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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017 AND CHANGE IN USE OF PROCEEDS

FINANCIAL HIGHLIGHTS			
	Year ended 31 March		Change
	2017	2016	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	4,676,937	5,081,774	(8.0%)
Gross profit	915,825	1,254,147	(27.0%)
Profit attributable to owners of the Company	97,635	442,054	(77.9%)
Adjusted net profit for the year ^{(1)&(2)}	98,005	475,477	(79.4%)
Gross profit margin (%)	19.6%	24.7%	(5.1pp)
Net profit margin (%)	2.1%	8.7%	(6.6pp)
Adjusted net profit margin (%) ^{(1)&(2)}	2.1%	9.4%	(7.3pp)
	<i>HK cents</i>	<i>HK cents</i>	
Earnings per share – basic and diluted	8.0	42.2	(81.0%)
Proposed final dividend per share	2.5	5.6	(55.4%)
<i>Notes:</i>			
(1)	Adjusted net profit for the year 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 year.		
(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.		

ANNUAL RESULTS

The board of directors (the “**Board**”) of Regina Miracle International (Holdings) Limited (“**Regina Miracle**” or the “**Company**”) is pleased to announce the annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2017 (“**Fiscal 2017**”), together with the comparative figures for the corresponding year in 2016 (“**Fiscal 2016**”), as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2017

	<i>Note</i>	2017 <i>HK\$’000</i>	2016 <i>HK\$’000</i>
Revenue	2	4,676,937	5,081,774
Cost of sales		<u>(3,761,112)</u>	<u>(3,827,627)</u>
Gross profit		915,825	1,254,147
Other income	3	25,513	13,237
Other gains	4	–	3,743
Distribution and selling expenses	6	(121,742)	(124,112)
General and administrative expenses	6	(467,298)	(354,692)
Research and development costs	6	(160,297)	(151,005)
Listing expenses		–	(37,121)
(Losses)/gains on derivative financial instruments, net	5	<u>(443)</u>	<u>473</u>
		<u>191,558</u>	<u>604,670</u>
Finance income		1,447	3,547
Finance costs		<u>(32,822)</u>	<u>(44,525)</u>
Finance costs, net	7	<u>(31,375)</u>	<u>(40,978)</u>
Profit before income tax		160,183	563,692
Income tax expense	8	<u>(62,548)</u>	<u>(121,638)</u>
Profit for the year attributable to owners of the Company		<u>97,635</u>	<u>442,054</u>
Earnings per share attributable to the owners of the Company during the year (expressed in HK cents per share)			
– basic and diluted	9	<u>8.0</u>	<u>42.2</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit for the year	97,635	442,054
Other comprehensive (loss)/income: <i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
Currency translation differences	(76,428)	(25,332)
Fair value gain on available-for-sale financial assets	491	1,161
Reclassification adjustment upon assignment and disposal of available-for-sale financial assets	–	(3,430)
Other comprehensive loss for the year, net of tax	(75,937)	(27,601)
Total comprehensive income attributable to owners of the Company	21,698	414,453

CONSOLIDATED BALANCE SHEET

As at 31 March 2017

	<i>Note</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		2,589,643	1,980,100
Leasehold land and land use rights		244,683	170,019
Intangible assets		45,082	46,085
Available-for-sale financial assets		56,796	48,626
Deposits and prepayments		84,761	80,015
		<u>3,020,965</u>	<u>2,324,845</u>
Current assets			
Inventories		810,340	701,739
Trade and bills receivables	<i>11</i>	672,760	570,391
Deposits, prepayments and other receivables		31,518	39,007
Derivative financial instruments		–	4,732
Tax recoverable		2,074	1,811
Cash and cash equivalents		412,280	947,000
		<u>1,928,972</u>	<u>2,264,680</u>
Total assets		<u>4,949,937</u>	<u>4,589,525</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		95,247	95,247
Reserves		2,524,845	2,571,705
Total equity		<u>2,620,092</u>	<u>2,666,952</u>

	<i>Note</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		606,404	396,852
Deferred income tax liabilities		5,851	10,223
		<u>612,255</u>	<u>407,075</u>
Current liabilities			
Trade payables	<i>12</i>	356,098	260,834
Accruals and other payables		436,854	467,818
Borrowings		877,289	720,512
Derivative financial instruments		–	8,969
Current income tax liabilities		47,349	57,365
		<u>1,717,590</u>	<u>1,515,498</u>
Total liabilities		<u>2,329,845</u>	<u>1,922,573</u>
Total equity and liabilities		<u>4,949,937</u>	<u>4,589,525</u>

NOTES

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”). These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments), which are carried at fair values.

(a) Effect of adopting new standard and amendments to existing standards

The following new standard and amendments to existing standards are mandatory for accounting periods beginning on or after 1 April 2016. The adoption of these new standard and amendments to existing standards does not have any significant impact to the results and financial position of 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	Investment Entities: Applying the Consolidation
HKAS 28 (Amendment)	Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

(b) New standards and interpretations that have been issued but are not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, ‘Financial instruments’

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has yet to undertake a detailed assessment of the classification and measurement of financial assets currently classified as available-for-sale financial assets. There is no other financial assets held by the Group that measured at fair value.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

There is a change in hedge accounting rules that more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any such hedging instruments.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, and it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 April 2018. The Group does not intend to adopt HKFRS 9 before its effective date.

HKFRS 15, 'Revenue from contracts with customers'

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. In 2016, this is a clarification to HKFRS 15 issued in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

Management is currently assessing the effects of applying the new standard on the Group's financial statements.

HKFRS 15 is mandatory for financial years commencing on or after 1 April 2018. The Group does not intend to adopt the standard before its effective date.

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$148,156,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 April 2019. The Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. 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 statements. 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 consolidated income statement.

The Company is domiciled in the Cayman Islands.

The segment results for the year ended 31 March 2017 are as follows:

	Bras and intimate wear <i>HK\$’000</i>	Bra pads and other molded products <i>HK\$’000</i>	Functional sports products <i>HK\$’000</i>	Total <i>HK\$’000</i>
Total segment revenue	<u>3,729,811</u>	<u>512,746</u>	<u>434,380</u>	<u>4,676,937</u>
Gross profit/segment results	726,396	106,956	82,473	915,825
Other income				25,513
Distribution and selling expenses				(121,742)
General and administrative expenses				(467,298)
Research and development costs				(160,297)
Loss on derivative financial instruments, net				(443)
Finance income				1,447
Finance costs				<u>(32,822)</u>
Profit before income tax				160,183
Income tax expense				<u>(62,548)</u>
Profit for the year				<u>97,635</u>

Other segment item included in the consolidated income statement for the year ended 31 March 2017 is as follows:

Depreciation included in cost of sales	<u>93,358</u>	<u>35,427</u>	<u>6,792</u>	<u>135,577</u>
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The segment results for the year ended 31 March 2016 are as follows:

	Bras and intimate wear <i>HK\$'000</i>	Bra pads and other molded products <i>HK\$'000</i>	Functional sports products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment revenue	<u>3,561,151</u>	<u>964,563</u>	<u>556,060</u>	<u>5,081,774</u>
Gross profit/segment results	828,897	273,463	151,787	1,254,147
Other income				13,237
Other gains				3,743
Distribution and selling expenses				(124,112)
General and administrative expenses				(354,692)
Research and development costs				(151,005)
Listing expenses				(37,121)
Gains on derivative financial instruments, net				473
Finance income				3,547
Finance costs				<u>(44,525)</u>
Profit before income tax				563,692
Income tax expense				<u>(121,638)</u>
Profit for the year				<u>442,054</u>

Other segment item included in the consolidated income statement for the year ended 31 March 2016 is as follows:

Depreciation included in cost of sales	<u>53,846</u>	<u>47,074</u>	<u>8,407</u>	<u>109,327</u>
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Revenue from external customers based on the destination of the customers are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
United States	2,813,989	3,130,440
The PRC	468,650	526,638
Europe	403,474	387,671
Hong Kong	310,674	268,677
Japan	172,324	55,037
South-east Asia (<i>Note a</i>)	128,457	219,827
South Asia (<i>Note b</i>)	48,451	114,294
Others countries/regions (<i>Note c</i>)	330,918	379,190
	<u>4,676,937</u>	<u>5,081,774</u>

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

Note b: Includes Bangladesh, Sri Lanka and India.

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, of the Group are located in the following geographical areas:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
The PRC	936,509	950,327
Hong Kong	52,888	64,688
Vietnam	1,974,772	1,261,204
	<u>2,964,169</u>	<u>2,276,219</u>
3. OTHER INCOME		
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Scrap sales income	651	3,236
Government grants	24,519	8,572
Others	343	1,429
	<u>25,513</u>	<u>13,237</u>
4. OTHER GAINS		
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Gain on disposal of available-for-sale financial assets	–	3,743
5. (LOSSES)/GAINS ON DERIVATIVE FINANCIAL INSTRUMENTS, NET		
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Fair value gains/(losses) on derivative financial instruments		
– foreign exchange forward contracts	8,969	3,069
– shareholder indemnification in relation to the settlement losses of foreign exchange forward contracts	(4,732)	4,732
(Losses)/gains on settlement of derivative financial instruments		
– foreign exchange forward contracts	(13,784)	(7,358)
– interest rate swap contracts	–	30
– shareholder indemnification in relation to the settlement losses of foreign exchange forward contracts	9,104	–
	<u>(443)</u>	<u>473</u>

6. EXPENSES BY NATURE

The following items have been charged to the consolidated income statement during the year:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Amortisation of leasehold land and land use rights	3,871	2,709
Amortisation of intangible assets	7,503	8,509
Depreciation of property, plant and equipment	<u>164,563</u>	<u>132,469</u>

7. FINANCE COSTS, NET

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Finance income		
– interest income on bank deposits	<u>1,447</u>	<u>3,547</u>
Finance costs		
– interest expense on borrowings	(48,322)	(55,529)
Less: interest expenses capitalised	<u>15,500</u>	<u>11,004</u>
	<u>(32,822)</u>	<u>(44,525)</u>
Finance costs, net	<u>(31,375)</u>	<u>(40,978)</u>

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year ended 31 March 2017.

The applicable tax rate for the PRC subsidiaries of the Group is 25% (2016: 25%) for the year ended 31 March 2017.

The subsidiaries established and operated in Vietnam were subject to corporate income tax at a rate of 20% (2016: 22%). In accordance with the applicable tax regulations, a subsidiary is subject to a lower tax rate of 10% for fifteen consecutive years, commencing from the first year of making revenue. In addition, the subsidiary is 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 the year ended 31 March 2017 (2016: Nil).

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	33,352	68,451
– PRC enterprise income tax	24,907	46,519
Under-provision in prior years	8,661	–
Deferred income tax	<u>(4,372)</u>	<u>6,668</u>
Income tax expense	<u>62,548</u>	<u>121,638</u>

9. 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 during the year.

	2017	2016
Profit attributable to owners of the Company (HK\$'000)	<u>97,635</u>	<u>442,054</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,224,250</u>	<u>1,047,411</u>
Basic earnings per share (expressed in HK cents per share)	<u>8.0</u>	<u>42.2</u>

Note: The calculations of the basic and diluted earnings per share for the year ended 31 March 2016 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) Diluted

Diluted earnings per share for the years ended 31 March 2017 and 2016 are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

10. DIVIDENDS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Final dividend, proposed, of HK2.5 cents (2016: HK5.6 cents) per ordinary share (<i>Note (i)</i>)	30,606	68,558
Dividends declared by the Company to its then equity holder (<i>Note (ii)</i>)	<u>–</u>	<u>680,000</u>

Notes:

- (i) At a meeting held on 28 June 2017, a final dividend of HK2.5 cents (2016: HK5.6 cents) per ordinary share of the Company, totalling approximately HK\$30,606,000 (2016: HK\$68,558,000) for the year ended 31 March 2017 is to be proposed. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 31 March 2018.
- (ii) Pursuant to the written resolutions passed by the shareholder on 11 September 2015, a special dividend of HK\$680,000,000 was declared and settled against outstanding amount due from a shareholder using the distributable reserves of the Company prior to its listing during the year ended 31 March 2016.

11. TRADE AND BILLS RECEIVABLES

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current	575,496	467,789
1–30 days	84,065	62,154
31–60 days	4,934	29,267
61–90 days	2,294	3,149
Over 90 days	5,971	8,032
Amounts past due but not impaired	97,264	102,602
	672,760	570,391

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 31 March 2017 and 2016, the Group does not hold any collateral as security.

As at 31 March 2017 and 2016, no trade and bills receivables were considered impaired and had been provided for.

As at 31 March 2017, included in the Group's trade and bills receivables were amounts due from related parties of approximately HK\$2,354,000 (2016: HK\$3,991,000).

12. TRADE PAYABLES

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0–30 days	144,237	115,357
31–60 days	126,565	77,767
61–90 days	78,038	67,037
Over 90 days	7,258	673
	356,098	260,834

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Market Review

Over the past financial year, there were a number of developments that had repercussions on the Group's businesses and operations. Among such developments included the changing political landscape in Europe and the United States which introduced uncertainty into the global economy, though raw material prices were relatively stable. More industry specific developments that influenced the Group's performance during the year included fast changing consumption patterns, particularly in the United States, with increase preference for comfort and functionality products. Furthermore, different challenges faced by several major brand partners placed downward pressure on the Group's performance in the first half year. The aforementioned developments improved after orders from the respective partners gradually recovered as expected in the second half of the financial year. With orders returning, and the global economy beginning to stabilize in 2017, Regina Miracle is set to regain growth momentum going forward.

To encourage such growth, the Group will continue to adhere to its IDM business model; driving innovation and creating new products for developing additional income streams while at the same time exploring new partnership opportunities. Moreover, the Group will leverage its molding, milling and bonding capabilities to strive for technical and raw material innovations, while also seek to derive benefits from controlling costs and raising profit margins. Already, Regina Miracle's efforts have been rewarded with the securing of ties with several world renowned brands during the second half year.

Financial Performance

Despite the slowdown experienced by the Group in the first half year, sales improved during the remaining financial period, with total revenue of HK\$4,676.9 million (Fiscal 2016: HK\$5,081.8 million) recorded for the year ended 31 March 2017. It is worth noting that in the second half year, revenue grew by 17.6% from HK\$2,149.4 million in the first half of Fiscal 2017 to HK\$2,527.5 million in the second half year, which is at a similar level to the same period of the preceding financial year. Gross profit amounted to HK\$915.8 million (Fiscal 2016: HK\$1,254.1 million), with gross profit margin at 19.6% (Fiscal 2016: 24.7%). Net profit was HK\$97.6 million (Fiscal 2016: HK\$442.1 million), with net profit margin at 2.1% (Fiscal 2016: 8.7%).

Bras and intimate wear

Though revenue from bras and intimate wear fell by 2.0% in the first half year, the remaining financial year experienced a sales pick up, with revenue for the year increased to HK\$3,729.8 million (Fiscal 2016: HK\$3,561.2 million); achieving year-on-year revenue growth of 4.7%. This segment thus continued to be the principal revenue contributor of Regina Miracle, accounting for 79.7% of the Group's total revenue. Gross profit from this segment amounted to HK\$726.4 million, with gross profit margin at 19.5% (Fiscal 2016: HK\$828.9 million and 23.3% respectively). The relatively good performance can be attributed in part to the vigorous growth of the sports bra business, with sales from sports bras rising by more than 20% year-on-year. This strong growth substantiates Regina Miracle's ability to develop products that embody Innovation, Speed and Quality, while at the same time addresses the needs of its target consumers.

The upturn also highlights the increasing involvement of internationally renowned brands in the sports bra category as they seek to capitalize on opportunities resulting from consumers' interest in high-comfort sports products – the consequence of an increasingly health-conscious public. While such a development is favorable, it also calls for the ability to quickly adapt to short lead times as the international brands react quickly to ever changing consumer habits. With Regina Miracle's ability to meet such demands, orders have consequently risen during the second half year.

The bra and intimate wear business has been further bolstered with the securing of new brand partners during the year – cooperative arrangements reached owing to the Group's strong IDM capability. The addition of the new brand partners allows the Group to further optimize its customer mix to a healthier one.

Bra pads and other molded products

Due to lower-than-expected orders from bra pad customers, coupled with the lack of an exceptional one-off project that Regina Miracle benefited from in the previous financial year involving another major brand partner, the bra pads and other molded product business recorded revenue of HK\$512.7 million (Fiscal 2016: HK\$964.6 million), thereby accounting for 11.0% of the Group's total revenue. Gross profit and gross profit margin reached HK\$107.0 million and 20.9% respectively (Fiscal 2016: HK\$273.5 million and 28.4% respectively).

Functional sports products

Orders for functional sports products rose notably in the second half year, with sales increasing by 38.2% from HK\$182.4 million in the first half year to HK\$252.0 million in the second half year, and almost equaling the half year revenue level of the preceding financial year. Revenue for the full year amounted to HK\$434.4 million (Fiscal 2016: HK\$556.1 million), accounting for 9.3% of the Group's total revenue. Gross profit from the functional sports products business totaled HK\$82.5 million, with gross profit margin at 19.0% (Fiscal 2016: HK\$151.8 million and 27.3% respectively). The upturn in performance was achieved in part by the improved orders from a major brand partner.

Production capacity

The latest financial year represents the first full year of operation of the Group's first plant in Vietnam, having commenced operation in mid-March 2016. Situated in the Vietnam Singapore Industrial Park in Hai Phong City ("**VSIP Hai Phong**"), it represents a major milestone in Regina Miracle's overseas development. With a gross floor area of approximately 177,000 square meters, the plant has a designed annual capacity of approximately 46 million units which has been primarily reserved for the production of bras and intimate wear products. Production ramp-up was achieved during the review year, with approximately 20 million units produced. Upon hiring and training additional staff, the Group expects the plant to be fully operational and will be capable of reaching its designed production capacity by the end of the upcoming financial year.

The second plant in Vietnam, also located in VSIP Hai Phong, was completed in April 2017. With a gross floor area of approximately 160,000 square meters, the facility subsequently commenced production in May 2017, and has been involved mainly in the production of bra pad products for use by the first plant in the production of bras and intimate wear products. The Group expects bra pad products will primarily be produced at the second plant within the upcoming financial period, supplanting its Shenzhen counterpart. This will result in a reduction in transportation cost, as well as enable bra products to be more efficiently produced in Vietnam. To facilitate Regina Miracle's business objectives, more than 15,000 skilled workers were hired in Vietnam for the first and second plant as at 31 March 2017. And the Group will seek to increase the workforce at the two plants to 18,000 in total by the end of the next financial year.

Despite the gradual shift in bra pad production from Shenzhen to Vietnam, the former will continue to play an integral role in the Group's development. Though the Shenzhen plant experienced a manpower shortage during the first half year, Regina Miracle was able to increase staff count to over 18,000 workers after the Lunar New Year. The number of staff is expected to remain relatively stable in the upcoming year, which will enable the Group to meet strong demand from its clients. Amidst the minimum wage in Shenzhen has just risen by 5% from RMB2,030 to RMB2,130 in June 2017, the Shenzhen facility will continue to serve as the Group's production base and major research and development hub going forward. This will enable Regina Miracle to meet short lead time orders from brand partners and continue producing premium products that feature the latest innovations, respectively.

THE GROUP'S OPERATING RESULTS

Revenue

We derive our revenue primarily from direct sales of our products. Our total revenue decreased by 8.0% from HK\$5,081.8 million in Fiscal 2016 to HK\$4,676.9 million in Fiscal 2017. A comparison of the Group's revenue for Fiscal 2017 and Fiscal 2016 by product categories is as follows:

	For the year ended 31 March		2016		Change	
	2017	%	2016	%		
	<i>HK\$'000</i>	<i>of Revenue</i>	<i>HK\$'000</i>	<i>of Revenue</i>	<i>HK\$'000</i>	<i>%</i>
Bras and intimate wear	3,729,811	79.7	3,561,151	70.1	168,660	4.7
Bra pads and other molded products	512,746	11.0	964,563	19.0	(451,817)	(46.8)
Functional sports products	434,380	9.3	556,060	10.9	(121,680)	(21.9)
	<u>4,676,937</u>	<u>100.0</u>	<u>5,081,774</u>	<u>100.0</u>	<u>(404,837)</u>	<u>(8.0)</u>

Revenue generated from sales of bras and intimate wear increased by HK\$168.7 million, or approximately 4.7%, from HK\$3,561.2 million in Fiscal 2016 to HK\$3,729.8 million in Fiscal 2017. The increase was primarily due to the increase in sales volume of bras, in particular sports bras.

Revenue generated from sales of bras and intimate wear as a percentage of our total revenue increased from 70.1% in Fiscal 2016 to 79.7% in Fiscal 2017.

Revenue generated from sales of bra pads and other molded products amounted to HK\$512.7 million in Fiscal 2017, representing a decrease of approximately HK\$451.8 million, or approximately 46.8%, as compared to Fiscal 2016. 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 19.0% in Fiscal 2016 to 11.0% in Fiscal 2017.

Revenue generated from sales of functional sports products decreased in both the absolute amount and as a percentage of our total revenue in Fiscal 2017. The revenue decreased from HK\$556.1 million in Fiscal 2016 to approximately HK\$434.4 million in Fiscal 2017, giving a decrease of approximately 21.9%. 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.

	For the year ended 31 March		2016		Change	
	2017		2016			
	<i>HK\$'000</i>	<i>% of Revenue</i>	<i>HK\$'000</i>	<i>% of Revenue</i>	<i>HK\$'000</i>	<i>%</i>
Costs of raw materials	1,780,160	38.1	1,827,479	36.0	(47,319)	(2.6)
Employee benefit expenses	1,541,445	33.0	1,573,497	31.0	(32,052)	(2.0)
Depreciation	135,577	2.9	109,327	2.2	26,250	24.0
Others	303,930	6.4	317,324	6.1	(13,394)	(4.2)
	<u>3,761,112</u>	<u>80.4</u>	<u>3,827,627</u>	<u>75.3</u>	<u>(66,515)</u>	<u>(1.7)</u>

Cost of sales as a percentage of total revenue increased from 75.3% in Fiscal 2016 to 80.4% in Fiscal 2017. 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) costs of raw materials as a percentage of our total revenue increased from 36.0% in Fiscal 2016 to 38.1% in Fiscal 2017; 2) employee benefit expenses as a percentage of our total revenue increased from 31.0% in Fiscal 2016 to 33.0% in Fiscal 2017; and 3) depreciation as a percentage of our total revenue increased from 2.2% in Fiscal 2016 to 2.9% in Fiscal 2017.

Cost of sales decreased from HK\$3,827.6 million in Fiscal 2016 to HK\$3,761.1 million in Fiscal 2017 primarily due to decrease in costs of raw materials as a result of lower than expected sales.

Gross profit and gross profit margin

	For the year ended 31 March		2016		Change	
	2017		2016			
	<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>	<i>%</i>
Bras and intimate wear	726,396	19.5	828,897	23.3	(102,501)	(12.4)
Bra pads and other molded products	106,956	20.9	273,463	28.4	(166,507)	(60.9)
Functional sports products	82,473	19.0	151,787	27.3	(69,314)	(45.7)
	<u>915,825</u>	<u>19.6</u>	<u>1,254,147</u>	<u>24.7</u>	<u>(338,322)</u>	<u>(27.0)</u>

Our overall gross profit decreased from HK\$1,254.1 million in Fiscal 2016 to HK\$915.8 million in Fiscal 2017. The gross profit margin in Fiscal 2017 decreased by 5.1 percentage point to 19.6%, as compared to 24.7% in Fiscal 2016. 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 23.3% in Fiscal 2016 to 19.5% in Fiscal 2017, 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 28.4% in Fiscal 2016 to 20.9% in Fiscal 2017, 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 27.3% in Fiscal 2016 to 19.0% in Fiscal 2017 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\$12.3 million from HK\$13.2 million in Fiscal 2016 to HK\$25.5 million in Fiscal 2017, was primarily attributable to grants of government subsidies amounted HK\$24.5 million in Fiscal 2017.

Other gains

Other gains consisted of gain on disposal of available-for-sale financial assets of HK\$3.7 million in Fiscal 2016. The Group recorded no other gains in Fiscal 2017.

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 Fiscal 2016 and Fiscal 2017, the Group's distribution and selling expenses have remained relatively stable in terms of percentage of total revenue, and represented approximately 2.4% and 2.6% of its total revenue respectively.

Distribution and selling expenses decreased by 1.9% from HK\$124.1 million in Fiscal 2016 to HK\$121.7 million in Fiscal 2017. 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 7.0% in Fiscal 2016 to 10.0% in Fiscal 2017, mainly due to operating leverage as a result of lower than expected sales.

General and administrative expenses increased by 31.7% from HK\$354.7 million in Fiscal 2016 to HK\$467.3 million in Fiscal 2017. 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 3.0% in Fiscal 2016 to 3.4% in Fiscal 2017, mainly due to operating leverage as a result of lower than expected sales.

Research and development costs increased by 6.2% from HK\$151.0 million in Fiscal 2016 to HK\$160.3 million in Fiscal 2017, 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, net of interest expenses capitalised. For Fiscal 2016 and Fiscal 2017, the Group's finance costs represented approximately 0.9% and 0.7% of its total revenue respectively.

Finance costs decreased by 26.3% from HK\$44.5 million in Fiscal 2016 to HK\$32.8 million in Fiscal 2017, primarily due to repayment of term loans, more efficient use of banking facilities, 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 Fiscal 2017 and Fiscal 2016. The applicable tax rate for the PRC subsidiaries of the Group is 25% in Fiscal 2017 and Fiscal 2016.

The subsidiaries established and operated in Vietnam were subject to corporate income tax at a rate of 20% (Fiscal 2016: 22%). In accordance with the applicable tax regulations, a subsidiary is subject to a lower tax rate of 10% for fifteen consecutive years, commencing from the first year of making revenue. In addition, the subsidiary is 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 Fiscal 2017 and Fiscal 2016.

The Group's income tax expense decreased from HK\$121.6 million in Fiscal 2016 to HK\$62.5 million in Fiscal 2017, as a result of a decrease in taxable income. The Group's effective tax rate increased from 21.6% in Fiscal 2016 to 39.0% in Fiscal 2017, 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 year decreased by 77.9% from HK\$442.1 million in Fiscal 2016 to HK\$97.6 million in Fiscal 2017. Our net profit margin decreased from 8.7% in Fiscal 2016 to 2.1% in Fiscal 2017.

Our adjusted net profit for the year decreased by 79.4% from HK\$475.5 million in Fiscal 2016 to HK\$98.0 million in Fiscal 2017. Our adjusted net profit margin decreased from 9.4% in Fiscal 2016 to 2.1% in Fiscal 2017.

Liquidity, financial resources and bank borrowings

As at 31 March 2017, net working capital (calculated as current assets less current liabilities) was approximately HK\$211.4 million. The current ratios (calculated as current assets over current liabilities) were 1.1 times and 1.5 times as at 31 March 2017 and 31 March 2016 respectively.

As at 31 March 2017, the Group's net debt (represented by bank borrowings less the cash and cash equivalents) was HK\$1,071.4 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 31 March 2017 was 40.9% (31 March 2016: 6.4%), which was calculated as net debt divided by total equity.

Working Capital Management

	As at	
	31 March	31 March
	2017	2016
	(days)	(days)
Inventory turnover days	73	61
Receivables turnover days	49	36
Payables turnover days	30	29

The increase in inventory turnover days for Fiscal 2017 by 12 days was primarily due to our first plant in Vietnam which was still in a ramp-up period, resulting in the stock up of more raw materials for securing stable and efficient production.

The increase in receivables turnover days for Fiscal 2017 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 Fiscal 2017, total addition to property, plant and equipment, leasehold land and land use rights, and intangible assets amounted to approximately HK\$910.2 million (Fiscal 2016: HK\$1,131.1 million), and was mainly attributed to purchases of production lines for our first plant in Vietnam and construction of our second plant in Vietnam to cope with the Group's overall business expansion.

Pledged assets

As at 31 March 2016 and 31 March 2017, the Group did not have assets pledged for bank borrowings.

Foreign exchange risk

We mainly operate in Hong Kong, the PRC and Vietnam. 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.

As at 31 March 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. The Group had no foreign exchange forward contracts entered into as at 31 March 2017. Our management will continue to monitor foreign currency exchange exposure and will take prudent measures to minimise the currency translation risk.

Contingent liabilities

As at 31 March 2017, 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 year, 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**”) and section headed “Use of Proceeds from the Global Offering and Change in Use of Proceeds” in this announcement below, 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 31 March 2017, the Group employed a total of approximately 33,955 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\$1,969.0 million, representing 42.1% 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.

SUBSEQUENT EVENTS

Subsequent to 31 March 2017, the Group decided to suspend the plan to construct production facilities in Hai Duong, Vietnam and Wujiang, Suzhou, Jiangsu Province, China and reallocate the unused net proceeds raised from the global offering of the Company in October 2015 to construct the production facilities in Hai Phong, Vietnam. Please refer to section headed “Use of Proceeds from the Global Offering and Change in Use of Proceeds” below for more details.

USE OF PROCEEDS FROM THE GLOBAL OFFERING AND CHANGE IN USE OF PROCEEDS

In October 2015, the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”). A total of 339,250,000 shares were issued at HK\$5.60 per share for a total of approximately HK\$1,899.8 million. The net proceeds raised from the abovementioned global offering of the Company (the “**Global Offering**”), amounted to approximately HK\$1,754.4 million (the “**Proceeds**”).

Details of original allocation of the Proceeds as set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 24 September 2015 (the “**Prospectus**”), and the utilisation of the Proceeds as at 31 March 2017 and as at the date of this announcement respectively are summarised below:

Use	Original allocation of Proceeds as set out in the Prospectus <i>HK\$ million (approximately)</i>	Utilised Proceeds as at 31 March 2017 <i>HK\$ million (approximately)</i>	Unutilised Proceeds as at 31 March 2017 <i>HK\$ million (approximately)</i>	Utilised Proceeds as at the date of this announcement <i>HK\$ million (approximately)</i>	Unutilised Proceeds as at the date of this announcement <i>HK\$ million (approximately)</i>
Enhancing research and development capabilities	109.02	109.02	Nil	109.02	Nil
Constructing additional production facilities and purchasing additional machineries	1,119.12	985.12	134.00	985.12	134.00
Repayment of borrowings	350.84	350.84	Nil	350.84	Nil
Working capital and general corporate purposes	175.42	175.42	Nil	175.42	Nil
Total	1,754.40	1,620.40	134.00	1,620.40	134.00

As at the date of this announcement, the net proceeds of approximately HK\$134.0 million raised from the Global Offering originally intended for constructing production facilities in the Vietnam Singapore Industrial Park in Hai Duong Province, Vietnam (“**VSIP Hai Duong**”) and Wujiang, Suzhou, Jiangsu Province, China (“**Wujiang**”) remained unused (the “**Unused Proceeds**”).

On 28 June 2017, the Board resolved to suspend the plan to construct production facilities in VSIP Hai Duong and Wujiang and reallocate the Unused Proceeds to construct the production facilities in VSIP Hai Phong.

Reason for the Change in Use of Proceeds

Due to the failure of transferring the land use right of the land parcel in VSIP Hai Duong, which was planned to be used for the construction of the fourth production facility in Vietnam, by the land owner to the Group as scheduled, the Group planned to transfer the prepayments made for such land parcel in VSIP Hai Duong to another land parcel in VSIP Hai Phong. The Board believes that the fourth production facility in Vietnam to be constructed in the vicinity of its existing facilities in VSIP Hai Phong would maximise the synergy arising from the four production facilities in Vietnam as a whole going forward.

Further, the management, after in-depth discussion and the review of the Group's overall development plan, considered that there was no urgent need for expanding its production capacity in the PRC in the short-term. As such, the Group planned to return the land parcel and have the refund of the prepayments made for the land parcel in Wujiang, so as to pool its resources for reinforcing its Vietnam production base.

Please refer to section headed "Future Prospects and Strategies" in this announcement below for the benefits of establishing production facilities in Vietnam. The Board considers that the change in use of proceeds is in the interest of the Company and its shareholders as a whole. The change in use of proceeds will allow the Company to deploy its financial resources more effectively.

FUTURE PROSPECTS AND STRATEGIES

Going forward, the Group remains fully committed to enhancing the production scale of its first two facilities in Vietnam on top of a steadily improving operational efficiency, as well as building the third and fourth facilities in Vietnam given the preferential tax rate, relatively competitive labor costs, healthy labor market and strategic geographical location, including its plants' ideal logistical position. The Group expects to potentially benefit from the favourable tax incentive scheme in Vietnam in the medium term and all of the other advantages once the two Vietnam plants reach their target efficiency levels.

During the past financial year, the first plant's increase in production capacity was in line with the expectations of management. By the end of financial year 2018, it is projected to reach an annual capacity of over 40 million units. The Group employed approximately 12,000 staff members for the first production facility, one quarter of these staff members have been with the Group for more than one year. Their production efficiency has already reached approximately 70% of their Shenzhen counterparts.

Following the opening of the first two plants in Vietnam, the Group began construction of the third factory in July last year, with construction to be completed by end of 2017. Pilot production is scheduled to begin in April 2018, with capacity expected to eventually reach 30 million units. In view of the strong demand from existing and new brand partners for comfortable and functional bras, sport bras and functional sports apparel, the majority of the third plant's capacity will be reserved for these products.

As mentioned above, due to the failure of transferring the land use right of the land parcel in VSIP Hai Duong, which was planned to be used for the construction of the fourth production facility in Vietnam, by the land owner to the Group as scheduled, the Group planned to transfer the prepayments made for such land parcel in VSIP Hai Duong to another land parcel in VSIP Hai Phong. Consequently, all four production facilities in Vietnam will be situated in the VSIP Hai Phong. The Group has submitted its development plans for the fourth production facility to the local administration. Construction of phase I of the fourth production facility has commenced in April 2017, and the plant is expected to begin operation before the close of 2018. As such, Regina Miracle's footprint in Vietnam will grow even larger.

In Mainland China, the Group intended to return a parcel of land in Wujiang, Jiangsu Province, in the PRC, as the management considered there was no urgent need for development in Wujiang the short-term after reviewing the Group's overall development plan, the arrangement has been discussed with and agreed by the authority from Wujiang City Development Zone. The Group can therefore pool its resources for reinforcing its Vietnam production base.

The bolstering of production capabilities in Vietnam is a logical and strategically important means of supporting the increasingly sophisticated products of the Group. By also leveraging its IDM business model, which is underpinned by Innovation, Speed, and Quality, Regina Miracle will thus be able to continue developing innovative quality products and cost effectively produce them to knowledgeable consumers seeking high-quality bra products. In addition, in light of the market trends towards hi-tech seamless and stylish functional sports apparel, which is exactly what sets Regina Miracle apart from its peers, the Group will seek to capitalise on its strong capability of technological innovation to launch more lifestyle functional sports apparel with new and high technology with an aim to solidify its leading position as a trendsetter.

Having built an international reputation for innovation through dedication and hard work, Regina Miracle will continue to bolster this reputation by providing new and inventive products for all of its major brand partners on a regular basis. The financial years for 2018 and 2019 will continue to represent investment periods for the Group in order to support its production expansion plan in Vietnam. Nevertheless, the management is confident that the R&D expenses and other investments will attract more quality brand partners to Regina Miracle and potentially bring meaningful top-line growth. In the upcoming year, the Group is committed to maintaining close relations with its long-term brand partners by providing products that "beyond their expectations". At the same time, it will cultivate ties with newly secured brand partners by demonstrating the Group's ability to address their interests through quality, innovative and timely solutions.

While product innovation is one of Regina Miracle's keys to success, innovation is also important and has relevance to production and management given that shorter product launch cycles and lower operating costs are among the benefits that can be derived. Correspondingly, the Group will capitalize on its ability to develop new materials and molds to reduce costs, as well as further build trust with customers. It will also employ such information technology platforms as SAP system, Fast React production control system and RFID system, as well as high-efficiency production planning systems to raise production efficiency while concurrently optimising inventory levels.

Having continuously taken steps to bolster all facets of operation, and has welcomed new brand partners to the fold while nurturing longstanding ties with existing partners, Regina Miracle is confident in its ability to further strengthen its position in the intimate wear and sportswear industries and deliver satisfactory returns to its shareholders in the longer term.

CORPORATE GOVERNANCE

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

The Board has established four Board committees namely, the audit committee, the nomination committee, the remuneration committee and the executive committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report ("**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The Board has reviewed the Company's corporate governance practices and is satisfied that save as disclosed below, the Company has complied with all code provisions and, where applicable, the recommended best practices of the CG Code contained in Appendix 14 of the Listing Rules for the year ended 31 March 2017.

According to code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. 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. The Board believes that vesting the roles of the Chairman and 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 Yau Lit (also known as YY Hung)) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board will nevertheless 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.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee comprises three independent non-executive Directors namely, Dr. Or Ching Fai, Mrs. To Wong Wing Yue Annie and Ms. Tam Laiman. The chairman of the Audit Committee is Dr. Or Ching Fai who has appropriate professional qualifications. 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 external auditor of the Company the consolidated financial statements of the Group for Fiscal 2017, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters related to the preparation of the annual results of the Group for Fiscal 2017.

The terms of reference of the Audit Committee were revised on 24 March 2016 to include overseeing the risk management system of the Company as one of its functions and are available for inspection on the websites of the Company at www.reginamiracleholdings.com and the Hong Kong Stock Exchange at www.hkexnews.hk.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in this announcement of the Group's results for the year ended 31 March 2017 have been agreed by the Group's external auditor, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by PwC on this announcement.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listing Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. 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 year ended 31 March 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2017.

FINAL DIVIDEND

The Board has resolved to propose a final dividend of HK2.5 cents per share for the year ended 31 March 2017, representing a distribution of approximately 31.3% of the Group's net profit for the year ended 31 March 2017.

The proposed final dividend payment is subject to approval by the shareholders of the Company at the annual general meeting ("AGM") to be held on Tuesday, 22 August 2017. If approved by shareholders, the proposed final dividend is expected to be paid on or about 11 September 2017 to shareholders whose names appear on the register of members of the Company on 30 August 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed as follows:

- (1) For the purpose of determining the shareholder's eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 16 August 2017 to Tuesday, 22 August 2017, both days inclusive. In order to qualify for attending and voting at the AGM, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. (Hong Kong time) on Tuesday, 15 August 2017.
- (2) The final dividend will be payable on or about Monday, 11 September 2017 to the shareholders whose names appear on the register of members of the Company on Wednesday, 30 August 2017. For the purpose of ascertaining shareholders' entitlement for the final dividend, the register of members of the Company will be closed from Monday, 28 August 2017 to Wednesday, 30 August 2017, both days inclusive. To qualify for the final dividend, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. (Hong Kong time) on Friday, 25 August 2017.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 22 August 2017. Notice of the AGM will be sent to the shareholders of the Company in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company's website at www.reginamiracleholdings.com. The 2017 annual report and the notice of the AGM will be dispatched to the shareholders of the Company and made available on the websites of the Hong Kong Stock Exchange and 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 year ended 31 March 2017.

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

Hong Kong, 28 June 2017

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.