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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)

PROFIT WARNING AND BUSINESS UPDATE

PROFIT WARNING

This announcement is made by Regina Miracle International (Holdings) Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on a preliminary review and assessment on the draft unaudited consolidated management accounts of the Group, the Group is expected to record a drop in net profit of 90% or more for the six months ended September 30, 2020 (the “**Period**”) as compared with the corresponding period in 2019, and is currently expected to record a small profit, or a loss up to HK\$50 million. Such substantial decrease in profit was primarily attributable to: i) a decrease in revenue by approximately 20% year-over-year, leading to a drop in capacity utilization and operating leverage which affected the margins; and ii) two one-off items of expenses due to streamlining the production capacity and human resources during the Period.

Since the outbreak of COVID-19 in late December 2019 that later developed into a pandemic (the “**Pandemic**”) around the world, the retail markets, especially in Europe and the United States where the Group’s major markets are found, had been adversely affected. Hence, the Group experienced material reduction and defer in orders from customers, particularly in traditional bra and intimate wear business, such impact was partially offset by the resilient growth in certain sports-related business segments, for instance sports bra, functional sport products. At the same time, the Pandemic has caused a surge in demand for pandemic prevention products, the Group quickly seized the opportunity to develop and produce fabric face mask products for its customers. Such swift move has helped improve the overall capacity utilization and the fabric face mask product category contributed meaningfully to the Group’s revenue during the Period. Considering all these factors, the Group’s revenue during the six months ended 30 September 2020 thus decreased by approximately 20% compared with the same period last year, and has inevitably resulted in operating deleverage which led to a drastic drop in gross profit and severely impacting the Group’s profit margins during the Period.

Moreover, the Group’s profitability and margins during the Period were further impacted by two one-off items of expenses due to streamlining the production capacity and human resources. Facing the Pandemic and with an aim to achieve a better human resources and production capacity allocation between the PRC and Vietnam in the long run, the Group decided to implement human resources restructuring to streamline its manpower deployment during the Period. As such, severance payment in compliance with applicable PRC and Vietnamese rules and regulations of approximately HK\$35 million was distributed to approximately 470 staff. Moreover, the Group surrendered parts of the leased factory in Shenzhen to better utilize its production capacity and improve operational efficiency, and the write-off of fixed assets of approximately HK\$9.5 million was booked during the Period. These two one-off items of expenses booked during the Period have impacted the Group’s net profit for the six months ended 30 September 2020.

BUSINESS DEVELOPMENT

As the Pandemic has posed adverse impacts on the global economy, the Group’s sales have been most severely impacted in the first quarter of Fiscal 2021. Though the Pandemic remains dynamic, the spread of the Pandemic has gradually eased and is relatively under control in some regions and customers resumed their operations and orders gradually starting from the second quarter of Fiscal 2021. Hence, the Group witnessed promising sales improvement in the second quarter as the revenue decline year-over-year has been narrowed from approximately 30% in the first quarter to less than 10% in the second quarter of Fiscal 2021. What’s more encouraging that orders received by the Group in the second half of Fiscal 2021 increased considerably from that of the first half of the Fiscal 2021. The Group will continue to develop comfortable and value-for-money products that can generate demand for its brand partners, with a view to enabling swift market launch and catering for the needs of customers under the “new normal” due to the Pandemic. While the Group expects orders to return to the normal level in the second half of Fiscal 2021, it will continue to seize business opportunities of pandemic prevention products in the global market with an aim to expanding and diversifying its product portfolio. The Group remains cautiously optimistic towards the sales and profit performance in Fiscal 2021.

The Company is still in the process of finalizing its consolidated interim results of the Group for the Period. The information contained in this announcement is only a preliminary assessment by the Board with reference to the draft unaudited consolidated management accounts of the Group for the Period and the information currently available to the Board, and not on any financial figures or information which has been audited or reviewed by the Company's auditors or audit committee. Details of the financial results of the Company for the six months ended September 30, 2020 will be disclosed in the 2020 interim results announcement, which is expected to be published in November 2020.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 22 October 2020

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.