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## **Regina Miracle International (Holdings) Limited**

**維珍妮國際(控股)有限公司**

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

**(Stock code: 2199)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

#### **FINANCIAL HIGHLIGHTS**

	<b>Six months ended</b>		<i>Change</i>
	<b>30 September</b>		
	<b>2016</b>	2015	
	<b>HK\$'000</b>	<i>HK\$'000</i>	
Revenue	<b>2,149,354</b>	2,510,147	(14.4%)
Gross profit	<b>401,833</b>	602,660	(33.3%)
Profit attributable to owners of the Company	<b>23,244</b>	217,444	(89.3%)
Adjusted net profit for the period <sup>(1)&amp;(2)</sup>	<b>23,614</b>	235,458	(90.0%)
Gross profit margin (%)	<b>18.7%</b>	24.0%	(5.3pp)
Net profit margin (%)	<b>1.1%</b>	8.7%	(7.6pp)
Adjusted net profit margin (%) <sup>(1)&amp;(2)</sup>	<b>1.1%</b>	9.4%	(8.3pp)

*Notes:*

- (1) Adjusted net profit for the period is derived by adding listing expenses and deducting (losses)/gains on derivative financial instruments, net and excluding the related tax impact from the net profit for the period.
- (2) This non-GAAP financial data is a supplemental financial measure that is not required by, or presented in accordance with, HKFRSs and is therefore referred to as a “non-GAAP” financial measure. It is not a measurement of our financial performance under HKFRSs and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with HKFRSs or as an alternative to cash flows from operating activities or as a measure of our liquidity.

## INTERIM RESULTS

The board of directors (the “**Board**”) of Regina Miracle International (Holdings) Limited (“**Regina Miracle**” or the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2016 (“**1HF2017**” or the “**Period**”), together with the comparative unaudited figures for the corresponding period in 2015 (“**1HF2016**”).

### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 September 2016*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2016</b>	2015
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	3	<b>2,149,354</b>	2,510,147
Cost of sales		<u><b>(1,747,521)</b></u>	<u>(1,907,487)</u>
Gross profit		<b>401,833</b>	602,660
Other income	4	<b>18,056</b>	4,003
Other gains, net		–	3,743
Distribution and selling expenses	5	<b>(50,463)</b>	(52,045)
General and administrative expenses	5	<b>(215,638)</b>	(160,898)
Research and development costs	5	<b>(103,044)</b>	(80,520)
Listing expenses		–	(26,742)
(Losses)/gains on derivative financial instruments, net		<u><b>(443)</b></u>	<u>10,452</u>
		<b>50,301</b>	300,653
Finance income		<b>1,081</b>	202
Finance costs		<u><b>(15,671)</b></u>	<u>(27,742)</u>
Finance costs, net	6	<u><b>(14,590)</b></u>	<u>(27,540)</u>
<b>Profit before income tax</b>		<b>35,711</b>	273,113
Income tax expense	7	<u><b>(12,467)</b></u>	<u>(55,669)</u>
<b>Profit for the period attributable to owners of the Company</b>		<u><b>23,244</b></u>	<u>217,444</u>
<b>Earnings per share attributable to the owners of the Company during the period (expressed in HK cents per share)</b>			
– basic and diluted	8	<u><b>1.9 cents</b></u>	<u>24.6 cents</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 September 2016*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<b>23,244</b>	217,444
<b>Other comprehensive (loss)/income:</b>		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<b>(35,186)</b>	(38,364)
Fair value gain on available-for-sale financial assets	<b>160</b>	1,129
Reclassification adjustment upon assignment and disposal of available-for-sale financial assets	<b>–</b>	(3,447)
	<u><b>(35,026)</b></u>	<u>(40,682)</u>
<b>Other comprehensive loss for the period, net of tax</b>	<b>(35,026)</b>	(40,682)
<b>Total comprehensive (loss)/income attributable to owners of the Company</b>	<b>(11,782)</b>	176,762

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

*As at 30 September 2016*

	<b>As at 30 September 2016 (Unaudited) HK\$'000</b>	<b>As at 31 March 2016 (Audited) HK\$'000</b>
	<i>Notes</i>	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2,270,480	1,980,100
Leasehold land and land use rights	166,803	170,019
Intangible assets	47,130	46,085
Available-for-sale financial assets	52,892	48,626
Deposits and prepayments	100,520	80,015
Deferred tax assets	500	–
	<b>2,638,325</b>	2,324,845
<b>Current assets</b>		
Inventories	767,862	701,739
Trade and bills receivables	9 453,517	570,391
Deposits, prepayments and other receivables	28,785	39,007
Derivative financial instruments	2,470	4,732
Tax recoverable	2,074	1,811
Cash and cash equivalents	562,855	947,000
	<b>1,817,563</b>	2,264,680
<b>Total assets</b>	<b>4,455,888</b>	4,589,525
<b>EQUITY</b>		
<b>Capital and reserves attributable to the owner of the Company</b>		
Share capital	95,247	95,247
Reserves	2,491,365	2,571,705
<b>Total equity</b>	<b>2,586,612</b>	2,666,952

		<b>As at 30 September 2016 (Unaudited) HK\$'000</b>	As at 31 March 2016 (Audited) HK\$'000
	<i>Notes</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		<b>406,592</b>	396,852
Deferred income tax liabilities		<b>7,618</b>	10,223
		<b>414,210</b>	407,075
<b>Current liabilities</b>			
Trade payables	10	<b>340,735</b>	260,834
Accruals and other payables		<b>354,701</b>	467,818
Borrowings		<b>726,203</b>	720,512
Derivative financial instruments		<b>2,470</b>	8,969
Current income tax liabilities		<b>30,957</b>	57,365
		<b>1,455,066</b>	1,515,498
<b>Total liabilities</b>		<b>1,869,276</b>	1,922,573
<b>Total equity and liabilities</b>		<b>4,455,888</b>	4,589,525

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION

Regina Miracle International (Holdings) Limited (the “**Company**”) was incorporated in the Cayman Islands on 21 September 2010 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment company and its subsidiaries are principally engaged in the manufacturing and trading of bras, intimate wear, bra pads, other molded products and functional sports products.

This interim condensed consolidated financial information for the six months ended 30 September 2016 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The interim condensed consolidated financial information should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

This interim condensed consolidated financial information is presented in Hong Kong dollars, unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the Board of Directors on 28 November 2016.

This interim condensed consolidated financial information has not been audited.

## 2. ACCOUNTING POLICIES

The accounting policies applied are consistent with that of the annual consolidated financial statements for the year ended 31 March 2016, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following amended standards are mandatory for the first time for the financial year beginning on or after 1 January 2016, but do not have significant financial impact to the Group:

Annual Improvements Project 2014	Annual Improvements 2012–2014 Cycle
HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Classification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

There are no other amended standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

The following are standards and amendments to existing standards that have been published and are relevant to the Group, but are not effective for the accounting periods beginning on 1 January 2016 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 7 (Amendment)	Disclosure Initiative	1 January 2017
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group is in the process of making an assessment of the impact of the new standards and amendments to existing standards upon initial application. So far, it has concluded that the new standards and amendments to existing standards are unlikely to have significant impact on the Group's results of operations and financial position.

### 3 SEGMENT INFORMATION

The executive directors of the Company (the “**Executive Directors**”) are the Group's chief operating decision-makers. Management has determined the operating segments based on the information reviewed by the Executive Directors for the purposes of allocating resources and assessing performance.

The Executive Directors review the performance of the Group mainly from the product perspective. The Group is organised into three segments engaged in manufacturing and trading of:

- (i) Bras and intimate wear;
- (ii) Bra pads and other molded products; and
- (iii) Functional sports products

The Executive Directors assess the performance of the operating segments based on a measure of gross profit of each segment, which is consistent with that of the financial information. Other information, as noted below, is also provided to the Executive Directors. The revenue reported to the Executive Directors is measured in a manner consistent with that in the interim condensed consolidated income statement.

The Company is domiciled in Hong Kong.

The segment results for the six months ended 30 September 2016 are as follows:

	<b>Six months ended 30 September 2016</b>			
	<b>Bras and intimate wear <i>HK\$'000</i> (Unaudited)</b>	<b>Bra pads and other molded products <i>HK\$'000</i> (Unaudited)</b>	<b>Functional sports products <i>HK\$'000</i> (Unaudited)</b>	<b>Total <i>HK\$'000</i> (Unaudited)</b>
Total segment revenue	<b><u>1,696,289</u></b>	<b><u>270,631</u></b>	<b><u>182,434</u></b>	<b><u>2,149,354</u></b>
Gross profit/segment results	<b>310,264</b>	<b>57,476</b>	<b>34,093</b>	<b>401,833</b>
Other income				<b>18,056</b>
Distribution and selling expenses				<b>(50,463)</b>
General and administrative expenses				<b>(215,638)</b>
Research and development costs				<b>(103,044)</b>
Losses on derivative financial instruments, net				<b>(443)</b>
Finance income				<b>1,081</b>
Finance costs				<b>(15,671)</b>
Profit before income tax				<b>35,711</b>
Income tax expense				<b>(12,467)</b>
Profit for the period				<b><u>23,244</u></b>
Other segment item included in the interim condensed consolidated income statement for the period ended 30 September 2016 is as follows:				
Depreciation included in cost of sales	<b><u>39,491</u></b>	<b><u>27,115</u></b>	<b><u>4,247</u></b>	<b><u>70,853</u></b>



The segment results for the six months ended 30 September 2015 are as follows:

	Six months ended 30 September 2015			Total <i>HK\$'000</i> (Unaudited)
	Bras and intimate wear <i>HK\$'000</i> (Unaudited)	Bra pads and other molded products <i>HK\$'000</i> (Unaudited)	Functional sports products <i>HK\$'000</i> (Unaudited)	
Total segment revenue	<u>1,731,130</u>	<u>488,505</u>	<u>290,512</u>	<u>2,510,147</u>
Gross profit/segment results	396,807	136,161	69,692	602,660
Other income				4,003
Other gains, net				3,743
Distribution and selling expenses				(52,045)
General and administrative expenses				(160,898)
Research and development costs				(80,520)
Listing expenses				(26,742)
Gains on derivative financial instruments, net				10,452
Finance income				202
Finance costs				<u>(27,742)</u>
Profit before income tax				273,113
Income tax expense				<u>(55,669)</u>
Profit for the period				<u>217,444</u>
Other segment item included in the interim condensed consolidated income statement for the period ended 30 September 2015 is as follows:				
Depreciation included in cost of sales	<u>27,537</u>	<u>20,423</u>	<u>4,621</u>	<u>52,581</u>

Revenue from external customers based on the destination of the customers are as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Unites States	<b>1,378,549</b>	1,557,842
Europe	<b>199,453</b>	171,570
Hong Kong	<b>141,448</b>	120,806
The People's Republic of China (the "PRC")	<b>163,371</b>	282,905
Japan	<b>27,267</b>	28,056
South Asia ( <i>Note a</i> )	<b>32,683</b>	46,741
South-east Asia ( <i>Note b</i> )	<b>61,115</b>	74,274
Other countries/regions ( <i>Note c</i> )	<b>145,468</b>	227,953
	<b>2,149,354</b>	2,510,147

Note a: Includes Bangladesh, Sri Lanka and India.

Note b: Includes Malaysia, Indonesia, Singapore, Philippines, Vietnam and Thailand.

Note c: Include Taiwan, Turkey, Australia, Colombia and others.

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the Executive Directors.

Non-current assets, other than available-for-sale financial assets and deferred tax assets, of the Group are located in the following geographical areas:

	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
PRC	<b>969,522</b>	950,327
Hong Kong	<b>51,571</b>	64,688
Vietnam	<b>1,563,840</b>	1,261,204
	<b>2,584,933</b>	2,276,219

#### 4 OTHER INCOME

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Scrap sale income	1,982	2,294
Government grants	15,209	1,377
Others	865	332
	<u>18,056</u>	<u>4,003</u>

#### 5 EXPENSES BY NATURE

The following items have been charged to the interim condensed consolidated financial information during the period:

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Amortisation of leasehold land and land use rights	1,912	1,851
Amortisation of intangible assets	3,697	2,737
Depreciation of property, plant and equipment	83,902	61,392
	<u>83,902</u>	<u>61,392</u>

#### 6 FINANCE COSTS, NET

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Finance income		
– interest income on bank deposits	1,081	202
Finance costs		
– interest expense on borrowings	(22,906)	(27,742)
Less: interest expenses capitalised	7,235	–
	<u>(15,671)</u>	<u>(27,742)</u>
Finance costs, net	<u>(14,590)</u>	<u>(27,540)</u>

#### 7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the six months ended 30 September 2016.

The applicable tax rate for the PRC subsidiaries of the Group is 25% (2015: 25%) for the six months ended 30 September 2016.

The statutory tax rate in Vietnam is 20% (2015: 22%) for the six months ended 30 September 2016. Pursuant to the investment certificate of Regina Miracle International (Vietnam) Limited, it is subject to a preferential tax rate of 10% for 15 consecutive years, commencing from the first year of making revenue. In addition, it is entitled to a full exemption from the corporate income tax for the first four years from the earlier of (i) the year when taxable income is generated for the first time or (ii) the fourth year of making revenue; and a 50% reduction of the corporate income tax for the nine years thereafter. The subsidiary has no taxable profit for the six months ended 30 September 2016 (2015: Nil).

The amount of income tax charged/(credited) to the interim condensed consolidated income statement represents:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Current income tax		
– Hong Kong profits tax	<b>3,394</b>	28,398
– PRC enterprise income tax	<b>12,258</b>	19,719
Deferred income tax	<b>(3,185)</b>	7,552
	<hr/>	<hr/>
Income tax expense	<b>12,467</b>	55,669
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## 8 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue. The calculations of the basic and diluted earnings per share for the six months ended 30 September 2015 were adjusted retrospectively for the sub-division of ordinary shares from 100 shares to 10,000 shares taken place on 11 September 2015; and the capitalisation issue of 884,990,000 shares taken place on 8 October 2015.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to the owner of the Company (HK\$'000)	<b>23,244</b>	217,444
	<hr/> <hr/>	<hr/> <hr/>
Weighted average number of ordinary shares in issue ('000)	<b>1,224,250</b>	885,000
	<hr/> <hr/>	<hr/> <hr/>
Basic earnings per share (expressed in HK cents per share)	<b>1.9</b>	24.6
	<hr/> <hr/>	<hr/> <hr/>

### (b) Diluted

Diluted earnings per share for the six months ended 30 September 2016 and 2015 is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

## 9 TRADE AND BILLS RECEIVABLES

Trade and bills receivables, based on due date, were aged as follows:

	As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
Current	399,032	467,789
1–30 days	45,005	62,154
31–60 days	1,535	29,267
61–90 days	3,077	3,149
Over 90 days	4,868	8,032
Amounts past due but not impaired	54,485	102,602
	<u>453,517</u>	<u>570,391</u>

The credit period granted by the Group is generally 30 to 120 days. Amounts past due but not impaired relate to a number of independent customers for whom there is no recent history of default.

As at 30 September 2016, included in the Group's trade receivables were amounts due from related parties of approximately HK\$8,298,000 (31 March 2016: HK\$3,991,000).

## 10 TRADE PAYABLES

Trade payables, based on invoice date, were aged as follows:

	As at 30 September 2016 <i>HK\$'000</i> (Unaudited)	As at 31 March 2016 <i>HK\$'000</i> (Audited)
0–30 days	180,645	115,357
31–60 days	108,683	77,767
61–90 days	46,376	67,037
Over 90 days	5,031	673
	<u>340,735</u>	<u>260,834</u>

## 11 DIVIDENDS

Final dividend of HK5.6 cents per ordinary share of the Company, totalling HK\$68,558,000 for the year ended 31 March 2016 was paid during the six months ended 30 September 2016.

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2016 (2015: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Market Review**

The latest financial period was a testing time for the Group due to a challenging operating environment – the product of lackluster retail market sentiment – and lower than expected orders from the U.S. market, which was in part due to a change of sales strategy or inventory challenges faced by several brand partners of the Group. In addition, the Group's first plant in Vietnam, which commenced operations in March 2016, was still in a ramp-up period, hence diluting the Group's profit margin. Even though the review period has been one of the most difficult for the Group since the financial tsunami of 2008, with several major brand partners lowering their orders simultaneously, this phenomenon is temporary in nature as demand from such partners have been rising since the second half of the fiscal year.

Despite the aforementioned challenges, orders from the regular bra business remained healthy, which can be attributed to the Group's outstanding innovative design manufacturing (IDM) capability. What's more, driven by the increasing health consciousness of women and higher expectations for comfortable sports intimate wear, demand for sports bras was strong during the Period and there was also increasing demand for quick turnaround orders. As such orders require flexible manufacturing capabilities that can cope with short lead times, the operation of the Group's first Vietnam plant since mid-March has been most timely. With additional plants in Vietnam coming on line within the next few years, the Group will be able to meet short lead times even better and will fully leverage this competitive edge.

Aside from possessing dynamic production capabilities, Regina Miracle is synonymous with being an IDM, and holds a competitive advantage over its rivals by its ability to constantly innovate and conduct R&D that results in products and solutions sought by the world's leading brands. Consequently, Regina Miracle has continued to maintain close and productive ties with many of its renowned business partners while also welcoming new partners to the Group.

#### **Financial Performance**

The Group recorded revenue of HK\$2,149.4 million for the six months ended 30 September 2016 (1HF2016: HK\$2,510.1 million), with gross profit amounting to HK\$401.8 million (1HF2016: HK\$602.7 million). Gross profit margin stood at 18.7% (1HF2016: 24.0%), with net profit margin at 1.1% (1HF2016: 8.7%).

## **Bras and intimate wear**

The bras and intimate wear segment continued to be the principal revenue contributor of Regina Miracle, generating HK\$1,696.3 million in revenue during the review period (1HF2016: HK\$1,731.1 million), and accounting for 78.9% of the Group's total revenue. Although orders from certain major brand partners declined during the Period due to either the adjustment of sales strategy or inventory issues, such declines are viewed as temporary. The demand for comfortable bras product has continued to grow strongly – a reflection of the general public's increasing consciousness for snug and quality intimate wear. It is noteworthy as well that the sports bra business has grown vigorously during the Period thanks to the Group's commitment to developing functional sports bras that are the embodiment of Innovation, Speed and Quality. What is more, the Group's strong IDM capability has allowed Regina Miracle to continue earning the trust of both existing and new brand partners, which has translated into cooperative arrangements particularly for the sports bra business.

Subsequent to the Period, the management witnessed a stably improving inflow of orders from the Group's major brand partners. Orders have been picking up since the beginning of the second half year for both bras and sports bra products, hence prospects for the bras and intimate wear segment are encouraging. With increasing orders following the Period ended, the Group has strived to increase production capacity to cater for eager demand from its brand partners.

## **Bra pads and other molded products**

In respect of the bra pads and other molded products business, the segment recorded revenue of HK\$270.6 million (1HF2016: HK\$488.5 million). The demand for such products tapered during the Period was mainly due to 1) decrease in sales of bra pads attributed to lower than expected orders from bra pads customers and 2) decrease in sales of molded sports footwear uppers, attributed to the end of the one-off collaboration of basketball shoes uppers. Consequently, the segment accounted for 12.6% of total revenue.

## **Functional sports products**

The functional sports products segment recorded revenue of HK\$182.4 million (1HF2016: HK\$290.5 million), accounting for 8.5% of Regina Miracle's total revenue. The decline can be attributed to lower than expected orders. Nonetheless, orders have been recovering healthily subsequent to the period ended.

While the Group has maintained healthy ties with its existing brand partners, the management is well aware of the importance of establishing new business relations; consequently, it has continued to place efforts on attracting the world's top brands. At the same time, with its ability to innovate and employ advanced technologies, it has continued to develop new and innovative functional sports products to seize different market opportunities, as it believes the segment holds immense market potential.

## THE GROUP'S OPERATING RESULTS

### Revenue

We derive our revenue primarily from direct sales of our products. Our total revenue decreased by 14.4% from HK\$2,510.1 million in 1HF2016 to HK\$2,149.4 million in 1HF2017. A comparison of the Group's revenue for 1HF2017 and 1HF2016 by product categories is as follows:

	Six months ended 30 September					
	2016		2015		Change	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Bras and intimate wear	<b>1,696,289</b>	<b>78.9</b>	1,731,130	69.0	(34,841)	(2.0)
Bra pads and other molded products	<b>270,631</b>	<b>12.6</b>	488,505	19.4	(217,874)	(44.6)
Functional sports products	<b>182,434</b>	<b>8.5</b>	290,512	11.6	(108,078)	(37.2)
	<b><u>2,149,354</u></b>	<b><u>100.0</u></b>	<b><u>2,510,147</u></b>	<b><u>100.0</u></b>	<b><u>(360,793)</u></b>	<b><u>(14.4)</u></b>

Revenue generated from sales of bras and intimate wear decreased by HK\$34.8 million, or approximately 2.0%, from HK\$1,731.1 million in 1HF2016 to HK\$1,696.3 million in 1HF2017. The decrease was primarily attributable to lower than expected orders from certain brand partners due to change of sales strategy or inventory challenges, partially offset by the Group's vigorous growth of the sports bra business due to the increase in demand from our customers for this segment of products.

Revenue generated from sales of bras and intimate wear as a percentage of our total revenue increased from 69.0% in 1HF2016 to 78.9% in 1HF2017.

Revenue generated from sales of bra pads and other molded products amounted to HK\$270.6 million in 1HF2017, representing a decrease of approximately HK\$217.9 million, or approximately 44.6%, as compared to 1HF2016. The drop in revenue was mainly due to 1) decrease in sales of bra pads attributed to lower than expected orders from bra pads customers; and 2) decrease in sales of molded sports footwear uppers, attributed to the end of the one-off collaboration of basketball shoes uppers. Revenue generated from sales of bra pads and other molded products as a percentage of our total revenue decreased from 19.4% in 1HF2016 to 12.6% in 1HF2017.

Revenue generated from sales of functional sports products decreased in both the absolute amount and as a percentage of our total revenue in 1HF2017. The revenue decreased from HK\$290.5 million in 1HF2016 to approximately HK\$182.4 million in 1HF2017, giving a decrease of approximately 37.2%. Such decrease was primarily attributed to lower than expected orders.



## Cost of sales

Cost of sales primarily consists of cost of raw materials, employee benefit expense for personnel directly involved in our production activities, depreciation of our production equipment and others.

	Six months ended 30 September					
	2016		2015		Change	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Costs of raw materials	<b>805,648</b>	<b>37.5</b>	962,218	38.3	(156,570)	(16.3)
Employee benefit expenses	<b>717,696</b>	<b>33.4</b>	724,703	28.9	(7,007)	(1.0)
Depreciation	<b>70,853</b>	<b>3.3</b>	52,581	2.1	18,272	34.8
Others	<b>153,324</b>	<b>7.1</b>	167,985	6.7	(14,661)	(8.7)
	<b><u>1,747,521</u></b>	<b><u>81.3</u></b>	<b><u>1,907,487</u></b>	<b><u>76.0</u></b>	<b><u>(159,966)</u></b>	<b><u>(8.4)</u></b>

Cost of sales as a percentage of total revenue increased from 76.0% in 1HF2016 to 81.3% in 1HF2017. It was primarily attributable to our first plant in Vietnam, which commenced operations in March 2016, was still in a ramp-up period, resulting in 1) employee benefit expenses as a percentage of our total revenue increased from 28.9% in 1HF2016 to 33.4% in 1HF2017; and 2) depreciation as a percentage of our total revenue increased from 2.1% in 1HF2016 to 3.3% in 1HF2017.

Cost of sales decreased from HK\$1,907.5 million in 1HF2016 to HK\$1,747.5 million in 1HF2017 primarily due to decrease in costs of raw materials as a result of lower than expected sales.

## Gross profit and gross profit margin

	Six months ended 30 September					
	2016		2015		Change	
	<i>Gross Profit HK\$'000</i>	<i>Gross Profit margin %</i>	<i>Gross Profit HK\$'000</i>	<i>Gross Profit margin %</i>	<i>HK\$'000</i>	%
Bras and intimate wear	<b>310,264</b>	<b>18.3</b>	396,807	22.9	(86,543)	(21.8)
Bra pads and other molded products	<b>57,476</b>	<b>21.2</b>	136,161	27.9	(78,685)	(57.8)
Functional sports products	<b>34,093</b>	<b>18.7</b>	69,692	24.0	(35,599)	(51.1)
	<b><u>401,833</u></b>	<b><u>18.7</u></b>	<b><u>602,660</u></b>	<b><u>24.0</u></b>	<b><u>(200,827)</u></b>	<b><u>(33.3)</u></b>

Our overall gross profit decreased from HK\$602.7 million in 1HF2016 to HK\$401.8 million in 1HF2017. The gross profit margin in 1HF2017 decreased by 5.3 percentage point to 18.7%, as compared to 24.0% in 1HF2016. Such decrease was mainly driven by 1) the Group's first plant in Vietnam, which commenced operations in March 2016, was still in a ramp-up period, and 2) Shenzhen plant faced a reduced utilization as a result of lower than expected sales, that diluted the Group's gross profit margin.

The gross profit margin of bras and intimate wear decreased from 22.9% in 1HF2016 to 18.3% in 1HF2017, primarily due to our first plant in Vietnam, which produces bras and intimate wear, was still in a ramp-up period.

The gross profit margin of bra pads and other molded products decreased from 27.9% in 1HF2016 to 21.2% in 1HF2017, primarily due to the end of the one-off collaboration of basketball shoes uppers and a reduced utilization of our Shenzhen plant as a result of lower than expected sales, that diluted the gross profit margin of this segment of products.

The gross profit margin of functional sports products decreased from 24.0% in 1HF2016 to 18.7% in 1HF2017 primarily due to a reduced utilization of our Shenzhen plant as a result of lower than expected sales, that diluted the gross profit margin of this segment of products.

#### **Other income**

Our other income consists primarily of scrap sales income and government grants. Increase in other income by HK\$14.1 million from HK\$4.0 million in 1HF2016 to HK\$18.1 million in 1HF2017, was primarily attributable to grants of government subsidies amounted HK\$15.2 million in the Period.

#### **Other gains, net**

Other net gains consisted of gain on disposal of available-for-sale financial assets and gain on financial assets at fair value through profit or loss. The Group recorded no other net gains in 1HF2017 as compared to HK\$3.7 million in 1HF2016.

#### **Distribution and selling expenses**

Distribution and selling expenses primarily consist of freight and transportation expenses, employee benefit expenses for our sales personnel, traveling expenses, declaration charges, marketing and promotion expenses and others. For 1HF2016 and 1HF2017, the Group's distribution and selling expenses have remained relatively stable in terms of percentage of total revenue, and represented approximately 2.1% and 2.3% of its total revenue respectively.

Distribution and selling expenses decreased by 2.9% from HK\$52.0 million in 1HF2016 to HK\$50.5 million in 1HF2017. The decrease was primarily attributable to decrease in freight and transportation expenses.

## **General and administrative expenses**

General and administrative expenses primarily consist of employee benefit expenses for our administrative personnel, depreciation and amortization, other taxes and surcharges, building management fee, insurance, operating lease rental of land and buildings, office and administrative expenses, bank charges, exchange loss or gain and others. General and administrative expenses as a percentage of total revenue increased from 6.4% in 1HF2016 to 10.0% in 1HF2017, mainly due to operating leverage as a result of lower than expected sales.

General and administrative expenses increased by 34.0% from HK\$160.9 million in 1HF2016 to HK\$215.6 million in 1HF2017. The increase was primarily attributable to the Group's first plant in Vietnam commenced its operations in March 2016, resulting in increase in employee benefit expenses, depreciation and amortization, and office and administrative expenses.

## **Research and development costs**

Research and development costs consist of employee benefit expenses for our research and development personnel, raw materials and consumables used and others. Our research and development costs as a percentage of total revenue increased from 3.2% in 1HF2016 to 4.8% in 1HF2017, mainly due to operating leverage as a result of lower than expected sales.

Research and development costs increased by 28.0% from HK\$80.5 million in 1HF2016 to HK\$103.0 million in 1HF2017, primarily due to an increase in employee benefit expenses of research and development personnel as a result of our strategic focus on research and development. Extra resources were put in expediting the development lead time and exploring cross-industry and cross-product line technological innovations for securing both existing and new brand partners.

## **(Losses)/gains on derivative financial instruments, net**

(Losses)/gains on derivative financial instruments consist of fair value gains less settlement losses on derivative financial instruments.

## **Finance income**

Finance income represents interest income on bank deposits.

## **Finance costs**

Finance costs represent interest expense on borrowings. For 1HF2016 and 1HF2017, the Group's finance costs represented approximately 1.1% and 0.7% of its total revenue respectively.

Finance costs decreased by 43.3% from HK\$27.7 million in 1HF2016 to HK\$15.7 million in 1HF2017, primarily due to repayment of term loans, lower effective interest rate of the borrowings and interest expenses capitalised in property, plant and equipment.

## **Income tax expense**

Income tax expense represents our total current and deferred tax expenses under the relevant Hong Kong and PRC income tax rules and regulations.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits in 1HF2017 and 1HF2016. The applicable tax rate for the PRC subsidiaries of the Group is 25% in 1HF2017 and 1HF2016.

The subsidiaries established and operated in Vietnam were subject to corporate income tax at a rate of 20% (1HF2016: 22%). In accordance with the applicable tax regulations, the subsidiaries are subject to a lower tax rate of 10% for fifteen consecutive years, commencing from the first year of making revenue. In addition, the subsidiaries are entitled to full exemption from corporate income tax for the first four years from the earlier of (i) the year when profit is generated for the first time or (ii) the fourth year of making revenue; and a 50% reduction in corporate income tax for the next nine years. The Vietnam subsidiaries of the Group do not have any taxable profit for 1HF2017 and 1HF2016.

The Group's income tax expense decreased from HK\$55.7 million in 1HF2016 to HK\$12.5 million in 1HF2017, as a result of a decrease in taxable income. The Group's effective tax rate increased from 20.4% in 1HF2016 to 34.9% in 1HF2017, mainly due to the losses incurred by the Vietnam subsidiaries are not subject to corporate income tax credit.

## **Net profit and adjusted net profit**

As a result of the cumulative effect of the above factors, our net profit for the period decreased by 89.3% from HK\$217.4 million in 1HF2016 to HK\$23.2 million in 1HF2017. Our net profit margin decreased from 8.7% in 1HF2016 to 1.1% in 1HF2017.

Our adjusted net profit for the period decreased by 90.0% from HK\$235.5 million in 1HF2016 to HK\$23.6 million in 1HF2017. Our adjusted net profit margin decreased from 9.4% in 1HF2016 to 1.1% in 1HF2017.

## **Liquidity, financial resources and bank borrowings**

The Group maintains a healthy financial position. As at 30 September 2016, net working capital (calculated as current assets less current liabilities) was approximately HK\$362.5 million. The current ratio (calculated as current assets/current liabilities) remains stable at 1.2 times and 1.5 times as at 30 September 2016 and 31 March 2016 respectively.

As at 30 September 2016, the Group's net debt (represented by bank borrowings less the cash and cash equivalents) was HK\$569.9 million (31 March 2016: HK\$170.4 million). The increase of net debt was mainly due to capital expenditure for our production facilities in Vietnam. Gearing ratio as at 30 September 2016 was 22.0% (31 March 2016: 6.4%), which was calculated as net debt divided by total equity.

## Working capital management

	As at	
	30 September 2016 (days)	31 March 2016 (days)
Inventory turnover days	77	61
Receivables turnover days	43	36
Payables turnover days	31	29

The increase in inventory turnover days for 1HF2017 by 16 days was primarily due to our first plant in Vietnam was still in a ramp-up period, resulting in more raw materials was stocked up for securing stable and efficient production. The increase in receivables turnover days for 1HF2017 by 7 days was mainly attributed to increase in sales mix for those customers with longer credit terms. Our payables turnover days remained relatively stable.

## Capital expenditures

For 1HF2017, total addition to property, plant and equipment, leasehold land and land use rights, and intangible assets amounted to approximately HK\$399.2 million (1HF2016: HK\$422.0 million), and was mainly attributed to purchases of production lines for our first Hai Phong facility and construction of our second Hai Phong facility to cope with the Group's overall business expansion.

## Pledged assets

As at 31 March 2016 and 30 September 2016, the Group did not have assets pledged for bank borrowing.

## Foreign exchange risk

We mainly operate in Hong Kong and the PRC and most of our operating expenses are denominated in Renminbi while most of our sales are denominated and settled in U.S. dollars. HK dollars are pegged to U.S. dollars, and thus our foreign exchange exposure in respect of HK dollars is considered minimal.

We entered into foreign exchange forward contracts to mitigate our exposures of Renminbi against U.S. dollars. As of 31 March 2016 and 30 September 2016, the notional principal amount of our foreign exchange forward contracts in respect of the Renminbi against the U.S. dollar was US\$4.5 million, and US\$4.5 million respectively. Our management will continue to monitor foreign currency exchange exposure and will take prudent measures to minimize the currency translation risk.

## **Contingent liabilities**

As at 30 September 2016, the Group did not have any significant contingent liabilities.

## **Material acquisitions and future plans for major investment**

Save for the investment in the construction of the production facilities in Vietnam, during the six months ended 30 September 2016, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the prospectus of the Company dated 24 September 2015 (the “**Prospectus**”), the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

## **Employees and remuneration policies**

As at 30 September 2016, the Group employed a total of approximately 28,439 full-time staff (31 March 2016: 26,677). The increase in the number of employees was mainly due to the first production facility in Vietnam. The total staff cost of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to HK\$950.6 million, representing 44.2% of the total revenue of the Group.

We believe our success depends heavily upon our employees’ provision of consistent, quality and reliable services. In order to attract, retain and develop the knowledge, skill level and quality of our employees, we place a strong emphasis on training our employees. We provide on-site training periodically and across operational functions, including introductory training for new employees, technical training, professional and management training, team-building and communications training.

We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, safety and sanitary conditions in the workplace, and grounds for termination. We have designed an evaluation system to assess the performance of our employees. This system forms the basis of our determinations of whether an employee should receive salary raises, bonuses or promotions. Most of our technical personnel are trained and promoted internally, leading to greater employee stability and loyalty.

## **Events after the balance sheet date**

The Group has no significant events after the reporting period and up to the date of this report.

## **FUTURE PROSPECTS AND STRATEGIES**

The Group celebrated the opening of its first production facility in Vietnam in March 2016. Situated in the Vietnam Singapore Industrial Park (VSIP) in Hai Phong City, its operation represents a major milestone in Regina Miracle's overseas development. With a GFA of approximately 174,000 square meters, it presently (as at 30 September 2016) has a workforce of over 10,000.

The new plant has been ramping up smoothly since opening – on track to meet production targets, while the recruitment and training of colleagues have also been progressing satisfactorily. Such positive developments can directly be attributed to the effective training of middle-management staff from the Shenzhen facility who were subsequently assigned to the sister plant in Vietnam.

The majority of production capacity at the Group's first Vietnam facility will be reserved for bras and sports bras and the annual designed capacity is approximately 46 million units.

A second facility, also located in VSIP, was substantially completed in October 2016 and will commence trial production by the close of this year, with official production commencing after the coming Chinese New Year. The facility has a GFA of approximately 159,000 square meters, and will mainly be involved in the production of bra pads and functional sports products.

Presently, the first Vietnam facility relies on its Shenzhen counterpart for bra pads and molded products that are subsequently used in the production of bras and sports bras. Since the second Vietnam facility will soon be capable of producing bra pads, such cross-border dependence will no longer be necessary. Furthermore, the cost of labor in Vietnam is highly competitive; hence, Regina Miracle expects to profit from lower production costs. This positive adjustment should be gradually reflected as early as the next financial year when the Vietnam plants are reaching the target efficiency rate set by the Group.

Vietnam is clearly an integral part of the Group's development strategy. The management is optimistic about plans and prospects to further invest in the country, including the recruitment of management and technical personnel. In addition, the Group has already begun construction of the third factory since July 2016, and expects to start pilot production in the first quarter of 2018 as scheduled. It is also reviewing the development plan of the fourth Vietnam production facility, which is set to commence operation by 2018. As such, Regina Miracle's footprint in the country will only grow.

Despite the significance of its presence in Vietnam, the Group also recognizes the importance of the Shenzhen operation and its role in Regina Miracle's future. And although the headcount was reduced through natural attrition by over 20% to around 17,500 as of 30 September 2016 as compared to the peak period before the 2016 Chinese New Year, the Group is now set to acquire sufficient manpower to meet an upswing that has been underway since August. Going forward, the Shenzhen facility will continue to play an important role in production and also serve as a major R&D base for the Group. This will enable Regina Miracle to fulfill speed orders from brand partners and continue producing premium products that feature the latest innovations, respectively.



With the global intimate wear industry possessing immense growth potential, Regina Miracle will seek to tap such dynamism while further consolidate its leading market position. To achieve both objectives, the Group will leverage its IDM business model, which is underpinned by **Innovation, Speed, and Quality**. In particular, it will direct energies and resources to cross-industry and cross-product line technological innovations that result in breakthrough products. Such products will in turn help to strengthen ties with existing brand partners while at the same time serve as calling cards for attracting new brands to the fold. Complementing such efforts, the Group will employ its information technology platform, i.e. SAP system, Fast React production control system and RFID system, and high-efficiency production planning systems so that production efficiency will be further raised and inventory levels optimized.

With strategies in place; products, services and production capabilities that are constantly evolving; and an experienced management team closely monitoring every facet of operation; the Group is well prepared to capitalize on the robust global intimate wear and sportswear industries, and deliver favorable returns to its shareholders.

## **OTHER INFORMATION**

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

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2016.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all code provisions as set out in the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the six months ended 30 September 2016, save for the deviation as mentioned below.



The Company has appointed Mr. Hung Yau Lit (also known as YY Hung) as both the Chairman and the Chief Executive Officer of the Company. Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board believes that vesting the roles of the Chairman and the Chief Executive Officer in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises five executive Directors (including Mr. Hung) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board will review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company adopted the Model Code for Securities Transactions by Directors of Listing Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the guidelines for the Directors’ dealings in the securities of the Company. Upon specific enquiries being made with all Directors, each of them confirmed that they have complied with the required standards set out in the Model Code for the six months ended 30 September 2016.

### **AUDIT COMMITTEE**

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely, Dr. Or Ching Fai, Mrs. To Wong Wing Yue Annie and Ms. Tam Laiman. Dr. Or Ching Fai is the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to assist the Board in providing an independent review and supervision of the Group’s financial and accounting policies, to review the financial controls, risk management and internal control systems of the Company, to oversee the audit process, and to perform other duties and responsibilities as delegated by the Board.

The Audit Committee has reviewed with the management and the independent auditor the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the unaudited interim financial information. In addition, the Group’s independent auditor has carried out a review of the unaudited interim results in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the website of the Hong Kong Stock Exchange at (www.hkexnews.hk) and that of the Company at (www.reginamiracleholdings.com). The interim report of the Company for the six months ended 30 September 2016 will be despatched to the shareholders of the Company and made available on the website of the Hong Kong Stock Exchange and that of the Company in due course.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to thank all our shareholders, business partners, customers, suppliers, bankers, the management and staff for their support and contribution to the Group and its business throughout the Period.

By order of the Board  
**Regina Miracle International (Holdings) Limited**  
**Mr. Hung Yau Lit (also known as YY Hung)**  
*Chairman*

Hong Kong, 28 November 2016

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Hung Yau Lit (also known as YY Hung), Mr. Yiu Kar Chun Antony, Mr. Liu Zhenqiang, Mr. Chen Zhiping and Ms. Sze Shui Ling as executive Directors, and Dr. Or Ching Fai, Mrs. To Wong Wing Yue Annie and Ms. Tam Laiman as independent non-executive Directors.*