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## **MBV INTERNATIONAL LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1957)**

### **CLARIFICATION AND SUPPLEMENTAL ANNOUNCEMENT**

#### **(1) DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE SALE SHARES AND (2) CHANGE IN THE USE OF PROCEEDS FROM THE INITIAL LISTING**

Reference is made to the announcement (the “**Announcement**”) of MBV International Limited (the “**Company**”) dated 6 November 2023 in relation to (a) the discloseable transaction regarding the sale and purchase of 40% of the issued shares in Lordan Group Ltd.; and (b) the change in use of proceeds of the initial listing of the Company. Unless otherwise defined herein, capitalised terms used in this used in this announcement shall have the same meanings as those defined in the Announcement.

#### **CLARIFICATION ON FINANCIAL INFORMATION OF THE OPCO GROUP**

As an inadvertent clerical error was noted in the Announcement, the Company would like to clarify that the under the section headed “Financial information of the OPCO Group” of the Announcement, the unaudited “Net profit/(loss) before taxation and extraordinary items (consolidated)” and “Net profit/(loss) after taxation and extraordinary items (consolidated)” of the OPCO Group for the year ended 31 December 2021 should be amended and restated as losses of approximately RMB4,938,000. In light of this, the illustrated financial information of the OPCO Group based on the unaudited consolidated management accounts for the two years ended 31 December 2021 and 2022 and for the 9 months ended 30 September 2023 shall be amended and replaced as follows:

|   | <b>For the year<br/>ended 31<br/>December 2021</b> | <b>For the year<br/>ended 31<br/>December 2022</b> | <b>For the 9 months<br/>ended 30<br/>September 2023</b> |
|---|--|--|---|
|   | (unaudited)  | (unaudited)  | (unaudited)   |
|   | <i>RMB '000</i>                                    | <i>RMB '000</i>                                    | <i>RMB '000</i>   |
|   | <i>(approximately)</i>                             | <i>(approximately)</i>                             | <i>(approximately)</i>                                  |
| Revenue   |  |  |   |
| – OPCO  | 9,043  | 60,813   | 85,346  |
| – Jile Huyu ( <i>Note 1</i> )   | N/A  | N/A  | 0   |
| – Shouke Xunda ( <i>Note 2</i> )  | N/A  | 0  | 0   |
| – consolidated  | 9,043  | 60,813   | 85,346  |
| Net profit/(loss) before taxation and<br>extraordinary items (consolidated) | (4,938)  | (2,411)  | (14,601)  |
| Net profit/(loss) after taxation and<br>extraordinary items (consolidated)  | (4,938)  | (2,411)  | (14,601)  |

*Notes:*

- (1) Jile Huyu was acquired by OPCO in January 2023. OPCO did not acquire the retained earnings of Jile Huyu, and had not been provided with the financial information of Jile Huyu prior to the date of the acquisition. Jile Huyu has not generated revenue since its acquisition by OPCO.
- (2) Shouke Xunda has not generated revenue since its establishment on 7 July 2022.

Save as disclosed above, all other information and content set out in the Announcement remain unchanged and shall continue to be valid for all purposes.

## **SUPPLEMENTAL INFORMATION OF THE TARGET GROUP**

As shown by the approximately 40% growth rate in OPCO's revenue in the first 9 months of year 2023 compared to the whole year of 2022, OPCO is in the stage of rapid growth and expansion. This was the result of the growth in the sales of software as a service (SaaS) solutions by the OPCO, which was in turn brought by the advancement in the order processing capacity of the e-commerce systems and solutions distributed by OPCO which has further enhanced the comparative advantage of OPCO's SaaS solutions in the e-commerce sector.

The increase in net loss incurred by the OPCO Group for the 9 months ended 30 September 2023 was due to:

- (a) increase in advertising and promotion costs, as OPCO's strategy in the financial years 2022 and 2023 has been to sustain its rapid growth by focusing on increasing market penetration and boosting sales volume and revenue; and
- (b) increase in research and development expenses, as it is crucial for OPCO to maintain and upgrade the systems and solutions offered by it to its customers and ensure their stability and security. Such costs increase with the rapid growth in the number of users and sales volume processed by OPCO's systems.

Going forward, the OPCO Group intends to implement a number of measures to further strengthen its growth in the e-commerce and SaaS sectors on one hand, and improve its bottom line by boosting its advertising income and introducing value-adding products and services on the other:

- (1) develop and promote sector-specific SaaS solutions and digitalisation services in order to boost growth in selected sectors;
- (2) diversify into provision of supply chain and related digitalisation services;
- (3) refine and advance its system solutions by (including) deploying and refining artificial intelligence (AI) to improve the accuracy of cross-advertising;
- (4) boost its advertising income by cross-selling and showing advertisements on the software applications supplied by OPCO as well as on the online shops and platforms maintained by OPCO; and
- (5) offer more value-adding solutions and services to customers of larger scale in order to extract additional income from such customers.

## **SUPPLEMENTAL INFORMATION ON THE CHANGE IN USE OF PROCEEDS OF THE INITIAL LISTING**

*The Acquisition fulfills the Original Purposes of (ii) strengthening the sales and marketing efforts, (iv) improving the Group's information systems and (v) developing in e-commerce sales platform*

The Group is the leading supplier of imprintable apparel and gift products in Malaysia and Singapore. The Board considers further growth by the Group will occur by way of geographic expansion, such as entry into the PRC market, and establishing its presence in the e-commerce sector. Online sale and marketing, in particular, is the main trend in the retail sector of imprintable apparel and gift products.

The Board considers that the Acquisition fulfills the following Original Purposes in the following ways:

- (a) *Developing in e-commerce sales platform:* the OPCO Group is a leading provider of e-commerce sales platform solution and services in the PRC. The OPCO Group will establish and develop e-commerce sales platforms which connects the Group's physical stores and supply chain functions with the OPCO Group's online shops. This opens new retail sales channels for the Group and improve customer experience by synchronising the products, inventory and services offered by the Group online and offline.
- (b) *Strengthening the Group's sales and marketing efforts:* the OPCO Group, a leading provider of digitalisation services in the PRC, is in an excellent position to provide sales and marketing services, online sales in particular, to the Group's efforts in expanding into the PRC retail market for imprintable apparel and gift products.

The OPCO Group will also establish a big data analysis system which will help the Group understand consumer demand, trends in the market, status of the competitors. The OPCO Group will also train a team of data analysts for the Group who will be responsible for analysing big data and extracting useful information. The Group will in turn utilise the results of the big data system's analysis in optimising the Group's product and sales strategies and enhancing the quality and features of its products according to the consumers' demands.

- (c) *Improving the Group's information systems:* the OPCO Group shall introduce artificial intelligence in the Group's production and sales process, including matching and upselling of products to consumers and enhancing automated production process by internet of things (IoT). These measures are expected to improve efficiency and reduce production and advertising costs for the Group.

The Group can also utilise the results of the abovementioned big data system's analysis in all aspects of the Group's corporate decision making.

As an e-commerce system solution provider, OPCO is conversant in the importance and measures of customer and transaction data protection. OPCO Group will deploy its data protection capabilities in the information and e-commerce systems of the Group.

*In respect to the two original usage of (i) increase and enhancement to existing warehousing capabilities and (iii) establishment of two new distribution centers, the change in use the Net Proceeds is in line with the Company's business plan, strategy and direction as set out in the Prospectus*

Though no longer in the Company's planned use of the Net Proceeds, it remains in the Group's business plan for the financial years 2023 and 2024 to commit approximately HK\$22.3 million and approximately HK\$1.7 million respectively in the two Original Purposes of (i) increase and enhancement to existing warehousing capabilities; and (iii) establishment of two new distribution centers, as stated in the interim report of the Company (the "**Interim Report**") for the 6 months ended 30 June 2023. The Company plans to utilise its own reserve cash and cash equivalents to finance such capital investments.

As per the Prospectus, the Company's business plan and direction was:

*“(a) revenue growth through (i) enhancing the Group's product portfolio offerings, which will be supported by investing in further enhancing the Group's warehousing capacity; (ii) enhancing current production facilities; and (iii) increasing the number of sales offices; while (b) reducing costs by eliminating inefficiencies in existing processes, particularly in terms of (i) logistics delivery flow, (ii) sales order system and inventory management, and (iii) adopting a multi-sales channel strategy including both on-line and off-line channels. In addition, the Group aim to pursue strategic mergers and acquisition to complement the above strategies.”* (page 139 of the Prospectus)

After the Acquisition, OPCO's capabilities in offering e-commerce and online sales and marketing system solutions and related big data analysis, supplements the Group's plan to enhance its product portfolio offerings, increase the number of sales offices, reduce costs by eliminating inefficiencies in existing processes of sales order system, as well as adopt a multi-sales channel strategy including both on-line and off-line channels. The OPCO Group's plan to offer supply chain logistics system solutions will also help the Group eliminate inefficiencies in existing processes of logistics delivery flow. Hence, the Acquisition is within the Group's plan to pursue strategic mergers and acquisition to complement the above strategies.

The Company continues to pursue its plan to further enhance its warehousing capacity and current production facilities by utilizing its own bank balance and cash reserves.

As such, the Board considers the Acquisition and the change of use of the Net Proceeds are in line with the Company's business plan, strategy and direction as set out in the Prospectus.

*Whether the proposed change in use of the Net Proceeds will have any material adverse effect on the existing business and operations of the Company*

The Board is of the view that the proposed change in use of the Net Proceeds would not have any material adverse effect on the existing business and operations of the Company on the following grounds:

- (a) the Group held a substantial amount of bank balance and cash as at 30 June 2023 which was sufficient to cover (i) full payment of the Consideration; (ii) the budget committed to the two Original Purposes of increase and enhancement to existing warehousing capabilities and establishment of two new distribution centers; and (iii) the Group's normal working capital requirements; and
- (b) the Group has generated substantial profit after tax and operating cash flow in both financial year 2022 and the 6-month period ended 30 June 2023, which did not tend to suggest the Group is on the track of suffering a major net outgoing of its bank balance and cash in the second half of year 2023.

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

Hong Kong, 20 November 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.*