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MBV INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1957)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2020 (the “**Period**”):

- the Group (as defined hereinafter) recorded unaudited revenue of approximately RM42.2 million, representing a decrease of approximately 49.5% as compared to approximately RM83.6 million for the six months ended 30 June 2019 (the “**Last Corresponding Period**”);
- the Group recorded a loss for the period attributable to owners of the Company of approximately RM4.2 million in the Period and profit for the period attributable to owners of the Company of approximately RM8.1 million in the Last Corresponding Period;
- Excluding the non-recurring listing expenses, the Group recorded a profit for the period attributable to owners of the Company of approximately RM1.5 million in the Period and RM11.7 million in the Last Corresponding Period;
- the Group recorded unaudited losses per share attributable to owners of the Company of approximately RM0.88 cents in the Period, and the unaudited earnings per share attributable to owners of the Company of approximately RM1.72 cents in the Last Corresponding Period; and
- The Board (as defined hereinafter) does not recommend the payment of interim dividend.

The Board of Directors (the “**Board**”) of MBV International Limited (the “**Company**”) presents the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the Period together with the comparative figures for the Last Corresponding Period as follows. The interim results have not been audited by the external joint auditors but they have been reviewed by the Audit Committee of the Company.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2020

| | Notes | Six months ended 30 June | |
|---|-------|-------------------------------|-------------------------------|
| | | 2020 RM'000 (Unaudited) | 2019 RM'000 (Unaudited) |
| Revenue | 4 | 42,174 | 83,555 |
| Cost of sales | | <u>(30,800)</u> | <u>(58,203)</u> |
| Gross profit | | 11,374 | 25,352 |
| Other income | 5 | 1,073 | 955 |
| Selling and distribution expenses | | (2,867) | (3,943) |
| Administrative and other operating expenses | | (7,784) | (6,783) |
| Finance costs | 6 | (40) | (183) |
| Listing expenses | | <u>(5,627)</u> | <u>(3,593)</u> |
| (Loss) Profit before tax | 6 | (3,871) | 11,805 |
| Income tax expenses | 7 | <u>(547)</u> | <u>(3,477)</u> |
| (Loss) Profit for the period | | (4,418) | 8,328 |
| Other comprehensive income (loss), net of tax | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on consolidation | | <u>35</u> | <u>(79)</u> |
| Total comprehensive (loss) income for the period | | <u>(4,383)</u> | <u>8,249</u> |
| (Loss) Profit for the period attributable to: | | | |
| Owners of the Company | | (4,155) | 8,100 |
| Non-controlling interests | | <u>(263)</u> | <u>228</u> |
| | | <u>(4,418)</u> | <u>8,328</u> |
| Total comprehensive (loss) income for the period attributable to: | | | |
| Owners of the Company | | (4,120) | 8,021 |
| Non-controlling interests | | <u>(263)</u> | <u>228</u> |
| | | <u>(4,383)</u> | <u>8,249</u> |
| (Losses) Earnings per share attributable to owners of the Company: | | | |
| — Basic | | <u>RM(0.88) cents</u> | <u>RM1.72 cents</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

| | | At 30 June 2020 | At 31 December 2019 |
|--|--------------|-------------------------------------|-----------------------------------|
| | <i>Notes</i> | RM'000 (Unaudited) | RM'000 (Audited) |
| Non-current assets | | | |
| Property, plant and equipment | | 29,920 | 30,013 |
| Deferred tax assets | | 3,020 | 3,199 |
| | | <u>32,940</u> | <u>33,212</u> |
| Current assets | | | |
| Inventories | | 32,742 | 37,002 |
| Trade and other receivables | 10 | 23,527 | 14,127 |
| Tax recoverable | | 475 | — |
| Bank balances and cash | | 27,836 | 36,541 |
| | | <u>84,580</u> | <u>87,670</u> |
| Current liabilities | | | |
| Trade and other payables | 11 | 14,659 | 12,089 |
| Bank overdrafts | | 14 | — |
| Interest-bearing borrowings | | 1,017 | 1,548 |
| Lease liabilities | | 594 | 403 |
| Tax payable | | — | 1,405 |
| | | <u>16,284</u> | <u>15,445</u> |
| Net current assets | | <u>68,296</u> | <u>72,225</u> |
| Total assets less current liabilities | | <u>101,236</u> | <u>105,437</u> |

| | | At 30 June 2020 <i>RM'000</i> (Unaudited) | At 31 December 2019 <i>RM'000</i> (Audited) |
|--|----|---|---|
| Non-current liabilities | | | |
| Interest-bearing borrowings | | 7,720 | 7,497 |
| Lease liabilities | | <u>573</u> | <u>614</u> |
| | | <u>8,293</u> | <u>8,111</u> |
| NET ASSETS | | <u>92,943</u> | <u>97,326</u> |
| Capital and reserves | | | |
| Share capital | 12 | —* | —* |
| Reserves | | <u>91,355</u> | <u>95,475</u> |
| Equity attributable to owners of the Company | | 91,355 | 95,475 |
| Non-controlling interests | 13 | <u>1,588</u> | <u>1,851</u> |
| TOTAL EQUITY | | <u>92,943</u> | <u>97,326</u> |

* Represent amount less than RM1,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

MBV International Limited was incorporated in the Cayman Islands as an exempted company with limited liability on 3 January 2019. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 July 2020 (the “**Initial Listing**”). The Company’s immediate and ultimate holding company is MBV Capital Limited, a company with limited liability incorporated in the British Virgin Islands (“**BVI**”). The address of the Company’s registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company’s principal place of business is situated at Unit 2201–3, 22/F, Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong and the Group’s headquarter is situated at No. 66, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor, Malaysia.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of imprintable apparel and gift products in Malaysia and Singapore.

In preparing for the Initial Listing, the Group underwent a group reorganisation (the “**Reorganisation**”) to rationalise the group structure. As a result of the Reorganisation, the Company became the holding company of the Group on 23 April 2019. Details of the Reorganisation are more fully explained in the section headed “History, Reorganisation and Corporate Structure” of the prospectus of the Company dated 18 June 2020 (the “**Prospectus**”). The Group resulting from the Reorganisation is regarded as a continuing entity under the common control of Dato’ Tan Meng Seng, Dato’ Tan Mein Kwang and Mr. Tan Beng Sen (together the “**Ultimate Controlling Party**”) prior to and after the Reorganisation, and that control is not transitory. Accordingly, the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 (the “**Interim Financial Statements**”) have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger accounting under common control combination” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The unaudited condensed consolidated statement of profit or loss and other comprehensive income, unaudited condensed consolidated statement of changes in equity and the unaudited condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2020 and 2019 have been prepared on the basis as if the current group structure has been in existence throughout the periods. The condensed consolidated statement of financial position of the Group at 31 December 2019 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the group structure has been in existence as at that date.

The Interim Financial Statements have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standard Board (the “**IASB**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The preparation of the Interim Financial Statements in conformity with IAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and financial performance of the Group since 31 December 2019, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual IFRSs, IAS and Interpretations issued by the IASB. They shall be read in conjunction with the audited financial information of the Group for the year ended 31 December 2019 as included in the Accountants’ Report as set out in Appendix I of the Prospectus (the “**2019 Financial Statements**”).

The Interim Financial Statements have been prepared on the historical costs basis and presented in Malaysian Ringgit (“RM”) and rounded to the nearest thousands unless otherwise indicated.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the 2019 Financial Information except for the adoption of the new/revised IFRSs further described in the “Adoption of new/revised IFRSs” section which are relevant to the Group and effective for the Group’s financial period beginning on 1 January 2020.

Adoption of new/revised IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|-------------------------------------|--|
| Amendments to IFRS 3 | Definition of a Business |
| Amendments to IASs 1 and 8 | Disclosure initiative — Definition of Material |
| Amendments to IAS 39, IFRSs 7 and 9 | Interest Rate Benchmark Reform |

Other than the above new/revised IFRSs, at the date of authorisation of the Interim Financial Statements, the Group has not early adopted other new/revised IFRSs that have been issued but are not yet effective. The Directors do not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the Group’s consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the CODM have been aggregated in arriving at the reportable operating segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- (a) Wholesaling of imprintable apparel and gift products.
- (b) Manufacturing of imprintable apparel.

a) **Segment revenue and results**

Segment revenue represents revenue derived from wholesaling of imprintable apparel and gift products and manufacturing of imprintable apparel.

Segment results represent the gross profit reported by each segment without allocation of other income, selling and distribution expenses, administrative and other operating expenses, finance costs, listing expenses and income tax expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

The segment information provided to the CODM of the Group for the reportable operating segments for the six months ended 30 June 2020 and 2019 are as follows:

For the six months ended 30 June 2020 (Unaudited)

| | Wholesaling RM'000 | Manufacturing RM'000 | Total RM'000 |
|---|-------------------------------|---------------------------------|-------------------------|
| Segment revenue | 38,910 | 3,264 | 42,174 |
| Segment cost of sales | <u>(27,790)</u> | <u>(3,010)</u> | <u>(30,800)</u> |
| Segment results | <u>11,120</u> | <u>254</u> | 11,374 |
| Other income | | | 1,073 |
| Selling and distribution expenses | | | (2,867) |
| Administrative and other operating expenses | | | (7,784) |
| Finance costs | | | (40) |
| Listing expenses | | | <u>(5,627)</u> |
| Loss before tax | | | (3,871) |
| Income tax expenses | | | <u>(547)</u> |
| Loss for the period | | | <u>(4,418)</u> |
| <i>Other information</i> | | | |
| Depreciation | 772 | 146 | (918) |
| Provision of write-down of inventories, net | <u>(551)</u> | <u>—</u> | <u>(551)</u> |

For the six months ended 30 June 2019 (Unaudited)

| | Wholesaling <i>RM'000</i> | Manufacturing <i>RM'000</i> | Total <i>RM'000</i> |
|---|------------------------------|--------------------------------|------------------------|
| Segment revenue | 77,237 | 6,318 | 83,555 |
| Segment cost of sales | <u>(53,108)</u> | <u>(5,095)</u> | <u>(58,203)</u> |
| Segment results | <u>24,129</u> | <u>1,223</u> | 25,352 |
| Other income | | | 955 |
| Selling and distribution expenses | | | (3,943) |
| Administrative and other operating expenses | | | (6,783) |
| Finance costs | | | (183) |
| Listing expenses | | | <u>(3,593)</u> |
| Profit before tax | | | 11,805 |
| Income tax expenses | | | <u>(3,477)</u> |
| Profit for the period | | | <u>8,328</u> |
| <i>Other information</i> | | | |
| Depreciation | 716 | 60 | 776 |
| Provision of write-down of inventories, net | <u>(173)</u> | <u>—</u> | <u>(173)</u> |

b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segments:

At 30 June 2020 (Unaudited)

| | Wholesaling RM'000 | Manufacturing RM'000 | Unallocated RM'000 | Total RM'000 |
|--------------------------------|-------------------------------|---------------------------------|-------------------------------|-------------------------|
| Assets | | | | |
| Reportable segment assets | <u>79,083</u> | <u>6,232</u> | <u>32,205</u> | <u>117,520</u> |
| Liabilities | | | | |
| Reportable segment liabilities | <u>6,587</u> | <u>1,193</u> | <u>16,797</u> | <u>24,577</u> |
| <i>Other information</i> | | | | |
| Capital expenditures | <u>760</u> | <u>64</u> | <u>—</u> | <u>825</u> |

At 31 December 2019 (Audited)

| | Wholesaling RM'000 | Manufacturing RM'000 | Unallocated RM'000 | Total RM'000 |
|--------------------------------|-------------------------------|---------------------------------|-------------------------------|-------------------------|
| Assets | | | | |
| Reportable segment assets | <u>77,387</u> | <u>3,414</u> | <u>40,081</u> | <u>120,882</u> |
| Liabilities | | | | |
| Reportable segment liabilities | <u>9,231</u> | <u>1,369</u> | <u>12,956</u> | <u>23,556</u> |
| <i>Other information</i> | | | | |
| Capital expenditures | <u>1,555</u> | <u>666</u> | <u>—</u> | <u>2,221</u> |

For the purposes of monitoring segment performance and allocating resources between segments:

- segment assets include property, plant and equipment, inventories and certain trade and other receivables. Other assets are not allocated to operating segments as these assets are managed on a corporate basis; and
- segment liabilities include certain trade and other payables. Other liabilities are not allocated to operating segments as these liabilities are managed on a corporate basis.

c) **Geographical information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment (the "Specified Non-current Assets"). The geographical location of the revenue is presented based on the entity's countries of domicile for the provision of imprintable apparel and gift products. The geographical location of the Specified Non-current Assets is presented based on the physical location of the assets.

i) *Location of revenue*

| | Wholesaling <i>RM'000</i> | Manufacturing <i>RM'000</i> | Total <i>RM'000</i> |
|---------------------------------|-------------------------------------|---------------------------------------|-------------------------------|
| For the six months ended | | | |
| 30 June 2020 (Unaudited) | | | |
| Malaysia | 31,830 | 1,623 | 33,453 |
| Singapore | 7,080 | 1,641 | 8,721 |
| | <u>38,910</u> | <u>3,264</u> | <u>42,174</u> |
| For the six months ended | | | |
| 30 June 2019 (Unaudited) | | | |
| Malaysia | 64,909 | 3,732 | 68,641 |
| Singapore | 12,328 | 2,586 | 14,914 |
| | <u>77,237</u> | <u>6,318</u> | <u>83,555</u> |

ii) *Location of the Specified Non-current Assets*

| | At 30 June 2020 <i>RM'000</i> (Unaudited) | At 31 December 2019 <i>RM'000</i> (Audited) |
|-----------|---|---|
| Malaysia | 29,691 | 29,521 |
| Singapore | 229 | 492 |
| | <u>29,920</u> | <u>30,013</u> |

d) **Information about major customers**

The Group's revenue from any single external customer did not contribute 10% or more of the total revenue of the Group for the six months ended 30 June 2020 and 2019.

4. REVENUE

| | Six months ended 30 June | |
|--|--------------------------|---------------|
| | 2020 | 2019 |
| | <i>RM'000</i> | <i>RM'000</i> |
| | (Unaudited) | (Unaudited) |
| Revenue from contracts with customers within IFRS 15 | | |
| — at a point in time | | |
| Wholesaling | | |
| — Imprintable apparel | 32,975 | 68,732 |
| — Gift products | 5,935 | 8,505 |
| Manufacturing | 3,264 | 6,318 |
| | <u>42,174</u> | <u>83,555</u> |

The amounts of revenue recognised for the six months ended 30 June 2020 and 2019 that was included in the contract liabilities in relation to customer incentive scheme at the beginning of the respective period is approximately RM1,653,000 and RM3,140,000, respectively.

5. OTHER INCOME

| | Six months ended 30 June | |
|---|--------------------------|---------------|
| | 2020 | 2019 |
| | <i>RM'000</i> | <i>RM'000</i> |
| | (Unaudited) | (Unaudited) |
| Interest income | 53 | 32 |
| Government grant | 565 | — |
| Exchange gain, net | 218 | 257 |
| Gain on disposal of property, plant and equipment | — | 72 |
| Rental income | 6 | 68 |
| Reversal of impairment loss of trade receivables | 111 | 446 |
| Sundry income | 120 | 80 |
| | <u>1,073</u> | <u>955</u> |

6. (LOSS) PROFIT BEFORE TAX

This is stated after charging (crediting):

| | Six months ended 30 June | |
|---|--------------------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| | (Unaudited) | (Unaudited) |
| Finance costs | | |
| Interest on interest-bearing borrowings | 21 | 98 |
| Interest on bank overdrafts | 1 | 58 |
| Interest on lease liabilities | 18 | 27 |
| | <u>40</u> | <u>183</u> |
| Staff costs (including directors' emoluments) | | |
| Salaries, discretionary bonus, allowances and other benefits in kind | 8,815 | 9,321 |
| Contributions to defined contribution plans | 946 | 992 |
| | <u>9,761</u> | <u>10,313</u> |
| Other items | | |
| Cost of inventories (<i>Note</i>) | 30,800 | 58,203 |
| Auditor's remuneration | 46 | 62 |
| Depreciation (charged to "cost of sales" and "administrative and other operating expenses", as appropriate) | 918 | 776 |
| Lease payments on premises | — | 70 |
| Provision of write-down of inventories, net | 551 | 173 |
| Provision of (Reversal of) impairment loss of trade receivables, net | 774 | (106) |

Note: Cost of inventories included approximately RM3,396,000 and RM3,573,000 relating to the aggregate amount of certain staff costs and depreciation which were included in the respective amounts as disclosed above for the six months ended 30 June 2020 and 2019, respectively.

7. TAXATION

| | Six months ended 30 June | |
|---|---------------------------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| | (Unaudited) | (Unaudited) |
| Current tax | | |
| Malaysia corporate income tax | 312 | 3,321 |
| Singapore corporate income tax | 56 | 134 |
| | <hr/> | <hr/> |
| | 368 | 3,455 |
| Deferred tax | | |
| Changes in temporary differences | 179 | 22 |
| | <hr/> | <hr/> |
| Total income tax expenses for the period | 547 | 3,477 |
| | <hr/> <hr/> | <hr/> <hr/> |

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the six months ended 30 June 2020 and 2019.

The group entities established in the Cayman Islands and the BVI are exempted from corporate income tax (“CIT”) therein.

Malaysia CIT is calculated at 24% of the estimated assessable profits for the six months ended 30 June 2020 (six months ended 30 June 2019: 24%). Malaysia incorporated entities with paid-up capital of RM2.5 million or less enjoy tax rate of 17% (six months ended 30 June 2019: 17%) on the first RM600,000 (six months ended 30 June 2019: RM500,000) of the estimated assessable profits and remaining balance at tax rate of 24% for the six months ended 30 June 2020 (six months ended 30 June 2019: 24%).

Singapore CIT is calculated at 17% of the assessable profits with CIT rebate of 25%, capped at Singapore dollars (S\$)15,000 for the six months ended 30 June 2020 and 2019. The Group’s entities incorporated in Singapore can also enjoy 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$190,000 of normal chargeable income for the six months ended 30 June 2020 and 2019.

8. (LOSSES) EARNINGS PER SHARE

The calculation of the basic (losses) earnings per share attributable to owners of the Company is based on the following information:

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2020 | 2019 |
| | <i>RM'000</i> | <i>RM'000</i> |
| | (Unaudited) | (Unaudited) |
| (Loss) Profit for the period attributable to owners of the Company, used in basic (losses) earnings per share calculation | <u>(4,155)</u> | <u>8,100</u> |
| | Number of shares | |
| | Six months ended 30 June | |
| | 2020 | 2019 |
| | <i>'000</i> | <i>'000</i> |
| Weighted average number of ordinary shares for basic (losses) earnings per share calculation | <u>471,000</u> | <u>471,000</u> |

The calculation of the weighted average number of ordinary shares for the purpose of calculating basis (losses) earnings per share has been determined based on the assumption that the issue of shares at incorporation of the Company, the Reorganisation and the Capitalisation Issue (as defined in the Prospectus) to the shareholders had occurred on 1 January 2019.

Diluted (losses) earnings per share are same as the basic (losses) earnings per share as there are no dilutive potential ordinary shares in existence for the six months ended 30 June 2020 and 2019.

9. DIVIDEND

The Directors did not recommend a payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

10. TRADE AND OTHER RECEIVABLES

| | At 30 June 2020 <i>RM'000</i> (Unaudited) | At 31 December 2019 <i>RM'000</i> (Audited) |
|---|---|---|
| Trade receivables | | |
| From third parties | 6,314 | 13,705 |
| Less: Loss allowances | <u>(1,478)</u> | <u>(979)</u> |
| | <u>4,836</u> | <u>12,726</u> |
| Other receivables | | |
| Prepayments | 874 | 374 |
| Deposits paid to suppliers (<i>Note i</i>) | 16,019 | 418 |
| Other deposits and receivables (<i>Note ii</i>) | <u>1,798</u> | <u>609</u> |
| | <u>18,691</u> | <u>1,401</u> |
| | <u>23,527</u> | <u>14,127</u> |

Note i: The balance at 30 June 2020 included payment in advance to certain suppliers for the ordered apparels and gifts products to be delivered, upon completion, to the Group.

Note ii: The amounts at 30 June 2020 and 31 December 2019 included prepaid listing expenses of approximately RM836,000 and RM73,000, respectively.

The ageing of trade receivables, net of loss allowances, based on invoice date at the end of each reporting period is as follows:

| | At 30 June 2020 <i>RM'000</i> (Unaudited) | At 31 December 2019 <i>RM'000</i> (Audited) |
|----------------|---|---|
| Within 30 days | 2,928 | 8,874 |
| 31 to 60 days | 549 | 2,382 |
| 61 to 90 days | — | 1,025 |
| Over 90 days | <u>1,359</u> | <u>445</u> |
| | <u>4,836</u> | <u>12,726</u> |

The Group normally grants credit terms up to 60 days from the date of issuance of invoices.

11. TRADE AND OTHER PAYABLES

| | | At 30 June 2020 <i>RM'000</i> (Unaudited) | At 31 December 2019 <i>RM'000</i> (Audited) |
|---|-------|---|---|
| Trade payables | | | |
| To a related party | 11(a) | 179 | 562 |
| To third parties | | <u>220</u> | <u>837</u> |
| | | <u>399</u> | <u>1,399</u> |
| Other payables | | | |
| Refundable receipts in advance | | 1,144 | 1,169 |
| Contract liabilities in relation to customer incentive scheme | 11(b) | 2,428 | 4,081 |
| Salary payables | | 1,481 | 2,381 |
| Other accruals and other payables (<i>Note</i>) | | <u>9,207</u> | <u>3,059</u> |
| | | <u>14,260</u> | <u>10,690</u> |
| | | <u><u>14,659</u></u> | <u><u>12,089</u></u> |

Note: The amounts at 30 June 2020 included accrued listing expenses of approximately RM7,598,000 (31 December 2019: approximately RM1,797,000).

At the end of each reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

| | At 30 June 2020 <i>RM'000</i> (Unaudited) | At 31 December 2019 <i>RM'000</i> (Audited) |
|----------------|---|---|
| Within 30 days | 251 | 720 |
| 31 to 60 days | 95 | 604 |
| 61 to 90 days | — | 14 |
| Over 90 days | <u>53</u> | <u>61</u> |
| | <u>399</u> | <u>1,399</u> |

The trade payables are interest-free and with normal credit terms up to 30 days.

(a) Trade payables to a related party

The trade payables to a related party are unsecured, interest-free and with normal credit terms up to 30 days.

| | At 30 June 2020 <i>RM'000</i> (Unaudited) | At 31 December 2019 <i>RM'000</i> (Audited) |
|--|---|---|
| Forever Silkscreen & Embroidery Sdn. Bhd. ("Forever Silkscreen") (Note) | <u>179</u> | <u>562</u> |

Note: At 30 June 2020, the Ultimate Controlling Party held 50% (31 December 2019: 50%) equity interests of Forever Silkscreen.

(b) Contract liabilities in relation to customer incentive scheme

The balance represented accumulated unused obligations under customer incentive scheme at the end of each reporting period which will be recognised as revenue in the next reporting period. Movements in the contract liabilities in relation to customer incentive scheme are as follows:

| | At 30 June 2020 <i>RM'000</i> (Unaudited) | At 31 December 2019 <i>RM'000</i> (Audited) |
|--|---|---|
| At the beginning of the reporting period | 4,081 | 5,276 |
| Addition for the reporting period | — | 4,081 |
| Revenue recognised for the reporting period (Note 4) | <u>(1,653)</u> | <u>(5,276)</u> |
| At the end of the reporting period | <u>2,428</u> | <u>4,081</u> |

The contract liabilities of approximately RM2,428,000 at 30 June 2020 (31 December 2019: approximately RM4,081,000), represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period. The Group expects the transaction price of approximately RM2,428,000 at 30 June 2020 (31 December 2019: approximately RM4,081,000), allocated to the unsatisfied performance obligations will be recognised as revenue in one year or less when the incentives in relation to customer incentive scheme are utilised.

12. SHARE CAPITAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 January 2019. Upon its incorporation, the authorised share capital of HK\$380,000 was divided into 38,000,000 ordinary shares at HK\$0.01 each and 12 ordinary shares of HK\$0.01 each was issued.

Pursuant to the resolutions in writing of the Company's sole shareholder passed on 19 May 2020, subject to the share premium account of the Company being credited as a result of the offering of the Company's shares, the Directors were authorised to allot and issue a total of 470,999,988 shares of HK\$0.01 each to the existing shareholder, credited as fully paid at par by way of capitalisation of the sum of HK\$4,709,999.88 standing to be credit of the share premium account of the Company ("the Capitalisation Issue") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the rights to participate in the Capitalisation Issue). The Capitalisation Issue was fully completed on 8 July 2020.

13. NON-CONTROLLING INTERESTS

At 30 June 2020, 30% equity interest (31 December 2019: 30%) of MyGift Universal Sdn. Bhd. is held by the non-controlling shareholders.

14. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Interim Financial Statements, during the six months ended 30 June 2020 and 2019, further information of the related party transaction is set out below.

(a) Related party transaction of the Group

| Name of the related party | Nature of transaction | Six months ended 30 June | |
|---------------------------|-----------------------|-------------------------------|-------------------------------|
| | | 2020 RM'000 (Unaudited) | 2019 RM'000 (Unaudited) |
| Forever Silkscreen | Service costs | <u>(714)</u> | <u>(1,417)</u> |

(b) Remuneration for key management personnel (including directors) of the Group

| | Six months ended 30 June | |
|--|-------------------------------|-------------------------------|
| | 2020 RM'000 (Unaudited) | 2019 RM'000 (Unaudited) |
| Salaries, bonus, allowances and other benefits in kind | 1,908 | 849 |
| Contributions to defined contribution plans | <u>134</u> | <u>133</u> |
| | <u>2,042</u> | <u>982</u> |

15. EVENTS AFTER THE REPORTING PERIOD

- (a) On 8 July 2020, the Company's shares were listed on the Stock Exchange and 157,000,000 new ordinary shares of HK\$0.01 each were issued at HK\$0.8 per share by way of global offering.
- (b) Subsequent to 30 June 2020, the Over-allotment Option (as defined in the Prospectus) had not been exercised during the stabilisation period and had lapsed on 24 July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY BACKGROUND

The Group is a leading imprintable apparel provider and gift products in Malaysia and Singapore. The Group sells a broad product portfolio of imprintable apparel ranging from t-shirts, uniforms, jackets, and others including other casual wear and accessories in a variety of sizes, colour and styles primarily in “blank” or undecorated form, without imprints or embellishment to customers who may decorate products with designs and logos for sale to a diversified range of consumers. With 25 years presence in the market, the Group has accumulated a large and diverse customer base in Malaysia and Singapore. Leveraging on the established and massive customer base, the Group expanded product portfolio by offering gifts and promotion items mainly for corporate marketing and advertising.

To store a large volume of products to meet the customers’ demand, the Group has established warehousing facilities consisting of two owned warehouses in Johor Bahru in Malaysia and storage space at each of the sales offices in Johor Bahru, Kuala Lumpur and other Selangor areas. Other than engaging in a number of original equipment manufacturers in PRC, Bangladesh and other countries to produce major imprintable apparel and gift product, the Group also leverage on their own facilities to manufactures imprintable apparel with special designs, requirements or specifications.

The Company was successfully listed on the Main Board of The Stock Exchange on 8 July 2020. It represents an important milestone to the Group and will greatly benefit the Group’s development in the future.

BUSINESS REVIEW

Save as disclosed below, there are no material changes in the Group’s performance from the information disclosed in the Prospectus.

For the Period, the Group’s revenue and gross profit decreased compared to the Last Corresponding Period, primarily due to the various measures implemented by the Malaysia and Singapore governments to constrain the outbreak of COVID-19 epidemic. During the period from 18 March 2020 to 3 May 2020 and from 7 April 2020 to 1 June 2020, the Group’s operation was temporarily suspended in Malaysia and Singapore respectively. As such, the number of business days in the Period significantly decreased compared to the Last Corresponding Period.

The outbreak of COVID-19 epidemic is expected to impose temporary negative impacts on both imprintable apparel industry and gift product industry in Malaysia and Singapore in 2020. At the date of this announcement and based on the current situation, the current outbreak of COVID-19 epidemic is not expected to have any long-term material adverse impact on the financial performance of the Group.

Revenue by products

The Group's product portfolio is broadly categorised into (i) imprintable apparel and (ii) gift products. The Group's revenue is primarily generated from Malaysia which accounted for approximately 79.4% and 82.1% of the Group's total revenue for the Period and the Last Corresponding Period, respectively. The Group's revenue has experienced steady growth over the years. However, due to the outbreak of COVID-19 epidemic, the Group has suspended its business operation during the period from 18 March 2020 to 3 May 2020 in Malaysia and from 7 April 2020 to 1 June 2020 in Singapore, which caused the Group's revenue decreased by approximately RM41.4 million or 49.5% from approximately RM83.6 million in the Last Corresponding Period to approximately RM42.2 million in the Period.

Imprintable apparel

The imprintable apparel products, the Group's primary product category, are core apparel essentials commonly used for a wide range of consumers across different demographics throughout a year in Malaysia and Singapore. The revenue generated from the imprintable apparel decreased by approximately RM38.8 million or 51.7% from approximately RM75.0 million in the Last Corresponding Period to approximately RM36.2 million in the Period, which was mainly attributable to the decrease in the quantity sold by approximately 53.7% in the Period compared to the Last Corresponding Period, primarily due to the outbreak of COVID-19 epidemic.

Gift products

The Group broaden gift product portfolio by offering more product categories for the customers to choose from and successful expanded into the imprintable gift segment since 2015, which are another commonly used corporate marketing and advertising items. The revenue generated from the gift products decreased by approximately RM2.6 million or 30.6% from approximately RM8.5 million in the Last Corresponding Period to approximately RM5.9 million in the Period, which was mainly attributable to the decrease in the quantity sold by approximately 29.0% in the Period compared to the Last Corresponding Period, primarily due to the outbreak of COVID-19 epidemic.

Gross profit

The gross profit margin decreased to approximately 27.0% in the Period as compared to approximately 30.4% in the Last Corresponding Period. The decrease in gross profit margin was mainly attributable to the non-avoidable costs incurred during the business suspension period, such as staff costs and depreciation charges. The gross profit was decreased from approximately RM25.4 million in the Last Corresponding Period to approximately RM11.4 million in the Period, representing a decrease of approximately 55.1%. The decrease in gross profit in Period was mainly attributable to the decrease in revenue of approximately 49.5%.

Other income

Other income mainly consists of interest income, government grant, exchange gain, net and others. Other income remained relatively stable at approximately RM1.0 million in the Period and the Last Corresponding Period.

Selling and distribution expenses

Selling and distribution expenses primarily comprise of (i) employee benefit costs mainly including basic salaries and wages of the sales and marketing staff, (ii) sales commission for them, (iii) advertising and promotions and (iv) others. Selling and distribution expenses dropped by approximately RM1.0 million or 25.6%, from approximately RM3.9 million in the Last Corresponding Period to approximately RM2.9 million in the Period which was mainly due to the decrease in staff salaries and sales commission resulted from the business suspension during the Period.

Administrative and other operating expenses

Administrative and other operating expenses primarily comprise of staff costs including directors' remuneration and other office staffs costs and welfare, transportation and travelling, depreciation, utilities, repair and maintenance, rental expenses, legal and professional fee and others. Administrative and other operating expenses increased by approximately RM1.0 million or 14.7%, from approximately RM6.8 million in the Last Corresponding Period to approximately RM7.8 million in the Period which was primarily due to the increase in staff cost for key management.

Finance costs

Finance costs mainly represent interest on interest-bearing borrowings, interest on bank overdraft and interest on lease liabilities. The Group's finance costs decreased by approximately RM0.1 million or 80.0% from approximately RM0.2 million in Last Corresponding Period to approximately RM0.04 million in the Period. The decrease in finance costs was due to the decrease in interest bearing borrowings and the effective interest rate for the Period.

Income tax expenses

Income tax expenses primarily consist of current and deferred income tax at the applicable tax rate in accordance with the relevant laws and regulations in Malaysia and Singapore. No provision for Hong Kong profit tax has been made as the Group has no assessable profits arising in or derived from Hong Kong and the group entities established in the Cayman Islands and the BVI are exempted from corporate income tax therein. Income tax expenses for the Period decreased by approximately RM3.0 million or 85.7% to approximately RM0.5 million from approximately RM3.5 million in the Last Corresponding Period. The decrease in income tax expenses was mainly due to the decrease in profit before tax generated in the Period.

(Loss) Profit attributable to owners of the Company and net profit margin

As a result of the foregoing, the Group recorded a loss for the period attributable to owners of the Company of approximately RM4.2 million in the Period and profit for the period attributable to owners of the Company of approximately RM8.1 million in the Last Corresponding Period. The net loss margin attributable to owners of the Company was approximately 10.0% for the Period and the net profit margin attributable to owners of the Company was approximately 9.7% for the Last Corresponding Period.

Excluding the non-recurring listing expenses, the Group recorded a profit for the period attributable to owners of the Company of approximately RM1.5 million and RM11.7 million in the Period and the Last Corresponding Period, respectively.

PROSPECTS

The outbreak of COVID-19 epidemic has a growing impact on the global economy and it has affected business in every possible manner. The Group has also been affected by this negative impacts on both imprintable apparel industry and gift product industry in Malaysia and Singapore for the Period. However, with the effort of medical personnel, government, people of Malaysia etc., Malaysia's daily new cases for COVID-19 was dropped to a low level starting from 5 June 2020 and the market or business have also been resumed with standard operating procedure. At the date of this announcement and based on the current situation, the current outbreak of COVID-19 epidemic is not expected to have any long-term material adverse impact on the financial performance of the Group. With the completion of the Initial Listing of the Company on 8 July 2020, the Group will further expand its market shares by increasing and enhancing the warehouse capabilities and improve the logistics flow.

OTHER INFORMATION

USE OF PROCEEDS FROM THE INITIAL LISTING

On 8 July 2020 (the “**Listing Date**”), the shares of the Company (the “**Share**”) were listed on the Main Board of the Stock Exchange. The Group intends to apply the proceeds from the issuance of 157,000,000 Shares at the offer price of HK\$0.80 per Share (the “**Share Offer**”) in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” in the announcement of Final Offer Price and Allotment Result dated 7 July 2020.

After deducting share issuance expense and professional fee regarding to the Share Offer, the net proceeds amounted to approximately HK\$61.9 million. Given the Share Offer was completed after the Period, there was no utilisation of the proceeds as at 30 June 2020.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations primarily through bank borrowings and internal resources. Following the completion of the Share Offer in July 2020, the net proceeds from the Share Offer are expected to provide additional funds for future cash requirements. It is anticipated that the Group has sufficient working capital to fund its future working capital, capital expenditure and other cash requirements.

As at 30 June 2020, the Group's net current assets were approximately RM68.3 million (31 December 2019: approximately RM72.2 million). The Group's cash and cash equivalents as at 30 June 2020 were approximately RM27.8 million (31 December 2019: approximately RM36.5 million).

As at 30 June 2020, there were bank borrowings of approximately RM8.8 million with effective interest rate 0.9% per annum (31 December 2019: approximately RM9.0 million and 1.4% per annum).

GEARING RATIO

As at 30 June 2020, the gearing ratio of the Group, based on total interest-bearing borrowings and lease liabilities to total equity (including all capital and reserves) of the Company was approximately 10.7% (31 December 2019: approximately 10.3%). The slight increase in gearing ratio is primarily attributable to the repayment of interest-bearing borrowings and the decrease in equity base. Following the completion of the Share Offer in July 2020, it is expected that the gearing ratio of the Group will further be reduced.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group employed 435 full-time employees in Malaysia and Singapore. The Group recognises the importance of maintaining good relationship with its employees and retaining competent staff to ensure operational efficiency and effectiveness. The remuneration packages offered to the Group's employees are based on each employee's qualifications, relevant experience, position and seniority. The Group conducts review on salary increments, bonuses and promotions based on the performance of each employee. The Group provides on-job training to new employees. During the Period, the Group had not experienced any strike, any significant problems with its employees or other material labour disputes which had materially disrupted its operation. The Group has not experienced any difficulties in the recruitment of experienced and skilled staff.

TREASURY POLICIES AND FOREIGN CURRENCY EXPOSURE

The Group is exposed to foreign currency risk which refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Group's transactions are mainly denominated in Malaysian Ringgit (or "RM") and Singapore dollars (or "S\$"). Certain financial assets and liabilities of the Group are denominated in currencies other than the functional currency of the respective group entities and therefore exposed to foreign currency risk. The Group has not experienced any material difficult or liquidity problems resulting from foreign exchange fluctuations.

Although the Group currently does not undertake any hedging activities, it will monitor exchange rate trends from time to time to consider if there is such a need in the future in order to mitigate any risks arising from foreign exchange fluctuation.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any material contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OR LISTED ISSUERS (THE "MODEL CODE")

As the Shares have not been listed on the Stock Exchange as at 30 June 2020, the Model Code as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") was not applicable to the Company for the Period. The Company has adopted the Model Code as rules governing dealings by the Directors in the listed securities of the Company on the Listing Date. Based on the specific enquiry with the Directors, all the Directors has complied with the required standards as set out in the Model Code since the Listing Date and up to the date of this announcement.

CORPORATE GOVERNANCE

As the Shares were not listed on the Stock Exchange until the Listing Date, the Code on Corporate Governance (the "CG Code") as set out in Appendix 14 of the Listing Rules was not applicable to the Company for the Period. Save for the deviation from code provision A.2.1 of the CG Code, the Company has complied with the required standards as set out in the CG Code since the Listing Date and up to the date of this announcement.

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairperson and the chief executive officer should be separated and should not be performed by the same individual. Dato' Tan Meng Seng currently holds both positions. Dato' Tan Meng Seng has been the key leadership figure of the Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of the Group. Taking into account the continuation of the implementation of our business plans, the Directors (including the independent non-executive Directors) consider Dato' Tan Meng Seng as the best candidate for both positions and the present arrangements are beneficial and in the interests of the Company and the shareholders as a whole. The balance of power and authority is ensured by the operation of the senior management and the board of the Directors, which comprises experienced and high-calibre individuals. The Board currently comprises three executive Directors (including Dato' Tan Meng Seng) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

AUDIT COMMITTEE

The Company has established the Audit Committee in accordance with the requirements of the CG Code for the purpose of reviewing and supervising the Group's financial reporting process. The Audit Committee currently comprises three independent non-executive Directors, namely Ms. Chui Sin Heng, Mr. Au Wing Yuen and Mr. Yu Cheeric. Ms. Chui Sin Heng is the chairman of the Audit Committee.

REVIEW OF THE INTERIM RESULTS

The Audit Committee had reviewed the unaudited consolidated results of the Group for the Period and discussed with the management of the Company the accounting principles and practices adopted by the Group as well as internal controls and other financial reporting matters.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme upon the passing the written resolutions of the shareholders on 19 May 2020 (the "**Share Option Scheme**"). Pursuant to the Share Option Scheme, the Directors may grant options to eligible participants to subscribe for the Shares subject to the terms and conditions stipulated therein. Upon the listing of the Shares on the Stock Exchange on the Listing Date, all conditions set forth have been satisfied. No share option has been granted under the Share Option Scheme since its adoption.

INTERIM DIVIDEND

The Directors of the Company do not recommend payment of an interim dividend to shareholders of the Company for the Period.

IMPORTANT EVENTS AFTER THE PERIOD

- a. On the Listing Date, pursuant to the resolutions of the shareholders of the Company passed on 19 May 2020, the Directors are authorised to allot and issue a total of 471,000,000 Shares credited as fully paid at par to the holders of Shares on the register of members of the Company at the closing of business on 19 May 2020 in proportion to their shareholdings by way of capitalisation of the sum of HK\$4,710,000 standing to the credit of the share premium account of the Company.
- b. On the Listing Date, the Shares were listed on the Main Board of the Stock Exchange and 157,000,000 Shares were issued by the Company at the offer price of HK\$0.80 per Share. The net proceeds from the above issue were estimated to be approximately HK\$61,900,000.

Save as disclosed above, there are no material subsequent events undertaken by the Company or by the Group after 30 June 2020 and up to the date of this announcement.

By order of the Board
MBV International Limited
Dato' Tan Meng Seng
Chairman and Chief Executive Officer

Hong Kong, 26 August 2020

As at the date of this announcement, the executive Directors are Dato' Tan Meng Seng, Mr. Tan Beng Sen and Dato' Tan Mein Kwang; and the independent non-executive Directors are Ms. Chui Sin Heng, Mr. Au Wing Yuen and Mr. Yu Cheeric.