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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 2023

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2023 (the “**Period**”):

- the Group (as defined hereinafter) recorded unaudited revenue of approximately RM95.0 million, representing an increase of approximately 18.9% as compared to approximately RM79.9 million for the six months ended 30 June 2022 (the “**Last Corresponding Period**”);
- the Group recorded a profit for the period attributable to owners of the Company of approximately RM7.5 million in the Period, representing an increase of approximately 25.0% as compared to approximately RM6.0 million in the Last Corresponding Period;
- the Group recorded unaudited earnings per share attributable to owners of the Company of approximately RM1.19 cents in the Period, representing an increase of approximately 24.0% as compared to approximately RM0.96 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 2023

	Notes	Six months ended 30 June	
		2023 RM'000 (Unaudited)	2022 RM'000 (Unaudited)
Revenue	4	95,030	79,923
Cost of sales		<u>(66,595)</u>	<u>(57,164)</u>
Gross profit		28,435	22,759
Other income	5	1,647	1,497
Selling and distribution expenses		(5,538)	(4,664)
Administrative and other operating expenses		(12,972)	(10,435)
Finance costs	6	<u>(29)</u>	<u>(36)</u>
Profit before tax	6	11,543	9,121
Income tax expenses	7	<u>(3,534)</u>	<u>(2,849)</u>
Profit for the period		8,009	6,272
Other comprehensive income (loss), net of tax			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of the Company's financial statements to presentation currency		1,302	2,063
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on consolidation		<u>(479)</u>	<u>(1,485)</u>
Other comprehensive income for the period		<u>823</u>	<u>578</u>
Total comprehensive income for the period		8,832	6,850
Profit for the period attributable to:			
Owners of the Company		7,469	6,006
Non-controlling interests		<u>540</u>	<u>266</u>
		8,009	6,272
Total comprehensive income for the period attributable to:			
Owners of the Company		8,292	6,584
Non-controlling interests		<u>540</u>	<u>266</u>
		8,832	6,850
Earnings per share attributable to owners of the Company:			
– Basic and diluted	8	RM1.19 cents	RM0.96 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Notes</i>	At 30 June 2023 <i>RM'000</i> (Unaudited)	At 31 December 2022 <i>RM'000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	53,683	29,783
Intangible assets		1,192	1,298
Deposit paid for acquisition of property, plant and equipment		–	10,240
Deferred tax assets		1,636	1,686
		<u>56,511</u>	<u>43,007</u>
Current assets			
Financial assets at fair value through profit or loss (“FVPL”)		1,304	1,359
Financial assets at amortised cost		–	750
Inventories		43,322	45,007
Trade and other receivables	11	14,472	17,167
Bank balances and cash		80,179	79,156
		<u>139,277</u>	<u>143,439</u>
Current liabilities			
Trade and other payables	12	6,781	5,618
Interest-bearing borrowings		932	917
Lease liabilities		568	773
Tax payable		108	1
		<u>8,389</u>	<u>7,309</u>
Net current assets		<u>130,888</u>	<u>136,130</u>
Total assets less current liabilities		<u>187,399</u>	<u>179,137</u>
Non-current liabilities			
Interest-bearing borrowings		5,022	5,364
Lease liabilities		147	375
		<u>5,169</u>	<u>5,739</u>
NET ASSETS		<u>182,230</u>	<u>173,398</u>
Capital and reserves			
Share capital	13	3,379	3,379
Reserves		174,933	166,641
		<u>178,312</u>	<u>170,020</u>
Equity attributable to owners of the Company		<u>178,312</u>	<u>170,020</u>
Non-controlling interests		3,918	3,378
		<u>182,230</u>	<u>173,398</u>
TOTAL EQUITY		<u>182,230</u>	<u>173,398</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

MBV International Limited (the “**Company**” together with its subsidiaries are collectively referred to as the “**Group**”) 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 address of the Company’s registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company’s principal place of business is situated at Unit B, 23/F, Yue Hing Building, 103 Hennessy Road, Wan Chai, Hong Kong and the Group’s headquarter is situated at No. 58–66, 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.

The immediate and ultimate holding company of the Company is MBV Capital Limited (“**MBV Capital**”), which is incorporated in the British Virgin Islands (the “**BVI**”). In the opinion of the directors of the Company, the ultimate controlling parties are Dato’ Tan Meng Seng, Dato’ Tan Mein Kwang and Mr. Tan Beng Sen (together the “**Ultimate Controlling Party**”), who have been acting in concert over the course of the Group’s business history.

The condensed consolidated financial statements (the “**Interim Financial Statement**”) of the Group for the six months ended 30 June 2023 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 Group’s 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 period 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 2022, 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 Group’s audited financial statements for the year ended 31 December 2022 (the “Annual Report”).

The Interim Financial Statements have been prepared on the historical costs basis, except for the listed equity securities and listed debt securities classified as “Financial assets at FVPL” which are measured at fair value and it is 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 Annual Report, except for the adoption of the new/revised IFRSs which are relevant to the Group and effective for the Group’s financial year beginning on 1 January 2023.

Adoption of new/revised IFRSs

In the current interim period, the Group has applied, for the first time, certain new/revised IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2023 for the preparation of the Interim Financial Statements.

The adoption of the new/revised IFRSs has no significant impact on the Interim Financial Statement. At the date of authorisation of the Interim Financial Statement, the Group has not early adopted other new/revised IFRSs that have been issued but are not yet effective. The directors of the Company do not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the financial position, financial performance and cash flows of the Group.

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 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 2023 and 2022 are as follows:

For the six months ended 30 June 2023 (Unaudited)

	Wholesaling <i>RM'000</i>	Manufacturing <i>RM'000</i>	Total <i>RM'000</i>
Segment revenue	87,427	7,603	95,030
Segment cost of sales	<u>(62,004)</u>	<u>(4,591)</u>	<u>(66,595)</u>
Segment results	<u>25,423</u>	<u>3,012</u>	28,435
Other income			1,647
Selling and distribution expenses			(5,538)
Administrative and other operating expenses			(12,972)
Finance costs			<u>(29)</u>
Profit before tax			11,543
Income tax expenses			<u>(3,534)</u>
Profit for the period			<u>8,009</u>
<i>Other information</i>			
Depreciation	(1,080)	(32)	(1,112)
Amortisation	(165)	–	(165)
Reversal of write-down of inventories, net	166	–	166
Reversal of impairment loss of trade receivables, net	<u>42</u>	<u>–</u>	<u>42</u>

For the six months ended 30 June 2022 (Unaudited)

	Wholesaling <i>RM'000</i>	Manufacturing <i>RM'000</i>	Total <i>RM'000</i>
Segment revenue	73,738	6,185	79,923
Segment cost of sales	<u>(52,953)</u>	<u>(4,211)</u>	<u>(57,164)</u>
Segment results	<u>20,785</u>	<u>1,974</u>	22,759
Other income			1,497
Selling and distribution expenses			(4,664)
Administrative and other operating expenses			(10,435)
Finance costs			<u>(36)</u>
Profit before tax			9,121
Income tax expenses			<u>(2,849)</u>
Profit for the period			<u>6,272</u>
<i>Other information</i>			
Depreciation	(808)	(153)	(961)
Amortisation	(157)	–	(157)
Reversal of write-down of inventories, net	1,969	–	1,969
Reversal of impairment loss of trade receivables, net	<u>277</u>	<u>–</u>	<u>277</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 2023 (Unaudited)

	Wholesaling <i>RM'000</i>	Manufacturing <i>RM'000</i>	Unallocated <i>RM'000</i>	Total <i>RM'000</i>
Assets				
Reportable segment assets	109,456	3,213	83,119	195,788
Liabilities				
Reportable segment liabilities	6,110	670	6,778	13,558
Other information				
Capital expenditures	24,969	23	–	24,992

At 31 December 2022 (Audited)

	Wholesaling <i>RM'000</i>	Manufacturing <i>RM'000</i>	Unallocated <i>RM'000</i>	Total <i>RM'000</i>
Assets				
Reportable segment assets	100,031	3,464	82,951	186,446
Liabilities				
Reportable segment liabilities	4,880	738	7,430	13,048
Other information				
Capital expenditures	2,349	12	–	2,361

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

- segment assets include property, plant and equipment, intangible assets, inventories and 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 and intangible assets (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 2023 (Unaudited)			
Malaysia	71,630	4,950	76,580
Singapore	15,796	2,654	18,450
	<u>87,426</u>	<u>7,604</u>	<u>95,030</u>
For the six months ended			
30 June 2022 (Unaudited)			
Malaysia	61,200	4,351	65,551
Singapore	12,538	1,834	14,372
	<u>73,738</u>	<u>6,185</u>	<u>79,923</u>

ii) Location of the Specified Non-current Assets

	At 30 June 2023 <i>RM’000</i> (Unaudited)	At 31 December 2022 <i>RM’000</i> (Unaudited)
Malaysia	54,315	30,452
Singapore	560	629
	<u>54,875</u>	<u>31,081</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 during the six months ended 30 June 2023 and 2022.

4. REVENUE

	Six months ended 30 June	
	2023	2022
	RM'000	RM'000
	(Unaudited)	(Unaudited)
<u>Revenue from contracts with customers within IFRS 15</u>		
<u>– at a point in time</u>		
Wholesaling		
– Imprintable apparel	71,173	60,613
– Gift products	16,254	13,125
Manufacturing	7,603	6,185
	<u>95,030</u>	<u>79,923</u>

5. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Interest income	715	337
Government grants (<i>Note</i>)	53	154
Exchange gain, net	608	619
Gain on disposal of financial assets at FVPL	–	14
Rental income	43	8
Reversal of impairment loss of trade receivables, net	42	277
Sundry income	186	88
	<u>1,647</u>	<u>1,497</u>

Note: Government grants primarily consists of fiscal support in regard to staff wages that the relevant government authorities offered to the Group's entities during the six months ended 30 June 2023 and 2022.

6. PROFIT BEFORE TAX

This is stated after charging (crediting):

	Six months ended 30 June	
	2023	2022
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Finance costs		
Interest on interest-bearing borrowings	4	3
Interest on lease liabilities	25	33
	<u>29</u>	<u>36</u>
Staff costs (including directors' emoluments)		
Salaries, discretionary bonus, allowances and other benefits in kind	14,951	12,277
Contributions to defined contribution plans	1,659	1,282
	<u>16,610</u>	<u>13,559</u>
Other items		
Cost of inventories sold (<i>Note</i>)	66,595	57,164
Auditor's remuneration	468	345
Depreciation (charged to "cost of sales" and "administrative and other operating expenses", as appropriate)	1,112	961
Amortisation (charged to "cost of sales", as appropriate)	165	157
Net fair value loss on financial assets at FVPL	55	59
Loss on disposal of property, plant and equipment	–	1
Reversal of write-down of inventories, net (included in cost of inventories sold)	(166)	(1,969)
	<u>(166)</u>	<u>(1,969)</u>

Note: For the six months ended 30 June 2023, cost of inventories sold included approximately RM4,786,000 (six months ended 30 June 2022: approximately RM4,778,000) relating to the aggregate amount of certain staff costs and depreciation which were included in the respective amounts as disclosed above.

7. TAXATION

	Six months ended 30 June	
	2023 RM'000 (Unaudited)	2022 RM'000 (Unaudited)
Current tax		
Malaysia corporate income tax	2,967	2,100
Singapore corporate income tax	517	191
	<u>3,484</u>	<u>2,291</u>
Deferred tax		
Changes in temporary differences	50	558
	<u>50</u>	<u>558</u>
Total income tax expenses for the period	<u><u>3,534</u></u>	<u><u>2,849</u></u>

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 six months ended 30 June 2023 and 2022.

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 2023 and 2022. For the six months ended 30 June 2023, Malaysia incorporated entities with paid-up capital of RM2.5 million or less and having annual sales of not more than RM50 million enjoy tax rate of 15% on the first RM150,000 and 17% on the next RM450,000 of the estimated assessable profits and remaining balance at tax rate of 24%. During the six months ended 30 June 2022, Malaysia incorporated entities with paid-up capital of RM2.5 million or less and having annual sales of not more than RM50 million enjoy tax rate of 17% on the first RM600,000 of the estimated assessable profits and remaining balance at tax rate of 24%.

Singapore CIT is calculated at 17% of the assessable profits for the six months ended 30 June 2023 and 2022. 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 2023 and 2022.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following information:

	Six months ended 30 June	
	2023	2022
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company, used in basic and diluted earnings per share calculation	<u>7,469</u>	<u>6,006</u>
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share calculation	<u>628,000</u>	<u>628,000</u>

Diluted earnings per share are same as the basic earnings per share as there are no potential dilutive ordinary shares in existence for the six months ended 30 June 2023 and 2022.

9. DIVIDEND

The directors did not recommend a payment of an interim dividend for the six months ended 30 June 2023 and 2022.

10. PROPERTY, PLANT AND EQUIPMENT

Included in the additions for the period, approximately RM24,255,000 represents the acquisition of a piece of land located in Johor Bahru, Malaysia (the “**Land**”) with total consideration of approximately RM23,600,000 (the “**Consideration**”) and the related transaction costs. Prior to the six months ended 30 June 2023, 40% of the Consideration, representing approximately RM10,240,000, was paid and recognised as “deposit paid for acquisition of property, plant and equipment” in the consolidated financial statements. In May 2023, upon the registration of the legal title of the Land was completed, the remaining balance of the Consideration was fully settled by the Group to the Vendor (the “**Completion**”). Upon the Completion, the deposit paid for acquisition of the Land together with the settled remaining balance of the Consideration and the related transaction costs were transferred to/recognised as a freehold land under property, plant and equipment.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 RM'000 (Unaudited)	At 31 December 2022 RM'000 (Audited)
Trade receivables		
From third parties	9,045	8,591
Less: Loss allowances	<u>(1,204)</u>	<u>(1,246)</u>
	<u>7,841</u>	<u>7,345</u>
Other receivables		
Prepayments	827	1,263
Deposits paid to suppliers (<i>Note</i>)	5,238	8,141
Other deposits and receivables	<u>566</u>	<u>418</u>
	<u>6,631</u>	<u>9,822</u>
	<u><u>14,472</u></u>	<u><u>17,167</u></u>

Note: The balances at 30 June 2023 and 31 December 2022 included payment in advance to certain suppliers for the ordered apparels and gifts products to be delivered, upon completion, to the Group.

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 2023 RM'000 (Unaudited)	At 31 December 2022 RM'000 (Audited)
Within 30 days	5,565	5,279
31 to 60 days	2,199	1,739
61 to 90 days	75	304
Over 90 days	<u>2</u>	<u>23</u>
	<u>7,841</u>	<u>7,345</u>
	<u><u>7,841</u></u>	<u><u>7,345</u></u>

At the end of each reporting period, the ageing analysis of the trade receivables, net of loss allowances, by due date is as follows:

	At 30 June 2023 <i>RM'000</i> (Unaudited)	At 31 December 2022 <i>RM'000</i> (Audited)
Not yet due	7,087	6,385
Past due:		
Within 30 days	728	743
31 to 60 days	26	217
	<u>754</u>	<u>960</u>
	<u>7,841</u>	<u>7,345</u>

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

12. TRADE AND OTHER PAYABLES

	At 30 June 2023 <i>RM'000</i> (Unaudited)	At 31 December 2022 <i>RM'000</i> (Audited)
	<i>Note</i>	
Trade payables		
To a related party	11(a) 354	383
To third parties	1,053	985
	<u>1,407</u>	<u>1,368</u>
Other payables		
Salary payables	3,181	1,642
Other accruals and other payables	2,193	2,608
	<u>5,374</u>	<u>4,250</u>
	<u>6,781</u>	<u>5,618</u>

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

	At 30 June 2023 <i>RM'000</i> (Unaudited)	At 31 December 2022 <i>RM'000</i> (Audited)
Within 30 days	673	1,114
31 to 60 days	706	254
61 to 90 days	16	–
Over 90 days	12	–
	<u>1,407</u>	<u>1,368</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 2023 <i>RM'000</i> (Unaudited)	At 31 December 2022 <i>RM'000</i> (Audited)
Forever Silkscreen & Embroidery Sdn. Bhd. ("Forever Silkscreen") <i>(Note)</i>	<u>354</u>	<u>383</u>

Note: At 30 June 2023 and 31 December 2022, the Ultimate Controlling Party held 50% equity interests of Forever Silkscreen.

13. SHARE CAPITAL

	Number of shares		Equivalent to RM
	'000	HK\$'000	<i>approximately</i> RM'000
Ordinary shares of HK\$0.01 each Authorised:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	<u>5,000,000</u>	<u>50,000</u>	<u>25,636</u>
Issued and fully paid:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	<u>628,000</u>	<u>6,280</u>	<u>3,379</u>

14. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Interim Financial Statements, during the six months ended 30 June 2023 and 2022, further information of the related party transactions is set out below.

(a) Related party transactions of the Group

Name of the related party	Nature of transactions	Six months ended 30 June	
		2023 RM'000 (Unaudited)	2022 RM'000 (Unaudited)
Forever Silkscreen	Service costs	<u>1,080</u>	<u>825</u>

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

	Six months ended 30 June	
	2023 RM'000 (Unaudited)	2022 RM'000 (Unaudited)
Salaries, discretionary bonus, allowances and other benefits in kind	<u>3,823</u>	2,828
Contributions to defined contribution plans	<u>484</u>	350
	<u>4,307</u>	<u>3,178</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

MBV International Limited (the “**Company**”) together with its subsidiaries (the “**Group**”) is principally engaged in the sale of imprintable apparel 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 over 27 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 the PRC, Bangladesh and other countries to produce major imprintable apparel and gift product, the Group also leverage on their own facilities to manufacture imprintable apparel with special designs, requirements or specifications.

During the six months ended 30 June 2023 (the “**Period**”), the COVID-19 pandemic situation was well contained in Malaysia and Singapore. Business activities has been recovered providing a favourable condition for the Malaysia retail market. Sales revenue marked improvement mainly due to positive market sentiment after Malaysia and Singapore has loosen the COVID-19 restriction. The performance of the Group has been improved for the Period compared with the six months ended 30 June 2022 the (the “**Last Corresponding Period**”). The Group’s revenue and gross profit increased by approximately 18.9% and 24.9%, respectively. This is primarily due to the increase in sales volume of imprintable apparel and gift products by 21.3%, from approximately 8.9 million pieces in Last Corresponding Period to approximately 10.8 million pieces in the Period.

The economic outlook for the second half of year 2023 will remain uncertain and challenging. But with the re-opening of global economy, it is expected the business environment will be stable. Nevertheless, the Group will continue to be vigilant to changes in business environment and continuously explore new business opportunities in Asian countries especially Indonesia, Thailand and China in order to achieve sustained success for our business under the present circumstances.

FINANCIAL REVIEW

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 80.6% and 82.0% of the Group's total revenue for the Period and the Last Corresponding Period respectively. The Group's revenue increased by approximately RM15.1 million or 18.9% from approximately RM79.9 million in the Last Corresponding Period to approximately RM95.0 million in the Period, primarily due to increase in the quantity sold during 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 increased by approximately RM12.0 million or 18.0% from approximately RM66.8 million in the Last Corresponding Period to approximately RM78.8 million in the Period, as the quantity sold has increased by approximately 12.5%, from approximately 5.6 million pieces in the Last Corresponding Period to approximately 6.3 million pieces in the Period.

Gift products

The Group has broadened gift product portfolio by offering more product categories for the customers to choose from and successfully expanded into the imprintable gift segment since 2015, which are popular corporate marketing and advertising items. The revenue generated from the gift products increased by approximately RM3.2 million or 24.4% from approximately RM13.1 million in the Last Corresponding Period to approximately RM16.3 million in the Period, which was mainly attributable to the increase in the quantity sold by approximately 36.4% from approximately 3.3 million pieces in the Last Corresponding Period to approximately 4.5 million pieces in the Period.

Other income

Other income mainly consists of interest income, government grants, net exchange gain, net reversal of impairment loss of trade receivables, and others. Other income increased by approximately RM0.1 million or 6.7%, from approximately RM1.5 million in Last Corresponding Period to approximately RM1.6 million in the period which was primarily due to the increase in interest income.

Selling and distribution expenses

Selling and distribution expenses mainly comprise of (i) employee benefit costs including basic salaries and wages of the sales and marketing staff; (ii) sales commission for the sales and marketing staff; and (iii) advertising and promotions. Selling and distribution expenses increased by approximately RM0.8 million or 17.0%, from RM4.7 million in the Last Corresponding Period to approximately RM5.5 million in the Period.

Administrative and other operating expenses

Administrative and other operating expenses mainly comprise of staff costs including directors' remuneration and other office staff costs and welfare, transportation and travelling cost, depreciation, utilities, repair and maintenance, rental expenses, and legal and professional fee. Administrative and other operating expenses increased by approximately RM2.6 million or 25.0%, from approximately RM10.4 million in the Last Corresponding Period to approximately RM13.0 million in the Period which was primarily due to the increase in staff cost and director remuneration.

Finance costs

Finance costs for the Period mainly represent interest on interest-bearing borrowings and interest on lease liabilities. The Group's finance costs decreased by approximately RM7,000 or 19.4% from approximately RM36,000 in Last Corresponding Period to approximately RM29,000 in the Period. The decrease in finance costs was due to the decrease in lease interests 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 for the Period. The group entities established in the Cayman Islands and the British Virgin Islands are exempted from corporate income tax therein. Income tax expenses for the Period increased by approximately RM0.7 million or 25.0% to approximately RM3.5 million from approximately RM2.8 million in the Last Corresponding Period. The increase in income tax expenses was mainly due to the increase in profit before tax generated in the Period.

Profit attributable to owners of the Company and net profit margin

As a result of the foregoing, and due to the significant increase in sales during the Period, the Group recorded a profit attributable to owners of the Company of approximately RM7.5 million in the Period, compared to profit attributable to owners of the Company of approximately RM6.0 million in the Last Corresponding Period. The net profit margin of the Company was approximately 8.4% for the Period and the net profit margin of the Company was approximately 7.8% for the Last Corresponding Period.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND MATERIAL INVESTMENT OR CAPITAL ASSETS

Except for the acquisition of a piece of land disclosed in note 10 to the condensed consolidated financial statements, there were no other significant investments held, nor were there material acquisitions or disposal of subsidiaries during the Period.

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 “**Global Offering**”) in accordance with the proposed applications set out in the section headed “**Net Proceeds from the Global Offering**” 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 Global Offering, the net proceeds amounted to approximately HK\$60.3 million. Utilisation of the proceeds as at 30 June 2023 is as follows.

The following sets out the use of net proceeds:

	Planned use of net proceeds	Balance of unutilised proceeds as at 31 December 2022	Actual use of proceeds during the Period	Balance of unutilised proceeds as at 30 June 2023	Expected timeline for unutilised proceeds
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
Increase and enhancement to existing warehousing capabilities	22.3	22.3	0.0	22.3	December 2024
Strengthen the sales and marketing efforts	14.4	12.5	0.8	11.7	December 2024
Establishment of two new distribution centers	4.8	1.9	0.2	1.7	December 2024
Investment in information systems	8.6	5.6	0.0	5.6	December 2024
Development in e-commerce sales platform	6.1	5.4	0.2	5.2	December 2024
General working capital purposes	4.1	0.0	0.0	0.0	NA
	<u>60.3</u>	<u>47.7</u>	<u>1.2</u>	<u>46.5</u>	

Such utilization of the net proceeds was in accordance with the proposed allocations as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

As at 30 June 2023, approximately HK\$46.5 million (representing approximately 77.1% of the net proceeds from the global offering) had not yet been utilised. The unutilised portion of the net proceeds were deposited in the Group’s banks in Malaysia and is intended to be utilised in the manner consistent with the proposed allocation as set forth in the Prospectus.

There is a delay in the timing of utilising the remaining net proceeds from the global offering. Such delay is due to COVID-19 pandemic deterioration in Malaysia, the Group had experienced significant disruption to its operations during the Year as Malaysia government implemented a nationwide lockdown. The economic environment remains unstable and the future market remains uncertain.

We will also continuously evaluate, reassess, change or modify the existing plans and explore new business opportunities in Asian countries in view of the latest market condition with an aim to achieve sustainable business growth and to bring long-term benefits for the Shareholders.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The Group manages its capital structure with the objectives of maintaining a sustainable growth in business and providing a long-term reasonable return to its shareholders. The Group’s financial position remained healthy and stable. It is anticipated that the Group has sufficient working capital to fund its future working capital.

As at 30 June 2023, the Group’s net current assets were approximately RM130.9 million (as at 31 December 2022: approximately RM136.1 million). The Group’s cash and cash equivalents as at 30 June 2023 were approximately RM80.2 million (as at 31 December 2022: approximately RM79.2 million).

As at 30 June 2023, there were interest-bearing borrowings of approximately RM6.0 million with annual effective interest rate 0.1% per annum (as at 31 December 2022: approximately RM6.3 million with annual effective interest rate 0.1% per annum).

As at 30 June 2023, the Group had a total available banking facility of approximately RM24.6 million, of which approximately RM6.0 million was utilised and approximately RM18.6 million was unutilised and available for use.

GEARING RATIO

As at 30 June 2023, 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 3.7% (as at 31 December 2022: approximately 4.3%). The decrease in gearing ratio is primarily attributable to the repayment of interest-bearing borrowings and increase in equity base.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed 462 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 total staff costs (including directors emoluments) for the Period amounted to approximately RM16.6 million (Last Corresponding Period approximately RM13.6 million).

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.

PLEDGE OF ASSETS

The interest-bearing borrowings and lease liabilities of the Group are all secured by certain assets of the Group.

CONTINGENT LIABILITIES

As at 30 June 2023, 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 up to the date of this report.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Rules ("**Listing Rules**") Governing the Listing of Securities on The Stock Exchange. Having made specific enquiry with each of the Directors, the Company has received confirmations from all Directors that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2023.

CORPORATE GOVERNANCE

The Board appreciates that good corporate governance is vital to healthy and sustainable development of the Group. During the six months ended 30 June 2023, the Company has complied with the code provisions (the "**CG Code**") as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

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.

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

There are no material subsequent events undertaken by the Company or by the Group after 30 June 2023 and up to the date of this report.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The interim result announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.orensport.com>). The interim report for the six months ended 30 June 2023 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available on the above websites in due course.

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

Hong Kong, 24 August 2023

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