has stopped from expanding its new manufacturing operation in Henan Province of China and stopped from purchase significant amount of new property, plant and equipment in FY2016. The Group registered a net financing cash outflow of RM2.068 million for the 12-month period for the year ended 31 December 2016 against a net financing cash inflow of RM1.396 million for the 12-month period for the year ended 31 December 2015.

Overall, the Group registered a net increase in cash and cash equivalent of RM3.808 million in FY2016 compared to a substantial net decrease in cash and cash equivalent of RM71.259 million in FY2015. The cash and cash equivalent at the end of financial year 2016 at RM360.673 million against RM366.712 million at the end of financial year 2015. 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.

Note: Based on the issued share capital (excluding treasury shares) of 397,860,600 shares as at 31 December 2015.Based on the issued share capital (excluding treasury shares) of 398,860,600 shares as at 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2016 CORE BUSINESS OPERATION REVIEW

The Group's revenue which declined at 92.7% y-o-y is in line with the Group's decrease in sales volume of our core products from 5.03 million pairs of sports shoes sold in FY2015 to 0.45 million pairs of sports shoes sold in FY2016. The total number of pairs sold in FY2016 decreased by 91.1% y-o-y compared to the previous financial year. This decrease was mainly attributed to all the production facilities of Jinjiang Zhenxing Shoes & Plastics Co., Ltd located in Fujian Province of China had ceased its operation since second quarter of 2016.

Prior to cessation of operation, the appreciation of China Yuan against foreign currencies over the years have made Company manufactured sports shoes became increasingly expensive as the Company is exporting majority of its finished goods to overseas countries. Many of the Company's overseas customers have gradually diverted their purchase orders to other lower production cost developing countries in other parts of Asia region, such as Vietnam and Cambodia, which led to smaller sales order was able secured by the Company in the past one to two years. The operating environment became increasingly difficult while the workers' wages have increased tremendously in coastal areas which led to appreciation of production cost over the years. The sports shoes industry in Southern China is facing an over capacity dilemma coupled with fierce competition amongst key players in the market place, this has led the average selling price for every pair of sports shoes sold by the Company dropped from RMB61.96 per pair in FY2015 to RMB50.25 per pair in FY2016, a decrease of 18.9% y-o-y. After closing down the factory operation in Jinjiang, Fujian Province, the factory is remains idle at this moment.

The Group recorded loss before taxation of RM86.708 million in FY2016 against loss before taxation of RM62.349 million in FY2015. While the losses incurred in FY2015 were mainly due to sharp increase of selling and distribution expenses (RM63.155 million) and administrative expenses (RM15.318 million), the losses incurred in FY2016 were mainly due to other operating expenses ballooned from RM9.014 million in previous year to RM84.120 million in current financial year. The major part of other operating expenses incurred in FY2016 was contributed by impairment of property, plant and equipment (RM50.278 million), impairment of land use rights (RM16.661 million) and impairment of trade receivables (RM16.566 million).

Selling and distribution expenses comprise mainly salaries, exhibition & promotion, design and development, testing and other related expenses. In fact, between FY2015 and FY2016, the overall selling and distribution expenses decreased by approximately RM62.842 million from RM63.155 million in FY2015 to RM0.313 million in FY 2016. The decrease was mainly due to the Group loss making fashion distribution and retailing business has ceased operation in 2015. Administrative expenses comprises mainly salaries and staff-related expenses of general administrative staff, depreciation charges for buildings and office equipment, amortisation of land use rights, telecommunication expenses, rental expenses and other general office overheads. Between FY2015 and FY2016, the overall administrative expenses decreased by approximately RM10.411 million from RM15.318 million in FY2015 to RM4.907 million in FY2016. The decrease was mainly due to loss making fashion retailing business and sports shoes manufacturing business have both ceased operation. While pending restructuring of the Group core business, the Group has no immediate intention and plan to revive the production of sports shoes in the immediate near future.

UPDATE ON NEW FACTORY EXPANSION PLAN

The Group has initially plan to construct a new factory premise with a total floor area of approximately 120,000 square meters in Henan Province, the People's Republic of China, since May 2013. However, due to over capacity scenario experienced by sports shoes manufacturing industry in China, we only completed phase 1 of our expansion plan which comprise a new factory and a worker hostel with combined floor area of approximately 35,000 square meters. Phase 1 of our new factory development plan was completed up to approximately 95% and we have put on hold since end of 2015 due to uncertain economic situation in China. The new factory building in Henan Province is remains vacant without installation of any new production lines, machinery and equipment, while pending restructuring of the Group. This move is essential in tougher market condition faced by the Company at this critical moment.

REGULARISATION AND RESTRUCTURING PLANS

The Group's audited consolidated financial statements for the financial year ended 31 December 2015 have been audited. However, it was disclaimer of opinion in the auditors' report. The Company has triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1 (d) of Practice Note 17 ("PN17") under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The PN17 criteria was triggered after the Auditors have expressed a disclaimer opinion in the Company's latest audited financial statements for the financial year ended 31 December 2015. The Group made an announcement to Bursa Malaysia on 2 August 2016 to declare it has become a PN17 entity.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

REGULARISATION AND RESTRUCTURING PLANS (ontinued)

The Group will have a 12 months period to regularise its business subject to obtaining the necessary approvals from the authorities. We are still actively identifying strategic businesses that could potentially enhance the future revenue and earnings of the Group. Moving forward, the Group is endeavours to acquire other alternatives source of revenues that shall bring the Company stable and sustainable income in the near future. The Board of Directors is fully aware of the toughness and the challenges we have to face in order to revive the company. We shall remain committed to ensure the success in any implementation that we shall go through in the very near future.

Indeed due to the prolonged loss in trading position, the Company decided to cease its sports shoes operations from second quarter 2016 onward while focuses our efforts on the Company's regularisation and restructuring plans to uplift its PN 17 status. The Board of Director wishes to inform all the shareholders that we are actively exploring all possible options to revive the Company and its business operation.

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: 27 April 2017

PROFILE OF DIRECTORS

Li Kwai Chun

Li Kwai Chun, a citizen of Hong Kong, aged 59, 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 28 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 64, 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 28 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

PROFILE OF DIRECTORS (CONTINUED)

You Xi Liang

You Xi Liang, Chinese (PRC), aged 54, was appointed as our Executive Director on 12 January 2017. He holds a Bachelor's Degree in Automation and Quality Control from Yahshan University (former nome: Northeast Heavy Machinery Institure). Mr. You is a chairman and founder of PRC Fortune Group Limited, commodity trader, owner and operator of a Chromium mine in Philippine. Mr. You has extensive experience in commodity trading, especially import/export of Southeast Asia market and China region. Mr. You has over 30 years' experience in senior management of companies and factories.

Mr. You 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 28 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Yung Chi Man

Yung Chi Man, a citizen of Hong Kong, aged 42, was appointed as our Executive Director on 12 January 2017. He holds a Bachelor degree in E-Commerce and Marketing from Curtin University of Technology, Australia. Mr. Yung has extensive experience in the trading, mining and corporate finance industry for about 20 years and was a general manager in China region of a gold mining company (a company listed in the Hong Kong Stock Exchange) from 2012 to April 2013.

Mr. Yung 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 28 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 40, 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 28 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Su DeMou

Su DeMou, Chinese (PRC), aged 54, 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 28 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"), particularly the numerous problems faced by the Group after being placed under Practice Note 17 ("PN17") of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR"). However, the Board of Directors will endeavour to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging their responsibility.

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 ("MCCG 2012") are observed and practised throughout the Group to safeguard the stakeholders' interests and to enhance the shareholders' value.

Pursuant to the MMLR of 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. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and Management

The Board is responsible for overseeing and overall management of the Company and the Group, whilst the Management is responsible for the day-to-day operations of the business and effective implementation of Board's decisions.

The Board, in carrying out its stewardship responsibility, has delegated certain responsibilities to the Audit Committee, Nomination Committee and Remuneration Committee. All committees have clearly defined terms of reference. The Chairman of the various committees will report to the Board the outcome of the committee meetings. The ultimate responsibility for the final decision on all matters, however, rests with the entire Board.

To facilitate expeditious decisions, the Board has delegated certain functions to the Management. The Management is duly authorised by the Board to approve business, operational and administrative decisions, review business strategies and operations and ensure adherence to policies and strategies approved by the Board.

1.2 Clear Roles and Responsibilities of the Board

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 as well as development of investor relations programme and shareholders' policy.

In the pursuit of its commitment to MCCG 2012, the Board has established a Board Charter to ensure that all Board members are aware of their fiduciary duties and responsibilities, various legislations and regulations affecting their conduct, the need for safeguarding the interests of the shareholders, customers and other stakeholders and that highest standards of corporate governance are applied in all their dealings in respect and on behalf of the Company.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONTINUED)

1.2 Clear Roles and Responsibilities of the Board (continued)

The Board has the following responsibilities, which facilitate the discharge of the Board's stewardship responsibilities in the best interest of the Group:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensure the implementation of appropriate systems to manage these risks;
  Succession planning, including appointing, training, determining the compensation and, where appropriate, replacing senior management;
- Developing and implementing an investor relations programme and shareholders' communications policy for the Group; and
- Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board is charged with, among others, the development of corporate objectives, the review and approval of corporate plans, annual budgets, major investments and financial decisions, and changes to the management and control structure within the Group including key risk management, financial and operational policies.

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.

1.3 Board Composition and Balance

The Board currently consists of six (6) members, comprising three (3) Executive Directors, 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 Executive Directors 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.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONTINUED)

1.3 Board Composition and Balance (continued)

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.

1.4 Board Meeting, Supply of Information and Time Commitment

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 meetings to ensure the Directors have sufficient time to obtain further information and explanation, where necessary, before the meetings so as to enable them to duly discharge their duties.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities.

During the financial year under review, twelve (12) 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	12	11
Tam Fook Cheong	12	12
Lim Wei Chien	12	12
Su DeMou *(appointed on 05/05/2016)*	7	6
Lee Chong Hoe *(resigned on 05/02/2016)*	N/A	N/A
You XiLiang *(appointed on 12/01/2017)*	N/A	N/A
Yung Chi Man *(appointed on 12/01/2017)*	N/A	N/A

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 Secretaries 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. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONTINUED)

1.5 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 are Audit Committee, Remuneration Committee and Nomination Committee.

I. AUDIT COMMITTEE

The information on the Audit Committee is set out in the Audit Committee Report on and its Terms of Reference are available on the Company's website at www.maxwellinternational.com.my.

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.

II. NOMINATION COMMITTEE

The Nomination Committee is primarily empowered by its Terms of Reference in carrying out the functions amongst others, to review annually the required skills, qualification and expertise that would add value to the Board; and to recommend new appointments, if any, to the Board as well as reviewing on an annual basis the appropriate balance and size of non-executive participation.

In the review of the mix of skills and experience, including core competencies and qualities that Non-Executive Directors should bring to the Board, the Committee shall assess the Non-Executive Directors' understanding of the business environment and the willingness to devote adequate time and commitment to attend to their duties and responsibilities in order for the Board to function effectively.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONTINUED)

1.5 Appointment to the Board (continued)

II. NOMINATION COMMITTEE (continued)

In the assessment and selection of candidate for new appointment, consideration shall be taken on the achievement of the candidate's personal career, integrity, independence, ability to make independent and analytical inquiries, ability to work as a team to support the Board, the required skill, qualification and expertise time commitment.

The Board as a whole makes all decision on appointments after considering the recommendations of the Nomination Committee.

The Nomination Committee met once during the financial year ended 31 December 2016 and the meeting was attended by all the members.

The following were deliberated during the meeting:-

(a) reviewed, assessed and appraised individual Director, Board Committees and the Board as a whole, the effectiveness of the Board and the contribution of each individual Director, including the required mix of skills and core competencies necessary for the Board to discharge its duties effectively; and the independence of the Independent Directors; and
(b) discussed the retirement by rotation of directors at annual general meetings.

1.6 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 annual general meeting at which he retires and shall be eligible for re-election.

1.7 Board Gender Diversity Policy

The Board is supportive of gender diversity and has achieved its target of having at least one female on its Board.

The Board also endeavours to have diversity of Board and its workforce in terms of experience, qualification, ethnicity, nationality and age.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONTINUED)

1.8 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 have attended the Mandatory Accreditation Programme in accordance with the MMLR 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. The training needs of Directors would be assessed and proposed by the individual Director. Each Director determines the areas of training that he or she may require for personal development as a Director or as a member of a Board Committee.

During the financial year ended 31 December 2016, all the Directors were updated on the MMLR of Bursa Securities, Companies Act and accounting standards by the External Auditors and Company Secretary.

1.9 Independence of Directors

The Nomination Committee reviews the independence of each Independent Director on an annual basis based on the criteria under the definition of Independent Director as stated in the MMLR of Bursa Securities. The Nomination Committee is of the view that the three (3) Independent Directors are independent and provide a strong and independent element on the Board as they are able to provide an element of objectivity to the decision making process of the Board.

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.

1.10 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.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONTINUED)

1.11 Board Charter

The Board has formulated and adopted a charter (Board Charter) on 27 November 2013. The Board Charter sets out the composition, roles and responsibilities and processes of the Board. The conduct of the Board is also governed by the Bye-laws of the Company.

The Board Charter, which serves as a strategic guidance and effective oversight of management, is also intended to provide a concise overview of:

(a) clarification of the roles and responsibilities of the Board, individual director, Executive Director/Chief Executive Officer and management to facilitate the Board, individual director, Executive Director/Chief Executive Officer and management's accountability to the Company and its shareholders;

(b) delegation of authority by the Board to various committees established in assisting the Board to execute its duties and responsibilities; and

(c) Board operating procedures and practices pertaining to meetings, training and development, code of conduct and declarations on conflicts of interest.

The Board Charter is accessible through the Company's website at www.maxwellinternational.com.my.

1.12 Qualified and Competent Company Secretaries

The Board is satisfied with the performance and support rendered by the Company Secretaries who are qualified to act as Company Secretaries under the Companies Act, 2016, to the Board in the discharge of its functions. The Company Secretaries ensure that all Board meetings are properly convened, and that proper record of the proceedings and resolutions passed are recorded and maintained in the statutory register of the Company. The Company Secretaries also keep abreast of the evolving capital market environment, regulatory changes and developments in Corporate Governance through continuous training and update the Board timely.

1.13 Access to Information and Advice

All scheduled meetings held during the year were preceded by a notice issued by the Company Secretary. The Executive Directors will ensures that all Directors have full and timely access to information, with Board Papers distributed ahead of meetings. The notice for each of the meeting is accompanied by the minutes of preceding Board meeting, together with relevant information and documents for matters on the agenda to enable the Directors to consider and deliberate knowledgeably on issues and facilitate informed decision making.

The Directors have access to all information within the Group in furtherance of their duties. They also have access to the advice and services of the Company Secretaries, independent professionals and management as and when required.

1.14 Formalised Ethical Standards through Code of Conduct

The Group has in place a Code of Conduct to govern the standard of ethics and good conduct of the Directors. The Code of Conduct for Directors includes principles relating to their duties, conflict of interest and dealings in securities.

The Code of Conduct is available at the Company's website at www.maxwellinternational.com.my

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

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 Policies and Procedure

The Remuneration Committee ("RC") which is a sub-committee of the Board was appointed by the Board from amongst the Directors of the Company and in accordance with the Code consists exclusively or a majority of Non-Executive Directors.

The RC comprises three (3) members of one (1) Executive Director and two (2) Independent Non-Executive Directors.

The responsibilities and duties of the RC are to review and recommend to the Board of Directors the remuneration packages of Executive Directors and the terms of employment of the Executive Directors. The Executive Directors do not participate in any way in determining his/her own remuneration.

The remuneration including fees and benefits of Non-Executive Directors are to be determined by the Board of Directors as a whole subject to approval of the shareholders at general meeting.

The RC meets at least once a year or when necessary.

During the financial year ended 31 December 2016, the RC met and had reviewed the remuneration package of the President and Executive Director. The meeting was attended by all the members. It was concluded at the RC meeting that in view of the current situation of the Group, the President and Executive Director would not receive any remuneration during the year.

2.3 Disclosure

The aggregated annual remuneration paid or payable to all Directors for the year ended 31 December 2016 by the Group are as follows :-

Directors	Fees* RM	Salaries (including bonuses & EPF) RM	Benefits in-kind RM	Allowances RM	Total RM
Executive Directors:					
Received from the Company	-	-	-	-	-
Received from subsidiaries of the Group	-	-	-	-	-
Non-Executive Directors:					
Received from the Company	**125,000**	-	-	-	**125,000**
Received from subsidiaries of the Group	-	-	-	-	-

* Subject to approval by shareholders at the AGM.

2. DIRECTORS' REMUNERATION (CONTINUED)

2.3 Disclosure (continued)

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
RM50,001 – RM100,000	-	3
RM100,001 – RM150,000	-	-

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 to the public at Bursa Securities' website at http://www.bursamalaysia.com.

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.

In compliance with the MMLR of Bursa Securities, voting for all resolutions tabled at the 7th AGM of the Company held on 30 August 2016 was conducted by poll instead of voting by show of hands as practised previously.

Poll voting more accurately and fairly reflects shareholders' views by ensuring that every vote is recognized, in accordance with the "one share one vote" principle which enforces greater shareholders' rights.

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 Relationship with and Assessment of External 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.

The Company through the Audit Committee, has an appropriate and transparent relationship with the external auditors. Audit Committee meetings are attended by the External Auditors for purposes of presenting their audit plan and report and for presenting their comments on the audited financial statements.

The Audit Committee also meets with the External Auditors to discuss their audit scope, methodology and preliminary audit risk assessment; new accounting standards and its financial and disclosure impact; audit findings and their views in respect of the integrity of the Company's financial statements. During the financial year under review, two (2) private meetings were held without the presence of executive Board members and management of the Company. In addition to this, External Auditors also attend Annual General Meetings of the Company and are available to answer shareholders' questions on the audited financial statements of the Company.

The Audit Committee undertakes an annual assessment of suitability and independence of the external auditors. The Audit Committee assessed the performance of the external auditors based on the criteria such as professional knowledge and competency, ability to meet deadlines, quality and human resource allocated to perform audit, work method used and cost of audit, the Audit Committee recommended their re-appointment decision to the Board, upon which the shareholders' approval will be sought at the Annual General Meeting.

4.3 Risk Management and Internal Controls

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

The Board with the assistance of the Audit Committee and the outsourced internal function would identify, evaluate and manage the significant risks faced by the core business of the Group.

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

4. ACCOUNTABILITY AND AUDIT (CONTINUED)

4.3 Risk Management and Internal Controls (continued)

The internal audit function of the Group is outsourced to an external consultant who reports directly to the Audit Committee. The Audit Committee reviews and approves the internal audit plan, which is developed based on the key risk areas of the Group. Audit reviews and its findings were reported to the Audit Committee. Further details of the activities of the internal audit function are set out in the Audit Committee Report of this Annual Report.

5. COMPLIANCE WITH THE CODE

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.

Deviation from the Code is explained above under Section 1.3 “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.

During the year, the Group faced many challenges and limitations among which are its PN17 status and ceased business operations.

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.

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.

Risks arising from the Group's financial operations are separately discussed in Note 78 to the Financial Statements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

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 in PRC. The Audit Committee is responsible to review and discuss with the management on the issues highlighted by the internal auditors, whenever necessary.

REVIEW OF STATEMENT BY EXTERNAL AUDITOR

The external auditors have reviewed this Statement on Risk Management and Internal Controls for inclusion in the Group's annual report for the financial year ended 31 December 2016 and reported to the Board that nothing has come to their attention, except for those highlighted in the notes to the financial statements, that causes them to believe that the Statement on Risk Management and Internal Controls intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

CONCLUSION

The system of risk management and internal control described in this statement are considered appropriate to the business operations. It should be noted that such arrangements do not eliminate the possibility of collusion or deliberate circumvention of procedures by employees. Human error and/or other unforeseen circumstances can result in poor judgment. There will be continual focus on measures to protect and enhance Shareholder value and business sustainability.

The main OEM/ODM business had been ceased operation during the year, the Board understands the challenges it faces in light of the Company's status under PN 17 of Bursa Securities Listing Requirements and the pending regularisation plan. The existing structure of controls and operations will be continuously and gradually improved upon successfully restructuring the business operation by injecting new business into the Group, to ensure they remain adequate and appropriate to the Company's and Group's situation. The Board remains committed to maintain a sound system of internal control and will, when necessary, put in place actions to continuously improve and enhance the Group's system of internal control.

This Statement was made in accordance with a resolution of the Board dated 27 April 2017.

AUDIT COMMITTEE REPORT

COMPOSITION

The Audit Committee ("AC") was established to act as a committee of the Board of Directors and comprises exclusively of Non-Executive Directors of no fewer than three members, the majority of whom must be independent with at least one member who complies with Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The AC is guided by its Terms of Reference ("TOR") which can be viewed on the Company's website at www.maxwellinternational.com.my.

MEMBERSHIP AND MEETINGS

Name	Designation	Directorship	Attendance at AC Meetings
Tam Fook Cheong	Chairman	Independent Non-Executive Chairman	12/12
Lim Wei Chien	Member	Independent Non-Executive Director	12/12
Su DeMou *(appointed on 05/05/2016)*	Member	Independent Non-Executive Director	5/6
Lee Chong Hoe *(resigned on 05/02/2016)*	Member	Independent Non-Executive Director	1/1

Whilst the AC's TOR requires the AC to meet at least four (4) times in each financial year end, the AC met twelve (12) times during the financial year ended 31 December 2016. The Company Secretaries was in attendance during the meetings and the Chief Financial Officer ("CFO"), Internal Auditors and External Auditors, if necessary, were invited to the meetings to deliberate on matters within their preview.

After each meeting, the AC Chairman reports on matters deliberated to the Board for their notation. Matters reserved for Board approvals are tabled at Board meetings, and decisions by the Board and actions required are forwarded to the management for their action.

SUMMARY OF ACTIVITIES

The following activities were carried out by the AC during the year ended 31 December 2016 in the discharge of its functions and duties to meet its responsibilities :-

Financial Reporting

(a) reviewed and deliberated on the unaudited quarterly financial results and audited financial statements of the Group;

(b) deliberated on significant matters/issues raised by external auditors including reporting issues, significant judgments made by Executive Management, significant and unusual events or transactions and management's responses and updates on actions recommended by the external auditors for improvement;

(c) continuously monitored the progress of the preparation and finalization of the audited financial statements of the Company via emails and telephone calls to the Management and also consistently reminded the Management to finalise the audited financial statements of the Company on a weekly basis;

(d) deliberated on significant matters/issues raised by external auditors including reporting issues, significant judgments made by Executive Management, significant and unusual events or transactions and management's responses and updates on actions recommended by the external auditors for improvement;

SUMMARY OF ACTIVITIES (CONTINUED)

Financial Reporting (continued)

(e) held discussions amongst the independent directors and the Management to review the progress of the preparation of the audited financial statements;

(f) consistently reminded the Management and executive director of Maxwell to carry out an investigative audit on certain issues raised by the external auditors;

(g) expressly made known to the Management of the independent director's dissatisfaction on the delay of the finalisation of the audited financial statements;

(h) continuously request the executive director to:

  (i) lodge a report with the relevant authorities with regards to 6 advertising companies;

  (ii) take steps to recover all advertisement expenses paid by Jinjiang Zhenxing Shoes & Plastics Co. Ltd. to Maxwell (Xiamen) Co. Ltd.;

  (iii) take steps to recover the cash deposit placed with the asset management company (Jinjiang Jin Chuang Private Capital Management Co. Ltd) since the tenure for the placement of the cash deposit has expired; and

  (iv) resolve the disclaimer opinion issued by the external auditors, Messrs Baker Tilly Monteiro Heng and all the audit issues in relation thereto.

(i) reviewed the accounting treatments, financial reporting and disclosures to ensure compliance with the Companies Act, 1965, the MMLR of Bursa Securities, and applicable accounting standards in Malaysia; and

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

External Audit

(a) reviewed and communicated with the external auditors on their audit plan, scope of work, areas of audit focus on key audit matters, their audit review memorandum as a results of their examinations and their recommendations, the auditors' report and management responses/letters as well as status updates on action in relation to the audit and accounting issues arising from the audit and report the same to the Board;

(b) discussed with the external auditors on a weekly basis to check on the progress of the preparation of the audited financial statements and attempt to resolve any issues that may have caused the delay in the issuance of the Annual Report;

(c) conducted private two (2) meetings with the external auditors without the presence of the Executive Management;

(d) reviewed and briefed by the external auditors updates on the amendments to the MMLR of Bursa Securities, Companies Act and applicable accounting standards in Malaysia; and

(e) reviewed and assessed the suitability of the external auditors and their remuneration.

AUDIT COMMITTEE REPORT (CONTINUED)

SUMMARY OF ACTIVITIES (CONTINUED)

External Audit (continued)

The audit and non-audit fees for the financial year ended 31 December 2016 were as follows :-

	2016		2015	
	Group RM	Company RM	Group RM	Company RM
Audit fees	214,418	200,000	220,414	200,000
Non-audit fees	10,000	10,000	10,000	10,000
Total	314,418	210,000	230,414	210,000

Internal Audit

The audit and non-audit fees for the financial year ended 31 December 2016 were as follows :-

(a) 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;

(b) 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.

For the financial year ended 31 December 2016, the internal audit review was on key areas for cash and bank disbursement & others for the Group.

Risk Management

(a) reviewed financial performance of the Group to ensure that appropriate measures were taken to address any significant risks;

(b) reviewed the adequacy and effectiveness of risk management process in identifying and assessing risks within the Group and determined whether the necessary resources and systems are in place for implementing and addressing the risks; and

(c) At the Audit Committee meeting held in October 2016, the Audit Committee had requested for audit on seven (7) significant high risk areas.

Annual Report

(a) implemented certain milestones and deadlines for the Management to comply with and to resolve the audit issues raised by the external auditors so as to not delay the issuance of the Annual Report;

(b) issued board directives to the Management to resolve the audit issues raised by the external auditor and imposing deadlines so as to not delay the issuance of the Annual Report; and

(c) Reviewed the Audit Committee Report and Statement of Corporate Governance, Statement of Risk Management and Internal Control and recommended to the Board for inclusion in the Annual Report.

AUDIT COMMITTEE REPORT (CONTINUED)

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 year ended 31 December 2016. 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.

The 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. The 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 internal audit activities carried out for the financial year ended 31 December 2016 include the following:

(i) Reviewed the system of internal controls and key areas for cash and bank disbursement & others for the Group;

(ii) Issued reports incorporating internal audit findings, audit recommendations and management response; and

(iii) Attended Audit Committee meetings to table and discuss the internal audit reports on matter raised.

At the Audit Committee meeting held in October 2016, the Audit Committee had requested for audit on seven (7) significant high risk areas.

The costs incurred for the internal audit function in respect of the financial year ended 31 December 2016 was RM22,000.

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 31.3.2017 RM'000	Deviation Amount RM'000	Remark
Expansion of our production capacity and upgrading of existing production facilities	72 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. 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.

3. CONTRACT RELATING TO LOAN BY THE COMPANY

There is no contract relating to loan by the Company.

4. REVALUATION POLICY ON LANDED PROPERTIES

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

5. CONFLICT OF INTEREST WITH THE COMPANY

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

6. RECURRENT RELATED PARTY TRANSACTIONS

There were no transactions with related parties undertaken by the Group during the financial year as disclosed in Note 82 to the financial statements contained in this Annual Report.

ADDITIONAL CORPORATE DISCLOSURES (CONTINUED)

7. 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 was not involved 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 main OEM/ODM business had been ceased operation during the year, the Group understands the challenges it faces in light of the Company's status under PN 17 of Bursa Securities Listing Requirements and the pending regularisation plan.

The following sustainability issues will 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.

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.

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 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries 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
Loss for the financial year, net of tax	(86,707,053)	(1,346,765)
Attributable to:		
Owners of the Company	(86,707,053)	(1,346,765)

DIVIDENDS

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

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2016.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the statements of 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 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.

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.

DIRECTORS' REPORT (CONTINUED)

VALUATION METHODS

Other than as disclosed in the financial statements, 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.

Other than as disclosed in the financial statements, 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

Other than as disclosed in the financial statements, 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

Other than as disclosed in the financial statements, 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 2016 are stated as below:

	Number of Warrants			
	At 1.1.16	Exercised	Expired	At 31.12.16
Warrants	199,430,300	-	-	199,430,300

DIRECTORS' REPORT (CONTINUED)

TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirement of Section 67A of The Companies Act, 1965 in Malaysia.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

As at 31 December 2016, 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)
Tam Fook Cheong
Lim Wei Chien
Su DeMou (苏德谋)
You Xi Liang (尤喜良) (Appointed on 12 January 2017)
Yung Chi Man (Appointed on 12 January 2017)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings required to be kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, 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 1.1.2016	**Bought**	**Sold**	**At 31.12.2016**
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 1.1.2016	**Issued**	**Sold**	**At 31.12.2016**
Direct Interest:				
Warrants of the Company				
Li Kwai Chun (李桂真)	33,860,023	-	(33,859,998)	25
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 subsidiaries 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' REPORT (CONTINUED)

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 20 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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant events subsequent to the end of the financial year are disclosed in Note 29 to the financial statements.

AUDITORS

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

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

On behalf of the Board,

LI KWAI CHUN (李桂真)
Director

SU DEMOU (苏德谋)
Director

Date: 28 April 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Non-current assets					
Property, plant and equipment	5	28,905,013	84,824,093	-	-
Land use rights	6	20,451,241	39,428,340	-	-
Investment in subsidiaries	7	-	-	179,767,095	179,767,095
Total non-current assets		**49,356,254**	**124,252,433**	**179,767,095**	**179,767,095**
Current assets					
Inventories	8	-	2,404,924	-	-
Trade and other receivables	9	6,528,007	49,856,664	4,500	29,622
Tax recoverable		185,330	189,779	-	-
Cash and cash equivalents	10	360,673,374	366,712,618	5,930	31,339
Total current assets		367,386,707	419,163,985	10,430	60,961
TOTAL ASSETS		**416,742,961**	**543,416,418**	**179,777,525**	**179,828,056**
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	7,419,293	7,419,293	7,419,293
Treasury shares	13	(387,500)	(387,500)	(387,500)	(387,500)
Reserves	14	62,940,823	78,783,222	-	-
Retained earnings/(Accumulated losses)		180,327,365	267,034,418	(5,586,989)	(4,240,224)
TOTAL EQUITY		**410,299,981**	**512,849,433**	**161,444,804**	**162,791,569**
Current liabilities					
Trade and other payables	15	6,442,980	30,566,985	18,332,721	17,036,487
TOTAL LIABILITIES		6,442,980	30,566,985	18,332,721	17,036,487
TOTAL EQUITY AND LIABILITIES		**416,742,961**	**543,416,418**	**179,777,525**	**179,828,056**

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Revenue	16	14,085,916	194,152,390	-	-
Cost of sales		(14,207,486)	(179,640,697)	-	-
Gross (loss)/profit		(121,570)	14,511,693	-	-
Other income	17	2,754,303	10,722,743	54,687	913,960
Selling and distribution expenses		(312,624)	(63,154,942)	-	-
Administrative expenses		(4,907,144)	(15,318,232)	(1,153,730)	(1,149,257)
Other operating expenses		(84,119,784)	(9,014,238)	(248,230)	(9,577,248)
Operating loss		(86,706,820)	62,252,976	(1,347,273)	(9,812,545)
Finance costs	18	(741)	(96,706)	-	-
Loss before tax	19	(86,707,561)	(62,349,682)	(1,347,273)	(9,812,545)
Income tax expense	21	508	(2,806,396)	508	(1,360)
Loss for the financial year		(86,707,053)	(65,156,078)	(1,346,765)	(9,813,905)
Other comprehensive income					
Foreign currency translation		(15,842,399)	78,456,910	-	-
Total comprehensive (loss)/income for the financial year		(102,549,452)	13,300,832	(1,346,765)	(9,813,905)
Loss attributable to:-					
Owners of the Company		(86,707,053)	(65,156,078)	(1,346,765)	(9,813,905)
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(102,549,452)	13,300,832	(1,346,765)	(9,813,905)
Basic loss per share (sen)	22	(21.74)	(16.38)		
Diluted earnings per share (sen)	22	(21.74)	(16.38)		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

				← Non-Distributable		→	Distributable	
Group	Note	Share capital RM	Treasury shares RM	Share premium RM	Statutory reserve RM	Currency translation reserve RM	Other reserve RM	Retained earnings RM	Total equity RM
Balance at 1 January 2015		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									
Loss for the financial year		-	-	-	-	-	-	(65,156,078)	(65,156,078)
Other comprehensive income for the financial year		-	-	-	-	78,456,910	-	-	78,456,910
Total comprehensive income		-	-	-	-	78,456,910		(65,156,078)	13,300,832
Transactions with owners:									
Resale of treasury shares	13	-	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**
Total comprehensive loss for the financial year									
Loss for the financial year		-	-	-	-	-	-	(86,707,053)	(86,707,053)
Other comprehensive income for the financial year		-	-	-	-	(15,842,399)	-	-	(115,842,399)
Total comprehensive loss		-	-	-	-	(15,842,399)	-	(86,707,053)	(102,349,452)
Balance at 31 December 2016		**160,000,000**	**(387,500)**	**7,419,293**	**42,204,016**	**124,908,027**	**(104,171,220)**	**180,327,365**	**410,299,981**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Company	Note	Share capital RM	Treasury shares RM	Non-Distributable Share premium RM	Distributable Retained earning/ (Accumulated losses) RM	Total equity RM
Balance at 1 January 2015		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)
Transaction with owners:						
Resale of treasury shares	13	-	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**
Total comprehensive loss for the financial year		-	-	-	(1,346,765)	(1,346,765)
Balance at 31 December 2016		**160,000,000**	**(387,500)**	**7,419,293**	**(5,586,989)**	**161,444,804**

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(86,707,561)	(62,349,682)	(1,347,273)	(9,812,545)
Adjustments for:				
Amortisation of land use rights	785,192	800,016	-	-
Deposit written off	-	593,890	-	-
Depreciation of property, plant and equipment	1,805,300	2,987,212	-	-
Interest income	(103,983)	(1,067,948)	(168)	(382)
Impairment loss on trade receivables	16,566,093	359,654	-	-
Impairment loss on other receivables	573,650	896,273	-	-
Impairment loss on investment in subsidiaries	-	-	-	32
Impairment loss on amounts due by subsidiaries	-	-	248,230	5,544,879
Impairment loss on land use rights	16,660,919	-	-	-
Impairment loss on property, plant and equipment	50,278,249	-	-	-
Inventory written off	4,954	2,753,812	-	-
Loss on disposal of property, plant and equipment	22,143	-	-	-
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	(2,086,973)	(6,421,152)	(54,519)	(913,578)
Operating loss before working capital changes	**(2,202,017)**	**(62,425,134)**	**(1,153,730)**	**(5,181,594)**
Changes in working capital:				
Inventories	2,535,276	(277,928)	-	-
Trade and other receivables	28,765,298	13,176,675	25,122	(25,122)
Trade and other payables	(23,339,930)	(14,869,350)	2,115,070	(17,404,471)
Net cash flows generated from/(use in) operations	**5,758,627**	**(64,395,737)**	**986,462**	**(22,611,187)**
Interests received	103,983	1,067,948	168	382
Income tax paid	(1,156)	(4,140,634)	(1,156)	(1,360)
Income tax refunded	1,664	-	1,664	-
Net cash flows from/(use in) operating activities	**5,863,118**	**(67,468,423)**	**987,138**	**(22,612,165)**

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	12,480	-	-	-
Purchase of property, plant and equipment	-	(5,187,565)	-	-
Net cash flows from/(used in) Investing activities	12,480	(5,187,565)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from resale of treasury shares	-	234,024	-	234,024
Net change in amount owing by/to subsidiaries	-	-	(1,012,547)	22,392,372
Net change in amount owing to a director	(2,067,693)	1,162,449	-	-
Net cash flows from/(used in) Investing activities	(2,067,693)	1,396,473	(1,012,547)	22,626,396
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,807,905	(71,259,515)	(25,409)	14,231
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**366,712,618**	**371,284,348**	**31,339**	**17,108**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(9,847,153)	66,687,785	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR (Note 10)	360,673,370	366,712,618	5,930	31,339

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 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 principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 7.

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

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 27 April 2017 and to be issued at a later date.

The financial statements are issued on 28 April 2017.

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.

2.2 Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following new and revised MFRSs, amendments/improvements to MFRSs and new IC Int and amendments to IC Int that are mandatory for the current financial year:

Amendments/Improvements to MFRSs

MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 14	Regulatory Deferral Accounts
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 134	Interim Financial Reporting
MFRS 138	Intangible Assets
MFRS 141	Agriculture

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int 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 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 12	Disclosure of Interests in Other Entities	1 January 2017
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/Deferred
MFRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new MFRSs, amendments/improvements to MFRSs and new IC Int, 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 New MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective (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 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;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

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

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (continued)

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 1 First-time Adoption of MFRSs

Amendments to MFRS 1 deleted the short-term exemptions that relate to MFRS 7 *Financial Instruments: Disclosure*, MFRS 119 *Employee Benefits* and MFRS 10 *Consolidated Financial Statements* because they are no longer applicable.

Amendments to MFRS 2 Share-based Payment

Amendments to MFRS 2 provide specific guidance on the accounting for:

(a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
(b) share-based payment transactions with a net settlement feature for withholding tax obligations; and
(c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Amendments to MFRS 4 Insurance Contracts

Amendments to MFRS 4 introduce two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts. The overlay approach involves option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying the Standard on Financial Instruments for entities whose activities are predominantly connected with insurance.

Amendments to MFRS 12 Disclosure of Interests in Other Entities

Amendments to MFRS 12 clarify that entities classified as held for sale are required to apply all the disclosure requirements of MFRS 12 except for the disclosure requirements set out in paragraphs B10-B16.

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 than their carrying amount 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective (continued)

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates or joint ventures at fair value through profit or loss.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarify that to transfer to, or from, investment properties there must be evidence of a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. A change in intention, in isolation, does not provide evidence of a change in use.

The amendments also clarify that the list of circumstances that evidence a change in use is not exhaustive.

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.

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

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.

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 amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amount 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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 concern. 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 current financial year, the Group and the Company incurred net losses amounting to RM86,707,053 and RM1,346,765 respectively.

During the current financial year, Jinjiang Zhenxing Shoes & Plastics Co. Ltd., a subsidiary of the Company, had ceased operations.

On 5 February 2016, the external auditors of the Company recommended to the Company that an investigative audit be commissioned on advertising and promotion expenses ("Advertising and Promotion Expenses") (Note 19(a)), cash placed with an asset management company (Note 10(a)), litigation cases (Note 25), the change of legal representative ("Legal Representative") of a subsidiary (Note 7(a)), advances to a debtor (Note 9(b)(ii)) and raised significant concerns from their findings. 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.

On 2 August 2016, the Company announced that it had been classified as an affected listed issuer pursuant to Paragraph 8.04 and Paragraph 2.1(d) of Practice Note 17 ("PN17") under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. As a result, the Company is required to submit a regularisation plan ("Regularisation Plan") to the relevant authorities and to implement the Regularisation Plan within the stipulated timeframe. The Company is currently in the midst of formalising a Regularisation Plan.

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

The ability of the Group and of the Company to continue as going concern 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 subsidiaries, 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.

Subsidiaries and business combination

Subsidiaries 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 subsidiaries 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., pursuant to the restructuring under common control was accounted for using the merger method of consolidation. The rest of the subsidiaries 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. Subsidiaries 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 amount 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. Amount 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 disposed directly of the previously held equity interest.

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 amount for the items for which the accounting is incomplete. The provisional amount 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

Subsidiary companies and business combination (continued)

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 subsidiaries, 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. On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is included in the profit or loss.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Foreign currency transactions and operations (continued)

(a) Translation of foreign currency transactions (continued)

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.

3.4 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

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. 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. Gains and losses are recognised in profit or loss through the amortisation process.

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.

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)

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.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(c) Regular way purchase or sale of financial assets (continued)

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 amount and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment (continued)

(c) Depreciation

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

	Useful lives (years)
Plants and machineries	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

Land use rights

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. The land use rights are amortised over their lease terms of 50 years expiring in financial years 2049, 2056 and 2063 respectively.

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: 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Loans and receivables and held-to-maturity investments

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 amount 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 subsidiaries have joined a basic pension insurance scheme for the employees arranged by local Labour and Social Security Bureau, whereby the subsidiaries make contributions to the pension insurance at the applicable rates based on the amount 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 amount 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 subsidiaries' 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 subsidiaries, 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 2016 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, 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 amount of the Group's property, plant and equipment are disclosed in Note 5.

(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 amount 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 amount of the Group's and the Company's financial assets are disclosed in Note 23(a).

(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 amount that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ix) Going concern

As disclosed in Note 2.7, judgement is made by the directors whether the Group and the Company will be able to continue as a going concern. The financial statements of the Group and of the Company have been prepared on a going concern basis.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Plants and machineries RM	Office equipment RM	Motor vehicles RM	Renovation RM	Buildings RM	Capital work-in-progress RM	Total RM
Cost								
At 1 January 2015		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
Written off		-	(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
Reclassication		4,368	(4,368)	-	-	-	-	-
Disposals		-	-	(271,848)	-	-	-	(271,848)
Exchange differences		(238,195)	(55,161)	(54,042)	(116,523)	(950,486)	(1,085,556)	(2,499,963)
At 31 December 2016		9,933,592	2,287,018	1,576,154	4,854,129	39,595,409	45,222,171	103,468,473
Accumulated depreciation and impairment loss								
At 1 January 2015		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
Written off		-	(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	-	21,461,191
Depreciation charge for the financial year	19	567,588	123,366	139,003	344,209	631,134	-	1,805,300
Impairments loss	19	3,207,546	346,815	-	3,583,790	20,185,705	22,954,393	50,278,249
Disposals		-	-	(237,225)	-	-	-	(237,225)
Exchange differences		(13,400)	(26,870)	(35,357)	117,646	460,673	798,253	1,300,945
At 31 December 2016		9,933,592	2,287,018	1,228,980	4,854,129	32,507,095	23,752,646	74,563,460
Net carrying amounts								
At 31 December 2015		3,995,561	502,840	539,485	4,162,168	29,316,312	46,307,727	84,824,093
At 31 December 2016		-	-	347,174	-	7,088,314	21,469,525	28,905,013

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Hebi City Yifu Plastics Product Co. Ltd.

Included in property, plant and equipment is a carrying amount brought forward from the previous financial year of capital work-in-progress of Hebi City Yifu Plastics Product Co. Ltd. amounting to RM46.31 million (RMB70.03 million). The land use rights of RM36.78 million (RMB55.62 million) brought forward from the previous financial year is included in Note 6.

During the current financial year, Hebi City Yifu Plastics Product Co. Ltd. appointed an independent valuer, Shenzhen City Jia Zhen Hua Asset Valuation Real Estate Co. Ltd. (深圳市佳正华资产评估房地产估价有限公司) to perform a valuation and an impairment loss totalling RM39.62 million (RMB63.49 million) has been made to capital work-in-progress and land use rights.

	Capital work-in-progress (Note 5(a)) RM	Land use rights (Note 6) RM	Total RM
Carrying amount brought forward from previous financial year	46,307,727	36,776,344	83,084,071
Less: Amortisation	-	(728,737)	(728,737)
Less: Impairment loss	(22,954,393)	(16,660,919)	(39,615,312)
Exchange difference	(1,883,809)	(1,466,855)	(3,350,664)
Carrying amount as at 31 December 2016	**21,469,525**	**17,919,833**	**39,389,358**

(b) Jinjiang Zhenxing Shoes & Plastics Co. Ltd.

Included in property, plant and equipment is a carrying amount brought forward from the previous financial year of buildings and other property, plant and equipment of Jinjiang Zhenxing Shoes & Plastics Co. Ltd. amounting to RM37.98 million (RMB57.44 million). The land use rights of RM2.65 million (RMB4.01 million) brought forward from the previous financial year is included in Note 6.

During the current financial year, Jinjiang Zhenxing Shoes & Plastics Co. Ltd. appointed an independent valuer, Shenzhen City Jia Zhen Hua Asset Valuation Real Estate Co. Ltd. (深圳市佳正华资产评估房地产估价有限公司) to perform a valuation and an impairment loss of RM23.77 million (RMB38.09 million) has been made to renovation and buildings. In addition, the Company also fully impaired the other property, plant and equipment by RM3.56 million (RMB5.70 million) based on the Company's own estimates. However, the Company is of the view that no impairment is required on the carrying amount of the land use rights (Note 6) of Jinjiang Zhenxing Shoes & Plastics Co. Ltd..

	Renovation and buildings (Note 5(b)) RM	Other property, plant and equipment (Note 5(b)) RM	Land use rights (Note 6) RM	Total RM
Carrying amount brought forward from previous financial year	33,478,479	4,498,401	2,651,996	40,628,876
Less: Depreciation/ Amortisation	(975,343)	(690,954)	(56,455)	(1,722,752)
Less: Impairment loss	(23,769,495)	(3,554,361)	-	(27,323,856)
Exchange difference	(1,645,327)	(253,086)	(64,133)	(1,962,546)
Carrying amount as at 31 December 2016	**7,088,314**	**-**	**2,531,408**	**9,619,722**

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

(d) Certain motor vehicles with net carrying amount of RM137,231 (2015: RM246,283) which previously held in trust by the employees of the Group. These employees had left the Group during the current financial year. The directors of the Company are of the view that no impairment is required on the carrying amount of the motor vehicles.

(e) Depreciation expenses of RM335,583 (2015: RM1,013,959), RM1,469,717 (2015: RM1,435,837) and Nil (2015: RM537,416) have been charged to profit or loss as cost of sales, administrative expenses and selling and distribution expenses respectively.

(f) A wholly-owned subsidiary 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.

6. LAND USE RIGHTS

	Note	Group 2016 RM	Group 2015 RM
Cost			
At the beginning of the financial year		43,233,278	36,838,519
Exchange differences		(1,013,484)	6,394,759
At the end of the financial year		42,219,794	43,233,278
Accumulated amortisation and impairment loss			
At the beginning of the financial year		3,804,938	2,516,210
Amortisation for the financial year	19	785,192	800,016
Impairment loss	19	16,660,919	-
Exchange differences		517,504	488,712
At the end of the financial year		21,768,553	3,804,938
Net carrying amount			
At the end of the financial year		20,451,241	39,428,340
Amount to be amortised :			
- Not later than one year		467,453	851,942
- Later than one year but not later than five years		1,869,812	3,407,767
- Later than five years		18,113,976	35,168,631
		20,451,241	39,428,340

(a) The details of impairment loss on land use rights are disclosed in Notes 5(a) and 5(b).

(b) The land use rights of the Group comprise of:

- 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 47 years (2015: 48 years).

- 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 33 years (2015: 34 years) and 40 years (2015: 41 years) respectively.

(c) The Group has not obtained the Jinjiang Zhenxing Shoes & Plastics Co. Ltd. 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.

6. LAND USE RIGHTS (CONTINUED)

(c) The directors of the Company believe that the pending issuance of the abovementioned Jinjiang Zhenxing Shoes & Plastics Co. Ltd. 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.

7. INVESTMENT IN SUBSIDIARIES

	Note	Company 2016 RM	Company 2015 RM
At cost			
Unquoted shares, at cost		179,767,127	179,767,127
Less: Impairment loss	19	(32)	(32)
		179,767,095	179,767,095

Details of the subsidiaries are as follows:-

Subsidiaries	Place of Incorporation	Effective Equity Interest 2016 %	Effective Equity Interest 2015 %	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	Dormant

Audited by a firm of Certified Public Accountants in PRC other than Messrs. Baker Tilly Monteiro Heng.

* Messrs. Baker Tilly Monteiro Heng was engaged to conduct the audit of the financial statements of these subsidiaries for consolidation reporting purposes.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) On 12 November 2015, the Legal Representative of a subsidiary, Jinjiang Zhenxing Shoes & Plastics Co. Ltd. has been changed from the President and Executive Director of the Company, Li Kwai Chun (李桂真) 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 operations as the day to day operation is being managed by the respective Heads of Departments of Jinjiang Zhenxing Shoes & Plastics Co. Ltd. and the official stamp of Jinjiang Zhenxing Shoes & Plastics Co. Ltd. is kept in the custody of Zhenxing Shoes & Plastics Co. Ltd..

The Company has obtained a legal letter from a lawyer dated 19 May 2016 addressed to the Company stating that the President and Executive Director of the Company, Li Kwai Chun (李桂真) had delegated the responsibilities of the Legal Representative of Jinjiang Zhenxing Shoes & Plastics Co. Ltd. to Zhuang Qiong Zhen (庄琼珍), and this is in compliance with the relevant China regulations. It also states that Zhuang Qiong Zhen (庄琼珍) can only act as the Legal Representative in the absence of Li Kwai Chun (李桂真) and subject to prior consent being obtained from her. It further states that this arrangement does not in anyway affect the shareholding ownership of the Company.

In addition, it is also noted that Jinjiang Zhenxing Shoes & Plastics Co. Ltd. regards the Company as its holding company.

Notwithstanding the foregoing, the external auditors is of the opinion that they were unable to assess the impact of the compliance with MFRS 10 *Consolidated Financial Statements* on the change of Legal Representatives with clarity. Nevertheless, based on the foregoing, the Company is of the view that the Company is still in control of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., and therefore it is still appropriate to consolidate the said subsidiary pursuant to MFRS 10 *Consolidated Financial Statements.*

(b) Included in investment in subsidiaries is an amount of RM179.77 million representing the investment cost in Jinjiang Zhenxing Shoes & Plastics Co. Ltd..

Based on the net assets value of Jinjiang Zhenxing Shoes & Plastics Co. Ltd. as at 31 December 2016 and subject to further assessment of the said net assets value pursuant to relevant legal opinion to be obtained, the Company is of the view that no impairment is required on the investment cost in Jinjiang Zhenxing Shoes & Plastics Co. Ltd..

(c) The audited financial statements for the financial year ended 31 December 2016 of the subsidiaries, namely Jinjiang Zhenxing Shoes & Plastics Co. Ltd. and Hebi City Yifu Plastics Product Co. Ltd. are yet to be finalised and no audited financial statements are available for the financial year ended 31 December 2016. The financial position and results of these subsidiaries have been consolidated based on latest available management financial statements.

8. INVENTORIES

	Group	
	2016	**2015**
	RM	**RM**
At lower of cost and net realisable value:-		
Raw material	-	1,989,552
Finished goods	-	415,372
	-	2,404,924

The cost of inventories of the Group recognised as an expense in cost of sales was RM8,327,317 (2015: RM135,014,399) and inventories written off of RM2,283 (2015: Nil) and RM2,671 (2015: RM Nil) have been charged under cost of sales and other operating expenses respectively during the current financial year.

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Current:-					
Trade					
Trade receivables	(a)	23,972,365	42,905,639	-	-
Less: Impairment for trade receivables		(17,515,365)	(378,216)	-	-
		6,457,000	42,527,423	-	-
Non-trade					
Other receivables	(b)	1,592,652	10,500,927	4,500	28,350
Amount owing by subsidiaries	(c)	-	-	5,793,109	5,544,879
Prepayment		-	1,272	-	1,272
		1,592,652	10,502,199	5,797,609	5,574,501
Less: Impairment for other receivables		(1,521,645)	(3,172,958)	-	-
Impairment for owing by subsidiaries		-	-	(5,793,109)	(5,544,879)
		71,007	7,329,241	4,500	29,622
Total trade and other receivables		6,528,007	49,856,664	4,500	29,622

(a) Trade receivables

(i) Included in trade receivables is an amount of RM6,457,000 (2015: RM4,796,413) owing by 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.

(ii) 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 amount which represent their fair values on initial recognition.

(iii) The ageing analysis of trade receivables are as follows:

	Group 2016 RM	Group 2015 RM
Neither past due nor impaired	6,457,000	42,527,423
Impaired		
Individually	17,515,365	378,216
	23,972,365	42,905,639

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

(iv) 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 2016 RM	Group 2015 RM
At 1 January		378,216	-
Charge for the financial year	19	16,566,093	359,654
Exchange differences		571,055	18,562
At 31 December		17,515,364	378,216

(b) Other receivables

(i) 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 2016 RM	Group 2015 RM
At 1 January		3,172,959	2,230,425
Charge for the financial year	19	573,650	896,273
Written off		(2,616,569)	-
Exhange differences		391,605	46,260
At 31 December		1,521,645	3,172,958

(ii) In the previous the financial year, Jinjiang Zhenxing Shoes & Plastics Co., Ltd., a subsidiary 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), a company connected to the President and Executive Director of the Company, Li Kwai Chun (李桂真). The said advance was settled during the current financial year.

(c) Amount owing by subsidiaries

Amount owing by subsidiaries are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

10. CASH AND CASH EQUIVALENTS

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash in hand	77,233	61,215	-	-
Cash at banks	31,289,131	29,425,534	5,924	17,470
Deposits placed with an asset management company	329,307,000	337,212,000	-	-
Money market fund	6	13,869	6	13,869
	360,673,370	366,712,618	5,930	31,339

10. CASH AND CASH EQUIVALENTS (CONTINUED)

(a) In the previous financial year, Jinjiang Zhenxing Shoes & Plastics Co. Ltd., a subsidiary of the Company, placed RM337.21 million (RMB510.00 million) with an asset management company, Jinjiang Jin Chuang Private Capital Management Co. Ltd. (晋江晋创民间资本管理有限公司). Jinjiang Zhenxing Shoes & Plastics Co. Ltd. was 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 Jinjiang Jin Chuang Private Capital Management Co. Ltd. (晋江晋创民间资本管理有限公司) to transfer all the funds to Jinjiang Zhenxing Shoes & Plastics Co. Ltd.. On 19 July 2016, the Company announced that the funds placed with Jinjiang Jin Chuang Private Capital Management Co. Ltd. (晋江晋创民间资本管理有限公司) 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. However, the fund has not been transferred to Jinjiang Zhenxing Shoes & Plastics Co. Ltd.'s bank account or designated bank account as at the end of the current financial year.

Jinjiang Zhenxing Shoes & Plastics Co. Ltd. had via the solicitors, Tianjin Jin Rui Law Office (天津津瑞律师事务所), issued the letters of demand dated 10 October 2016 and 18 October 2016 to Jinjiang Jin Chuang Private Capital Management Co. Ltd. (晋江晋创民间资本管理有限公司).

On 14 April 2017, the Company announced that the Company, Jinjiang Zhenxing Shoes & Plastics Co. Ltd. and Maxwell (Xiamen) Co. Ltd. appointed a legal firm in PRC, namely Shanghai Zinger Law Office (上海致格律师事务所) to conduct a special due diligence on Advertising and Promotion Expenses and funds placed with Jinjiang Jin Chuang Private Capital Management Co. Ltd. (晋江晋创民间资本管理有限公司) and to issue a special legal opinion thereon. As at the date of this report, the lawyer has yet to issue any report on this matter.

(b) The bank balances and money market fund of the Group generally have effective interest rates of 0.42% (2015: 0.42%) and 2.55% (2015: 2.55%) per annum respectively for the financial year under review.

(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	
	2016 Unit	2015 unit	2016 RM	2015 RM
Authorised :				
At beginning/end of the financial year	1,250,000,000	1,250,000,000	500,000,000	500,000,000
Issued and fully paid up:				
At beginning/ end of the financial year	400,000,000	400,000,000	160,000,000	160,000,000

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.

11. SHARE CAPITAL (CONTINUED)

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 2016 are stated as below:

	Number of Warrants			
	At 1.1.16	Exercised	Expired	At 31.12.16
Warrants	199,430,300	-	-	199,430,300

12. SHARE PREMIUM

	Group and Company	
	2016 RM	2015 RM
At 1 January	7,419,293	7,403,566
Resale of treasury shares	-	15,727
At 31 December	7,419,293	7,419,293

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 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 repurchase and 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.

In the previous financial year, the Company resale 1,000,000 of its issued ordinary shares in the open market at an average price of RM0.235 per share.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

As at 31 December 2016, a total of 1,139,400 (2015: 1,139,400) of its 400,000,000 issued ordinary shares with carrying amount of RM387,500 (2015: RM387,500) are held by the Company as treasury shares.

14. RESERVES

		Group	
	Note	2016 RM	2015 RM
Statutory reserve	(a)	42,204,016	42,204,016
Currency translation reserve	(b)	124,908,027	140,750,426
Other reserve	(c)	(104,171,220)	(104,171,220)
		62,940,823	78,783,222

14. RESERVES (CONTINUED)

(a) Statutory reserve

In accordance with relevant laws and regulations of the PRC, the subsidiaries 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 subsidiaries, subject to the approval from the PRC authority, and are not available for dividend distribution to the shareholders of the said subsidiaries.

(b) Currency translation reserve

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) Other reserve

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

15. TRADE AND OTHER PAYABLES

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Current:-					
Trade					
Trade payables	(a)	-	18,410,161	-	-
Non-trade					
Other payables	(b)	3,477,176	3,081,471	2,054,404	67,622
Accrued operating expenses		378,747	361,366	350,344	251,400
Salaries and wages payables		75,304	2,415,040	75,304	45,960
VAT and other taxes		1,775,106	3,503,424	-	-
Amounts owing to subsidiaries	(c)	-	-	15,852,669	16,671,505
Amount owing to a director	(d)	736,647	2,795,523	-	-
Total trade and other payables		6,442,980	30,566,985	18,332,721	17,036,487

(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 RM2,227,974 (2015: RM1,845,308) due to a company which is connected to Li Kwai Chun (李桂真), the President and Executive Director of the Company. The amount owing is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

(c) Amount owing to subsidiaries

Amount owing to subsidiaries are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

(d) Amount owing to a director

Amount owing to a director is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. REVENUE

	Group 2016 RM	Group 2015 RM
Sales of goods	14,085,916	194,152,390

17. OTHER INCOME

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Interest income	103,983	1,067,948	168	382
Net unrealised foreign exchange gain	2,086,973	6,421,152	54,519	913,578
Waiver of debts from other payables	-	1,374,852	-	-
Others	563,347	1,858,791	-	-
	2,754,303	10,722,743	54,687	913,960

18. FINANCE COSTS

	Group 2016 RM	Group 2015 RM
Bank charges	741	96,706

19. LOSS BEFORE TAX

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

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Advertising and promotion expenses	(a)	-	57,248,708	-	-
Amortisation of land use rights	6	785,192	800,016	-	-
Auditors' remuneration:					
- Malaysian operations					
- current financial year		203,000	203,000	200,000	200,000
- prior financial year		97,000	(15,000)	97,000	(15,000)
- Overseas operations					
- current financial year		11,428	17,414	-	-
Non statutory audit fees:					
- Malaysian operations		10,000	10,000	10,000	10,000
Deposit written off		-	593,890	-	-
Depreciation of property, plant and equipment	5	1,805,300	2,987,212	-	-
Directors' remuneration:					
- Directors' fees		125,000	180,000	125,000	180,000
- Other emoluments		-	4,656,750	-	-
Design and development expenses		106,034	3,770,637	-	-
Impairment of trade receivables	9(a)	16,566,093	359,654	-	-
Impairment of other receivables	9(b)	573,650	896,273	-	-
Impairment loss on investment in subsidiaries	7	-	-	-	32
Impairment loss on amount owing by subsidiaries		-	-	248,230	5,544,879
Impairment loss on land use rights	6	16,660,919	-	-	-
Impairment loss on property, plant and equipment	5	50,278,249	-	-	-
Inventories written off		4,954	2,753,812	-	-
Loss on disposal of property, plant and equipment		22,143	-	-	-
Property, plant and equipment written off		-	277,754	-	-
Prepayment written off		-	119,889	-	-
Rental of premises		-	547,482	-	-
Employee benefits expense	20	3,404,646	31,833,218	255,656	271,833
Net realised foreign exchange loss		97	3,899,073	-	4,032,338

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

On 14 April 2017, the Company announced that the Company, Jinjiang Zhenxing Shoes & Plastics Co. Ltd. and Maxwell (Xiamen) Co. Ltd. appointed a legal firm in PRC, namely Shanghai Zinger Law Office (上海致格律师事务所) to conduct a special due diligence on Advertising and Promotion Expenses and funds placed with Jinjiang Jin Chuang Private Capital Management Co. Ltd. (晋江晋创民间资本管理有限公司) and to issue a special legal opinion thereon. As at the date of this report, the lawyer has yet to issue any legal advice on this matter.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Wages and salaries	2,800,359	27,905,719	192,000	201,000
Defined contribution plans	426,490	1,785,834	23,040	24,120
Other staff related expenses	177,797	2,141,665	40,616	46,713
	3,404,646	31,833,218	255,656	271,833

Included in employee benefits expenses are:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors' fees	125,000	180,000	125,000	180,000
Directors' other emoluments	-	4,656,750	-	-
	125,000	4,836,750	125,000	180,000

21. INCOME TAX EXPENSE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Statement of comprehensive income				
Current income tax:				
- Current income tax charge	1,156	2,806,396	1,156	1,360
- Adjustments in respect of prior financial year	(1,664)	-	(1,664)	-
Total current income tax	(508)	2,806,396	(508)	1,360

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year. In the Budget Speech 2015, 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.

On 16 March 2007, the National People's Congress of China enacted the Enterprise Income Tax Law of the PRC which took effect on 1 January 2008 (the "New EIT Law"). In accordance with the New EIT Law, a unified Enterprise Income Tax rate of 25% and unified tax deduction standards will be applied equally to both domestic invested enterprises and wholly foreign-owned enterprises in the PRC. Accordingly, the subsidiaries in the PRC are subjected to the applicable EIT rate of 25%.

Jinjiang Zhenxing Shoes & Plastics Co. Ltd., Hebi City Plastics Product Co. Ltd. and Maxwell (Xiamen) Co. Ltd. are subjected to tax rate of 25% for the financial year ended 31 December 2016 (2015: 25%).

Maxwell (Hong Kong) Ltd. and Maxwell Global Investment Ltd. are subjected to tax rate of 16.5% for the year of assessment 2016 (2015: 16.5%).

21. INCOME TAX EXPENSE (CONTINUED)

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Loss before tax	(86,707,561)	(62,349,682)	(1,347,273)	(9,812,545)
Tax at Malaysian statutory tax of 24% (2015: 25%)	(20,809,815)	15,587,421)	(323,346)	(2,453,136)
- Different tax rates in other countries	414,137	442,557	-	-
Adjustments:				
- Income not subject to tax	(272,213)	(133,484)	-	-
- Non-deductible expenses	20,669,046	18,009,222	324,502	2,454,496
- Deferred tax not recognised on tax losses	-	75,522	-	-
Adjustments in respect of prior years	(1,664)	-	(1,664)	-
Income tax	(509)	2,806,396	(508)	1,360

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item (stated at gross):

	Group	
	2016 RM	2015 RM
Unutilised tax loss	5,521,822	5,740,281
Potential deferred tax benefit *	911,101	947,146

* Calculated using 16.5% (2015: 16.5%) which is the tax rate applicable to subsidiaries of the Group.

Deferred tax assets have not been recognised in respect of the above items as there is no probable future taxable profit will be available against which the Company can utilise the benefits therefrom.

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 subsidiaries 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 subsidiaries.

22. LOSS PER SHARE

Basic loss per ordinary share

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

	Group	
	2016 **RM**	**2015** **RM**
Net loss for the financial year attributable to owners of the Company	(86,707,052)	(65,156,078)
Weighted average number of ordinary shares in issue *	398,860,600	397,663,340
Basic loss per ordinary shares (sen)	(21.74)	(16.38)

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

Diluted earnings per ordinary share

As of 31 December 2016, 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 loss 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) Other financial liabilities ("FL")

At 31 December 2016	Carrying amount RM	L&R/ (FL) RM
Financial assets		
Group		
Trade and other receivables	6,528,007	6,528,007
Cash and cash equivalents	360,673,370	360,673,370
	367,201,377	367,201,377
Company		
Other receivables	4,500	4,500
Cash and cash equivalents	5,930	5,930
	10,430	10,430
Financial liabilities		
Group		
Trade and other payables	(6,442,980)	(6,442,980)
Company		
Other payables	(18,332,721)	(18,332,721)
At 31 December 2015		
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)

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 and foreign currency 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 amount 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. 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 amount 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.

(i) 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.

23. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk

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:-

	Carrying Amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
		Contractual cash flows			
Group					
At 31 December 2016					
Trade and other payables	6,442,980	6,442,980	-	-	6,442,980
At 31 December 2015					
Trade and other payables	30,566,985	30,566,985	-	-	30,566,985
Company					
At 31 December 2016					
Other payables	18,332,721	18,332,721	-	-	18,332,721
At 31 December 2015					
Other payables	17,036,487	17,036,487	-	-	17,036,487

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.

The Group's and the Company's unhedged financial assets and liabilities of that are not denominated in their functional currencies are as follows:

	Group |—Functional currencies—|		Company |—Functional currencies—|	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade and other receivables				
Renminbi	6,523,507	49,827,042	-	-
Hong Kong Dollar	-	-	-	-
	6,523,507	49,827,042	-	-
Cash and cash equivalents				
Renminbi	360,000,273	366,672,754	-	-
United States Dollars	1,096	1,117	-	-
Singapore Dollars	25	25	-	-
Hong Kong Dollar	44	7,381	-	-
	360,667,438	366,681,277	-	-
Trade and other payables				
Renminbi	3,656,307	26,214,196	-	-
Hong Kong Dollar	2,259,196	3,370,334	2,810,345	819,644
	5,915,503	29,584,530	2,810,345	819,644

(c) Fair value measurement

The carrying amount 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 2016 that are required to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. CAPITAL COMMITMENTS

The Group has made commitments for the following capital expenditures:-

	Group	
	2016 RM	2015 RM
Capital expenditures approved and contracted for:		
- Construction of buildings (Note 5(f))	6,687,582	6,687,582

25. LITIGATIONS

In the previous financial year, there were legal claims brought by certain parties against Jinjiang Zhenxing Shoes & Plastics Co. Ltd., a subsidiary 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 claims.

The President and Executive Director of the Company, Li Kwai Chun (李桂真) represented to the Board that the said loan in dispute involved 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 therefrom, if any. In respect of this, the Company has received a written letter of undertaking dated 5 March 2016 from the President and Executive Director of the Company, Li Kwai Chun (李桂真). The Company will seek further legal advice on all the potential legal claims against Jinjiang Zhenxing Shoes & Plastics Co. Ltd. and Hebi City Yifu Plastics Product Co. Ltd..

There were additional legal claims against Jinjiang Zhenxing Shoes & Plastics Co. Ltd., Hebi City Yifu Plastics Product Co. Ltd. and the President and Executive Director of the Company, Li Kwai Chun (李桂真) during the current financial year on certain loan contracts and sales and purchase contracts.

Pending such legal advice on all the potential litigation claims to be obtained by the Company, the Company is unable to determine whether to provide for such liabilities, including the disclosure of contingent liabilities required to be made in the financial statements.

26. RELATED PARTIES

(a) Identification 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) Entities having significant influence over the Group;
(ii) Subsidiaries;
(iii) Entities in which a director has substantial financial interests; and;
(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. RELATED PARTIES (CONTINUED)

(a) Significant related party transactions

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

	Group	
	2016 RM	2015 RM
Sales of goods		
Entities in which directors have substantial interest	202,625	23,497,859
Rental paid/payable		
Entities in which directors have substantial interest	-	120,888
Management fee paid/payable		
Entities in which directors have substantial interest	-	302,220

(b) Compensation of key management personnel

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Included in employee benefits expenses were remuneration for key management personnel	493,504	606,705	255,656	271,833

27. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group and the Company manage its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial year ended 31 December 2016.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity.

The gearing ratio are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total liabilities	6,442,980	30,566,985	18,332,721	17,036,487
Total equity	410,299,981	512,849,433	161,444,804	162,791,569
Gearing ratio	1.6%	6.0%	11.4%	10.5%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT REPORTING

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

29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

1. PN17 Status

On 2 August 2016, the Board announced that the Company had triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1(d) of PN17 under the Main Market Listing Requirements of Bursa Securities. Hence, as of the date hereof, the Company is considered as a PN17 company.

The PN17 criteria was triggered as a result of the the external auditors, Messrs. Baker Tilly Monteiro Heng had expressed a disclaimer of opinion on the Company's audited financial statements for the financial year ended 31 December 2015 ("First Announcement").

Pursuant to PN17, the Company is required to comply with the following:

(a) within twelve (12) months from the date of the First Announcement that the Company is a PN17 company:

(i) to submit a regularisation plan ("Regularisation Plan") to the Securities Commission ("SC") if the plan will result in a significant change in the business direction or policy of the Company; or

(ii) to submit a Regularisation Plan to Bursa Securities if the plan will not result in a significant change in the business direction or policy of the Company, and obtain Bursa Securities's approval to implement the plan;

(b) implement the Regularisation Plan within the time frame stipulated by the SC or Bursa Securities, as the case may be;

(c) announce within three (3) months from the First Announcement, on whether the Regularisation Plan will result in a significant change in the business direction or policy of the Company;

(d) announce the status of its Regularisation Plan and the number of months to the end of the relevant time frames referred to in Paragraphs 5.1 and 5.2 of PN17, as may be applicable, on a monthly basis until further notice from Bursa Securities;

(e) announce its compliance or non-compliance with a particular obligation imposed pursuant to PN17, on an immediate basis;

(f) announce the details of the Regularisation Plan ("Requisite Announcement") and sufficient information to demonstrate that the Company is able to comply with all the requirements set out in Paragraph 5.4 of PN17 after implementation of the Regularisation Plan, which shall include a timetable for the complete implementation of the Regularisation Plan. The Requisite Announcement must be made by the Company's Principal Adviser; and

(g) where the Company fails to regularise its condition, it will announce the dates of suspension and de-listing of its listed securities, immediately upon notification of suspension and de-listing by Bursa Securities.

2. Cessation of Operations

On 30 August 2016, the Company announced that Jinjiang Zhenxing Shoes & Plastics Co., Ltd., a subsidiary of the Company had ceased its factory operations.

29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (CONTINUED)

3. Companies Act 2016

The Minister of Domestic Trade, Co-operatives and Consumerism appointed 31 January 2017 as the date on which Companies Act 2016 comes into operation except for Section 241 and Division 8 of Part III.

Accordingly, the Group and the Company shall prepare the financial statements for the financial year ending 31 December 2017 in accordance with the requirements of Companies Act 2016 which will be applied prospectively.

Amongst the key changes introduced in the Companies Act 2016 which will affect the financial statements of the Group and of the Company are, where applicable:

- the removal of the authorised share capital;
- shares issued will have no par or nominal value; and
- share premium and capital redemption reserve will become part of share capital.

In addition, the financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act 1965. Consequently, items to be disclosed in the Group's and the Company's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

30. BASIS FOR DISCLAIMER OF OPINION ON THE STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30.1 The external auditors expressed a disclaimer of opinion in their audit report on the financial statements of the Group and of the Company for the financial year ended 31 December 2015. The extract of the basis for disclaimer of opinion is as follows:

"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.

30. BASIS FOR DISCLAIMER OF OPINION ON THE STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

30.1 (Continued)

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.

30. BASIS FOR DISCLAIMER OF OPINION ON THE STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

30.1 (Continued)

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.*

30. BASIS FOR DISCLAIMER OF OPINION ON THE STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

30.1 (Continued)

6. (Continued)

(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.

30. BASIS FOR DISCLAIMER OF OPINION ON THE STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

30.1 (Continued)

9. (Continued)

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."

30.2 During the financial year, the Company has taken the following steps to address the matters raised by external auditors, Messrs. Baker Tilly Monteiro Heng:

(i) On 14 April 2017, the Company announced that the Company, Jinjiang Zhenxing Shoes & Plastics Co. Ltd. and Maxwell (Xiamen) Co. Ltd. appointed a legal firm in PRC, namely Shanghai Zinger Law Office (上海致格律师事务所) to conduct a special due diligence on Advertising and Promotion Expenses (Note 30.1(1)) and funds placed with Jinjiang Jin Chuang Private Capital Management Co. Ltd. (晋江晋创民间资本管理有限公司) (Note 30.1(2)) and to issue a special legal opinion thereon. As at the date of this report, the lawyer has yet to issue any legal advice on this matter.

(ii) In respect of advanced amount to Jiayi Fujian Import & Export Trade Co. Ltd. (加怡(福建)进出口贸易有限公司) (Note 30.1.(5)), the said advance was settled during the current financial year as disclosed in Note 9(b)(ii).

(iii) In respect of impairment of property, plant and equipment and land use rights (Note 30.1.(6)), Jinjiang Zhenxing Shoes & Plastics Co. Ltd. and Hebi City Yifu Plastics Product Co. Ltd. have appointed an independent valuer, Shenzhen City Jia Zhen Hua Asset Valuation Real Estate Co. Ltd. (深圳市佳正华资产评估房地产估价有限公司) to perform a valuation as disclosed in Notes 5(a) and 5(b).

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

On 25 March 2010, Bursa Malaysia Securities Berhad issued a directive pursuant to paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

The following analysis of realised and unrealised profits or losses included in the retained earnings of the Group and the Company as at 31 December 2016 and 31 December 2015 is presented in accordance with the directive of Bursa Malaysia Securities Berhad and prepared 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 Listing Requirements, as issued by the Malaysian Institute of Accountants

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained earnings/(accumulated losses) of the Group and of the Company				
- Realised	88,203,069	172,691,086	(5,641,508)	(5,153,802)
- Unrealised	2,086,973	6,421,152	54,519	913,578
	90,290,042	179,112,238	(5,586,989)	(4,240,224)
Add: Consolidation adjustments	90,037,323	87,922,180	-	-
Total retained earnings/(accumulated losses)	180,327,365	267,034,418	(5,586,989)	(4,240,224)

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 accompanying financial statements are 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 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information has been prepared in accordance with the 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*, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

LI KWAI CHUN (李桂真)
Director

SU DEMOU (苏德谋)
Director

Date: 28 April 2017

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 and the supplementary information 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 28 April 2017.

Before me,

Commissioner for Oaths
NG SAY JIN
No. B195

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

Report on the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Maxwell International Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company and the statements of 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 36 to 89.

We do not express an opinion on the accompanying financial statements of the Group and of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

1. As disclosed in Note 10(a) to the financial statements, in the previous financial year, Jinjiang Zhenxing Shoes & Plastics Co. Ltd., a subsidiary of the Company, placed RM337.21 million (RMB510.00 million) with an asset management company, Jinjiang Jin Chuang Private Capital Management Co. Ltd. (晋江晋创民间资本管理有限公司). Jinjiang Zhenxing Shoes & Plastics Co. Ltd. was 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 Jinjiang Jin Chuang Private Capital Management Co. Ltd. (晋江晋创民间资本管理有限公司) to transfer all the funds to Jinjiang Zhenxing Shoes & Plastics Co. Ltd.. On 19 July 2016, the Company announced that the funds placed with Jinjiang Jin Chuang Private Capital Management Co. Ltd. (晋江晋创民间资本管理有限公司) 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. However, the fund has not been transferred to Jinjiang Zhenxing Shoes & Plastics Co. Ltd.'s bank account or designated bank account as at the end of the current financial year.

   Jinjiang Zhenxing Shoes & Plastics Co. Ltd. had via the solicitors, Tianjin Jin Rui Law Office (天津津瑞律师事务所), issued the letters of demand dated 10 October 2016 and 18 October 2016 to Jinjiang Jin Chuang Private Capital Management Co. Ltd. (晋江晋创民间资本管理有限公司).

   On 14 April 2017, the Company announced that the Company, Jinjiang Zhenxing Shoes & Plastics Co. Ltd. and Maxwell (Xiamen) Co. Ltd. appointed a legal firm in PRC, namely Shanghai Zinger Law Office (上海致格律师事务所) to conduct a special due diligence on Advertising and Promotion Expenses and funds placed with Jinjiang Jin Chuang Private Capital Management Co. Ltd. (晋江晋创民间资本管理有限公司) and to issue a special legal opinion thereon. As at the date of this report, the lawyer has yet to issue any report on this matter.

   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 adjustments, if any, on the financial statements of the Group.

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

Basis for Disclaimer of Opinion (continued)

2. As disclosed in Note 25 to the financial statements, in the previous financial year, there were legal claims brought by certain parties against Jinjiang Zhenxing Shoes & Plastics Co. Ltd., a subsidiary 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 claims.

   The President and Executive Director of the Company, Li Kwai Chun (李桂真) represented to the Board that the said loan in dispute involved 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 therefrom, if any. In respect of this, the Company has received a written letter of undertaking dated 5 March 2016 from the President and Executive Director of the Company, Li Kwai Chun (李桂真). The Company will seek further legal advice on all the potential legal claims against Jinjiang Zhenxing Shoes & Plastics Co. Ltd. and Hebi City Yifu Plastics Product Co. Ltd..

   There were additional legal claims against Jinjiang Zhenxing Shoes & Plastics Co. Ltd., Hebi City Yifu Plastics Product Co. Ltd. and the President and Executive Director of the Company, Li Kwai Chun (李桂真) during the current financial year on certain loan contracts and sales and purchase contracts.

   Pending such legal advice on all the potential litigation claims to be obtained by the Company, the Company is unable to determine whether to provide for such liabilities, including the disclosure of contingent liabilities 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.

3. As disclosed in Note 7(a) to the financial statements, on 12 November 2015, the Legal Representative of a subsidiary, Jinjiang Zhenxing Shoes & Plastics Co. Ltd. has been changed from the President and Executive Director of the Company, Li Kwai Chun (李桂真) 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 operations as the day to day operation is being managed by the respective Heads of Departments of Jinjiang Zhenxing Shoes & Plastics Co. Ltd. and the official stamp of Jinjiang Zhenxing Shoes & Plastics Co. Ltd. is kept in the custody of Zhenxing Shoes & Plastics Co. Ltd..

   The Company has obtained a legal letter from a lawyer dated 19 May 2016 addressed to the Company stating that the President and Executive Director of the Company, Li Kwai Chun (李桂真) had delegated the responsibilities of the Legal Representative of Jinjiang Zhenxing Shoes & Plastics Co. Ltd. to Zhuang Qiong Zhen (庄琼珍), and this is in compliance with the relevant China regulations. It also states that Zhuang Qiong Zhen (庄琼珍) can only act as the Legal Representative in the absence of Li Kwai Chun (李桂真) and subject to prior consent being obtained from her. It further states that this arrangement does not in anyway affect the shareholding ownership of the Company.

   In addition, it is also noted that Jinjiang Zhenxing Shoes & Plastics Co. Ltd. regards the Company as its holding company.

   Notwithstanding the foregoing, we are unable to assess the impact of the compliance with MFRS 10 *Consolidated Financial Statements* on the change of Legal Representatives with clarity. Nevertheless, based on the foregoing, the Company is of the view that the Company is still in control of Jinjiang Zhenxing Shoes & Plastics Co. Ltd., and therefore it is still appropriate to consolidate the said subsidiary pursuant to MFRS 10 *Consolidated Financial Statements.*

   We were unable to obtain sufficient appropriate audit evidence whether the Company is still in control of Jinjiang Zhenxing Shoes & Plastics Co. Ltd. and as a result, 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 adjustments, if any, on the financial statements of the Group and of the Company.

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

Basis for Disclaimer of Opinion (continued)

4. (i) As disclosed in Note 5(a) to the financial statements, included in property, plant and equipment is a carrying amount brought forward from the previous financial year of capital work-in-progress of Hebi City Yifu Plastics Product Co. Ltd. amounting to RM46.31 million (RMB70.03 million). The land use rights of RM36.78 million (RMB55.62 million) brought forward from the previous financial year is included in Note 6 to the financial statements.

   During the current financial year, Hebi City Yifu Plastics Product Co. Ltd. appointed an independent valuer, Shenzhen City Jia Zhen Hua Asset Valuation Real Estate Co. Ltd. (深圳市佳正华资产评估房地产估价有限公司) to perform a valuation and an impairment loss totalling RM39.62 million (RMB63.49 million) has been made to capital work-in-progress and land use rights.

   (ii) As disclosed in Note 5(b) the financial statements, included in property, plant and equipment is a carrying amount brought forward from the previous financial year of buildings and other property, plant and equipment of Jinjiang Zhenxing Shoes & Plastics Co. Ltd. amounting to RM37.98 million (RMB57.44 million). The land use rights of RM2.65 million (RMB4.01 million) brought forward from the previous financial year is included in Note 6 to the financial statements.

   During the current financial year, Jinjiang Zhenxing Shoes & Plastics Co. Ltd. appointed an independent valuer, Shenzhen City Jia Zhen Hua Asset Valuation Real Estate Co. Ltd. (深圳市佳正华资产评估房地产估价有限公司) to perform a valuation and an impairment loss of RM23.77 million (RMB38.09 million) has been made to renovation and buildings. In addition, the Company also fully impaired the other property, plant and equipment by RM3.56 million (RMB5.70 million) based on the Company's own estimates. However, the Company is of the view that no impairment is required on the carrying amount of the land use rights (Note 6) of Jinjiang Zhenxing Shoes & Plastics Co. Ltd..

   We were unable to carry out sufficient appropriate audit procedures in accordance to International Standards on Auditing 620 *Using the Work of an Auditors' Expert*, We were unable to obtain sufficient appropriate audit evidence on the carrying amount for the said properties of the Group as at 31 December 2016. Therefore, we could not determine the effect of adjustments, if any, on the financial statements of the Group.

5. As disclosed in Note 7(c) to the financial statements, the audited financial statements for the financial year ended 31 December 2016 of the subsidiaries, namely Jinjiang Zhenxing Shoes & Plastics Co. Ltd. and Hebi City Yifu Plastics Product Co. Ltd. are yet to be finalised and no audited financial statements are available for the financial year ended 31 December 2016. The financial position and results of these subsidiaries have been consolidated based on latest available management financial statements.

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

6. As disclosed in Note 7(b) to the financial statements, included in investment in subsidiaries is an amount of RM179.77 million representing the investment cost in Jinjiang Zhenxing Shoes & Plastics Co. Ltd..

   Based on the net assets value of Jinjiang Zhenxing Shoes & Plastics Co. Ltd. as at 31 December 2016 and subject to further assessment of the said net assets value pursuant to relevant legal opinion to be obtained, the Company is of the view that no impairment is required on the investment cost in Jinjiang Zhenxing Shoes & Plastics Co. Ltd..

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

Basis for Disclaimer of Opinion (continued)

7. As disclosed in Note 9(a)(i) to the financial statements, included in trade receivables is an amount of RM6.46 million owing by 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.

   We were unable to obtain sufficient appropriate evidence on the carrying amount of the trade receivables as at 31 December 2016. The recoverability of the debt has not been reliably assessed by the Group to ensure the carrying amount is 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.

8. 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 concern. 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 current financial year, the Group and the Company incurred net losses amounting to RM86,707,053 and RM1,346,765 respectively.

   During the current financial year, Jinjiang Zhenxing Shoes & Plastics Co. Ltd., a subsidiary of the Company, had ceased operations.

   On 5 February 2016, the external auditors of the Company 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(a) to the financial statements), litigation cases (Note 25 to the financial statements), the change of Legal Representative of a subsidiary (Note 7(a) to the financial statements), advances to a debtor (Note 9(b)(ii) to the financial statements) and raised significant concerns from their findings. 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.

   On 2 August 2016, the Company announced that it had been classified as an affected listed issuer pursuant to Paragraph 8.04 and Paragraph 2.1(d) of Practice Note 17 ("PN17") under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. As a result, the Company is required to submit a regularisation plan ("Regularisation Plan") to the relevant authorities and to implement the Regularisation Plan within the stipulated timeframe. The Company is currently in the midst of formalising a Regularisation Plan.

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

   The ability of the Group and of the Company to continue as going concern 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.

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

Basis for Disclaimer of Opinion (continued)

9. As disclosed in Note 30 to the financial statements, the matters stated were unresolved since the preceding financial year and formed the basis for disclaimer of opinion on the financial statements of the Group and the Company for the financial year ended 31 December 2015. We were unable to determine whether adjustments to results of operations, and opening retained earnings/accumulated losses might be necessary. Our opinion on the current year's financial statements is also modified because of the possible effects of these matters on the comparability of the current financial year's figures and corresponding figures.

10. As disclosed in Note 2.7 to the financial statements, the Group ceased its operations of its subsidiaries and the formulation and implementation of a Regularisation Plan is pending at this stage. We were unable to carry out certain procedures or to obtain information we considered necessary during our audit of the financial statements of the Group and the Company. Therefore, we could not determine the effect of adjustments, if any, on the financial position of the Group and the Company as at 31 December 2016 or on its financial performance and cash flows for the year then ended.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that 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 control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with approved standards on auditing Malaysia and International Standards on Auditing, and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. We are independent of the Group and of the Company in accordance with By-Laws *(on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for *Accountants' Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

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 subsidiaries 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 its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act 1965 in Malaysia.

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

Report on Other Legal and Regulatory Requirements (continued)

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

(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 subsidiaries.

(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 subsidiaries 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 purposes.

(d) We have received audited financial statements of subsidiaries except Jinjiang Zhenxing Shoes & Plastics Co. Ltd. and Hebi City Yifu Plastics Product Co. Ltd.. We are unable to report whether the audit reports on the financial statements of the subsidiaries 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 subsidiaries are not available as at the date of this report.

Other Reporting Responsibilities

The supplementary information set out in page 90 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: 28 April 2017

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	568,520
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	1,943,416
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]	17,919,833

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. 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 31/3/2017

Issued and Fully Paid - Up - Capital	:	398,860,600 (excluding treasury shares of 1,139,400)
Class of Shares	:	Ordinary shares
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	6	0.31	142	0.00
100 – 1,000	428	22.16	164,376	0.04
1,001 – 10,000	499	25.84	3,177,626	0.80
10,001 – 100,000	727	37.65	30,720,203	7.70
100,001 – 19,943,029*	269	13.93	146,520,207	36.73
19,943,030 AND ABOVE**	2	0.11	218,278,046	54.73
TOTAL	**1,931**	**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
You Xi Liang	0	0.00	0	0.00
Yung Chi Man	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	CITIGROUP NOMINEES (ASING) SDN BHD CBHK FOR YUANTA SECURITIES CO. LTD. (YUANTAHK CL AC-RETAIL)	110,000,000	27.58
2	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK (HONG KONG) LIMITED (HK PVB CL AC)	108,278,046	27.15

ANALYSIS OF SHAREHOLDINGS
AS AT 31/3/2017 (CONTINUED)

LIST OF TOP 30 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares Held	Percentage (%)
3	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR USB AG HONG KONG (FOREIGN)	14,372,387	3.60
4	RHB BANK (L) LTD	9,748,200	2.44
5	LEE SEE JIN	5,143,200	1.29
6	CHONG KING CHUN	3,917,500	0.98
7	LEUNG SING KIT	2,684,600	0.67
8	TANG WAN	2,582,500	0.65
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD TANG SING LING	2,382,900	0.60
10	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAH SIEW SEONG	2,160,000	0.54
11	LING KAU @ LIM HONG MEOW	2,109,500	0.53
12	TEE AH SWEE	2,021,800	0.51
13	LEE YIH YEONG	1,927,900	0.48
14	CHANG WEE YAP	1,880,000	0.47
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHOO SIAW LIM	1,742,800	0.44
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD TEOH KAI HING	1,665,300	0.42
17	WONG YU @ WONG WING YU	1,600,000	0.40
18	CHIN AH SUN	1,590,200	0.40
19	YIEH CHAI CHIN	1,476,400	0.37
20	NG TIN CHOO	1,439,000	0.36
21	TAN CHEE KOON	1,431,000	0.36
22	MAH SIEW SEONG	1,338,000	0.34
23	CHEAH TEAD WENG	1,300,000	0.33
24	TEH WENG KONG @ TENG WENG KONG	1,299,100	0.33
25	NEO SAY YEOW	1,292,000	0.32
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG SENG GIAP (E-KDA)	1,253,100	0.31
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD TAN SENG	1,250,000	0.31
28	SING FOONG YIN	1,203,400	0.30
29	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGE SECURITIES ACCOUNT FOR SAK KAM WAH (8082357)	1,200,000	0.30
30	CHEUNG WAI MEE	1,100,000	0.28
	TOTAL	**291,388,833**	**73.06**

ANALYSIS OF WARRANTHOLDINGS

AS AT 31/3/2017

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	297	15.88	14,647	0.01
100 – 1,000	238	12.73	150,723	0.08
1,001 – 10,000	644	34.44	3,518,050	1.76
10,001 – 100,000	487	26.04	18,330,560	9.19
100,001 – 9,971,514*	202	10.80	121,688,420	61.02
9,971,515 AND ABOVE**	2	0.11	55,727,900	27.94
TOTAL	**1,870**	**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 Shares	%	No. of Shares	%
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
You Xi Liang	0	0.00	0	0.00
Yung Chi Man	0	0.00	0	0.00

* Negligible

LIST OF SUBSTANTIAL WARRANTHOLDERS

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Chong Fong Yu	33,836,000	16.97	0	0.00
Lum Yin Mui	21,891,900	10.98	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	21,891,900	10.98
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD TANG SING LING	5,015,400	2.51

ANALYSIS OF WARRANTHOLDINGS
AS AT 31/3/2017 (CONTINUED)

LIST OF TOP 30 WARRANTHOLDERS

No.	Name of Warrantholder	No. of Warrants Held	Percentage (%)
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHENG SIEW FONG	5,000,000	2.51
5	RHB BANK (L) LTD	4,874,100	2.44
6	LUM FOOK SENG	3,625,000	1.82
7	WONG KIM HAI	3,438,950	1.72
8	SIAH BOON HUAT	3,100,100	1.55
9	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PEK KIAM KEK (MARGIN)	3,000,000	1.50
10	MAH KOK FOON	2,500,000	1.25
11	GAN BOON KIM	2,403,900	1.21
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAI LI CHONG (PENANG-CL)	2,373,500	1.19
13	LING KAU @ LIM HONG MEOW	2,082,100	1.04
14	TEH WENG KONG @ TENG WENG KONG	2,029,400	1.02
15	TEMBUSU GROWTH FUND LTD	2,023,020	1.01
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SOON HIN (E-BPJ)	2,000,000	1.00
17	WEE LIONG SWEE	1,800,000	0.90
18	PEK KIAM KEK	1,670,000	0.84
19	ONG KHEAM CHYE	1,600,000	0.80
20	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOH SIEW ENG	1,430,000	0.72
21	FOONG WAI CHEE	1,389,800	0.70
22	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP SOON LEE (E-SS2)	1,207,100	0.61
23	CHIN CHEE HAUR	1,162,000	0.58
24	LOKE CHOOI GAIK	1,102,700	0.55
25	NG KHENG LEONG	1,095,200	0.55
26	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOH SIEW ENG (E-SS2)	1,091,600	0.55
27	ESMOND SIT BO SHENG	1,053,000	0.53
28	KOAY POH PENG	1,050,000	0.53
29	CHAI SEE SOON	1,040,000	0.52
30	ABDULLAH BIN MOHD SALLEH	1,000,000	0.50
	TOTAL	**116,884,770**	**58.61**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth 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 Friday, 23 June 2017 at 10.00 a.m., for the following purposes :-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. **Please refer to Note 1**

2. To approve the payment of Directors' fees of RM125,000.00 for the financial year ended 31 December 2016. **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 - Mdm Li Kwai Chun **Resolution 2**
   (b) Article 92 - Mr You XiLiang **Resolution 3**
   (c) Article 92 - Mr Yung Chi Man **Resolution 4**

4. To re-appoint Messrs Baker Tilly Monteiro Heng as the Auditors of the Company for the ensuing year and to authorize the Board of Directors to fix their remuneration. **Resolution 5**

AS SPECIAL BUSINESS

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

   Proposed Resolution Pursuant to Section 75 of the Companies Act 2016

   "THAT subject always to the Companies Act 2016 ("Act"), Articles of Association of the Company, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental/regulatory bodies (if any), the Directors be and are hereby authorised and empowered pursuant to Section 75 of the Act 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 and are 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 6**

6. To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Articles of Association.

By Order of the Board,

WONG YOUN KIM
SIN MAY PENG
Company Secretaries

Dated this 28 April 2017
Kuala Lumpur

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

NOTES:

1. Item 1 of the Agenda is meant for discussion only as under the provision of Section 340(1)(a) of the Companies Act 2016, the Audited Financial Statements do not require formal approval of the shareholders. Hence, this matter is not put forward for voting.

2. A member of the Company entitled to attend and vote at this meeting is entitled to appoint more than two (2) proxies to attend and vote in his/her place. A proxy may, but need not be a member of the Company.

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

4. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.

5. 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.

6. 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).

7. Only depositors whose names appear in the Record of Depositors as at 16 June 2017 shall be entitled to attend, speak and vote at the Eighth AGM.

EXPLANATORY NOTES ON SPECIAL BUSINESS

The Ordinary Resolution proposed under item 5 is a renewal of the previous year's 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.

As at the date of Notice of Meeting, no shares have been issued pursuant to the general mandate granted at the last Annual General Meeting 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 Eighth 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 Friday, 23 June 2017 at 10.00 a.m.

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

   (a) Article 85 - Mdm Li Kwai Chun
   (b) Article 92 - Mr You XiLiang
   (c) Article 92 - Mr Yung Chi Man

   The details of the above Directors seeking re-election are set out in the Profile of Directors as disclosed on pages 9 and 10 of this Annual Report.

   Mdm Li Kwai Chun's interests in the securities of the Company are set out in the List of Directors' Shareholdings and List of Directors' Warrantholdings on pages 99 and 101 , respectively of the Annual Report.

   Both Mr You XiLiang and Mr Yung Chi Man do not have any interests in the securities of the Company and/or its related corporations.

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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 Eighth 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 Friday, 23 June 2017 at 10.00 a.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 :-			
	Mdm Li Kwai Chun	Resolution 2		
	Mr You XiLiang	Resolution 3		
	Mr Yung Chi Man	Resolution 4		
3.	Re-appointment of Auditors :- Messrs Baker Tilly Monteiro Heng	Resolution 5		
4.	Authority to Issue Shares pursuant to Section 75 of the Companies Act 2016	Resolution 6		

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. Item 1 of the Agenda is meant for discussion only as under the provision of Section 340(1)(a) of the Companies Act 2016, the Audited Financial Statements do not require formal approval of the shareholders. Hence, this matter is not put forward for voting.
2. A member of the Company entitled to attend and vote at this meeting is entitled to appoint more than two (2) proxies to attend and vote in his/her place. A proxy may, but need not be a member of the Company.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
4. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.
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6. 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).
7. Only depositors whose names appear in the Record of Depositors as at 16 June 2017 shall be entitled to attend, speak and vote at the Eighth AGM.

Fold This Flap For Sealing

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AFFIX
STAMP

The Company Secretary

MAXWELL INTERNATIONAL HOLDINGS BERHAD
(877480-X)
Level 2, Tower 1, Avenue 5, Bangsar South City,
59200 Kuala Lumpur

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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

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