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 2017

FINANCIAL HIGHLIGHTS

	Six months ended 30 September		
	2017	2016	
	HK$'000	*HK$'000*	*Change*
Revenue	**2,813,479**	2,149,354	30.9%
Gross profit	**583,757**	401,833	45.3%
Profit attributable to owners of the Company	**95,615**	23,244	311.4%
Gross profit margin (%)	**20.7%**	18.7%	2.0pp
Net profit margin (%)	**3.4%**	1.1%	2.3pp
	HK cents	*HK cents*	
Earnings per share – basic and diluted	**7.8**	1.9	
Dividend per share	**2.5**	–	

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 2017 ("**1HF2018**" or the "**Period**"), together with the comparative unaudited figures for the corresponding period in 2016 ("**1HF2017**").

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**2,813,479**	2,149,354
Cost of sales		**(2,229,722)**	(1,747,521)
Gross profit		**583,757**	401,833
Other income and other gains, net	*5*	**10,049**	17,613
Distribution and selling expenses	*6*	**(74,852)**	(50,463)
General and administrative expenses	*6*	**(264,407)**	(215,638)
Research and development costs	*6*	**(120,146)**	(103,044)
		134,401	50,301
Finance income		**314**	1,081
Finance costs		**(20,908)**	(15,671)
Finance costs, net	*7*	**(20,594)**	(14,590)
Profit before income tax		**113,807**	35,711
Income tax expense	*8*	**(18,192)**	(12,467)
Profit for the period attributable to owners of the Company		**95,615**	23,244
Earnings per share attributable to the owners of the Company during the period (expressed in HK cents per share)			
– basic and diluted	*9*	**7.8**	1.9

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**95,615**	23,244
Other comprehensive (loss)/income:		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Currency translation differences	**(5,938)**	(35,186)
Fair value gain on available-for-sale financial assets	**564**	160
Reclassification adjustment upon disposal of available-for-sale financial assets	**(16)**	–
Other comprehensive loss for the period, net of tax	**(5,390)**	(35,026)
Total comprehensive income/(loss) attributable to owners of the Company	**90,225**	(11,782)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September 2017

	Notes	As at 30 September 2017 (Unaudited) HK$'000	As at 31 March 2017 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,785,292**	2,589,643
Leasehold land and land use rights		**237,908**	244,683
Intangible assets		**44,298**	45,082
Available-for-sale financial assets		**62,490**	56,796
Deposits and prepayments		**33,252**	84,761
		3,163,240	3,020,965
Current assets			
Inventories		**847,579**	810,340
Trade and bills receivables	*10*	**716,191**	672,760
Deposits, prepayments and other receivables		**111,712**	31,518
Tax recoverable		**110**	2,074
Cash and cash equivalents		**404,054**	412,280
		2,079,646	1,928,972
Total assets		**5,242,886**	4,949,937
EQUITY			
Capital and reserves attributable to the owner of the Company			
Share capital		**95,247**	95,247
Reserves		**2,584,464**	2,524,845
Total equity		**2,679,711**	2,620,092
LIABILITIES			
Non-current liabilities			
Borrowings		**642,327**	606,404
Deferred income tax liabilities		**5,620**	5,851
		647,947	612,255
Current liabilities			
Trade payables	*11*	**482,004**	356,098
Accruals and other payables		**395,530**	436,854
Borrowings		**983,354**	877,289
Current income tax liabilities		**54,340**	47,349
		1,915,228	1,717,590
Total liabilities		**2,563,175**	2,329,845
Total equity and liabilities		**5,242,886**	4,949,937

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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 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 30 November 2017.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2017 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with that of the annual consolidated financial statements for the year ended 31 March 2017, as described in those annual financial statements.

Taxes on income in the interim period 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 April 2017, but do not have significant financial impact to the Group:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements Project HKFRS 12 (Amendment)	Annual Improvements 2014-2016 Cycle (Amendments)

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 April 2017 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 9	Financial Instruments	1 April 2018
HKFRS 15	Revenue from Contracts with Customers	1 April 2018
HKFRS 16	Leases	1 April 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.

4 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 the Cayman Islands.

The segment results for the six months ended 30 September 2017 are as follows:

	Six months ended 30 September 2017			
	Bras and intimate wear *HK$'000* **(Unaudited)**	**Bra pads and other molded products** *HK$'000* **(Unaudited)**	**Functional sports products** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Total segment revenue	**2,282,717**	**272,026**	**258,736**	**2,813,479**
Gross profit/segment results	**476,928**	**57,669**	**49,160**	**583,757**
Other income and other gains, net				**10,049**
Distribution and selling expenses				**(74,852)**
General and administrative expenses				**(264,407)**
Research and development costs				**(120,146)**
Finance income				**314**
Finance costs				**(20,908)**
Profit before income tax				**113,807**
Income tax expense				**(18,192)**
Profit for the period				**95,615**

Other segment item included in the interim condensed consolidated income statement for the period ended 30 September 2017 is as follows:

Depreciation included in cost of sales	**65,564**	**20,174**	**5,854**	**91,592**

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

	Six months ended 30 September 2016			
	Bras and intimate wear	Bra pads and other molded products	Functional sports products	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total segment revenue	1,696,289	270,631	182,434	2,149,354
Gross profit/segment results	310,264	57,476	34,093	401,833
Other income and other gains, net				17,613
Distribution and selling expenses				(50,463)
General and administrative expenses				(215,638)
Research and development costs				(103,044)
Finance income				1,081
Finance costs				(15,671)
Profit before income tax				35,711
Income tax expense				(12,467)
Profit for the period				23,244

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	39,491	27,115	4,247	70,853

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

	Six months ended 30 September 2017 *HK$'000* **(Unaudited)**	2016 *HK$'000* (Unaudited)
Unites States	**1,604,969**	1,378,549
Europe	**246,136**	199,453
Hong Kong	**169,362**	141,448
The People's Republic of China (the "PRC")	**265,775**	163,371
Japan	**182,637**	27,267
South Asia *(Note a)*	**20,886**	32,683
South-east Asia *(Note b)*	**109,095**	61,115
Other countries/regions *(Note c)*	**214,619**	145,468
	2,813,479	2,149,354

Note a: Includes Bangladesh, Sri Lanka and India.

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

Note c: Includes 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:

	As at 30 September 2017 *HK$'000* **(Unaudited)**	As at 31 March 2017 *HK$'000* (Audited)
PRC	**958,004**	936,509
Hong Kong	**52,465**	52,888
Vietnam	**2,090,281**	1,974,772
	3,100,750	2,964,169

5 OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 September 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Other income		
Scrap sale income	**1,442**	1,982
Government grants	**8,019**	15,209
Others	**558**	865
	10,019	18,056
Other gains, net		
Gains on disposal of available-for-sale financial assets	**30**	–
Losses on derivative financial instruments, net	**–**	(443)
	30	(443)
	10,049	17,613

6 EXPENSES BY NATURE

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

	Six months ended 30 September 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Amortisation of leasehold land and land use rights	**2,847**	1,912
Amortisation of intangible assets	**3,837**	3,697
Depreciation of property, plant and equipment	**113,858**	83,902

7 FINANCE COSTS, NET

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
– interest income on bank deposits	**314**	1,081
Finance costs		
– interest expense on borrowings	**(30,257)**	(22,906)
Less: interest expenses capitalised *(Note)*	**9,349**	7,235
	(20,908)	(15,671)
Finance costs, net	**(20,594)**	(14,590)

Note:

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the period, in this case 2.69% (2016: 3.06%).

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 six months ended 30 September 2017.

The applicable tax rate for the PRC subsidiaries of the Group is 25% (2016: 25%) for the six months ended 30 September 2017.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a period as tax deductible expenses in determining its tax assessable profits for that period ("Super Deduction"). Regina Miracle Intimate Apparel (Shenzhen) Co., Limited, a subsidiary of the Company, has claimed such Super Deduction in ascertaining its tax assessable profits for the six months ended 30 September 2017 (2016: Nil).

The subsidiaries established and operated in Vietnam were subject to corporate income tax at a rate of 20% (2016: 20%). 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 amount of income tax charged to the interim condensed consolidated income statement represents:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	**12,885**	3,394
– PRC enterprise income tax	**5,477**	12,258
Deferred income tax	**(170)**	(3,185)
Income tax expense	**18,192**	12,467

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.

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK$'000)	**95,615**	23,244
Weighted average number of ordinary shares in issue ('000)	**1,224,250**	1,224,250
Basic earnings per share (expressed in HK cents per share)	**7.8**	1.9

(b) Diluted

Diluted earnings per share for the six months ended 30 September 2017 and 2016 is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

10 TRADE AND BILLS RECEIVABLES

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

	As at 30 September 2017 *HK$'000* **(Unaudited)**	As at 31 March 2017 *HK$'000* (Audited)
Current	**625,877**	575,496
1-30 days	**76,088**	84,065
31-60 days	**5,735**	4,934
61-90 days	**2,870**	2,294
Over 90 days	**5,621**	5,971
Amounts past due but not impaired	**90,314**	97,264
	716,191	672,760

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 2017, included in the Group's trade receivables were amounts due from a related party of approximately HK$6,136,000 (31 March 2017: HK$2,354,000).

11 TRADE PAYABLES

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

	As at 30 September 2017 *HK$'000* **(Unaudited)**	As at 31 March 2017 *HK$'000* (Audited)
0-30 days	**236,356**	144,237
31-60 days	**135,750**	126,565
61-90 days	**100,562**	78,038
Over 90 days	**9,336**	7,258
	482,004	356,098

12 DIVIDENDS

Final dividend of HK2.5 cents per ordinary share of the Company, totalling HK$30,606,000 for the year ended 31 March 2017 was paid during the six months ended 30 September 2017.

The Board has resolved to declare an interim dividend of HK2.5 cents per ordinary share of the Company, totalling approximately HK$30,606,000 for the six months ended 30 September 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The Period saw a relatively stable economic environment and consumer market across the globe. In respect of the intimate wear market, fresh business opportunities emerged from the sector of intimate wear and sports products, driven by growing focus on product quality and value by the public, as well as the surging popularity of sport around the world. In addition, Regina Miracle, a long-term leader in intimate wear industry equipped with the innovative seamless bonding technology, has continued to actively develop new generations of innovative technologies and applying it to intimate wear and sportswear products, aiming to lead the industry trends within the sector.

To advance the Group's business growth and technical leadership over its peers in the industry, the management has proceeded with executing its roadmap in Vietnam and saw smooth progress with its production capacity expansion during the Period, with a multi-region production base layout gradually taking shape. The management has also further enhanced the Group's R&D capability by strategically introducing new equipment to comprehensively improve its seamless bonding and molding technologies. In particular, the new generation of injection machinery is worth mentioning – such proprietary technology represents a breakthrough within molding technology, and opens up new possibilities for further innovations in bra pads and intimate wear products. These efforts of Regina Miracle have been appreciated by multiple long-term brand partners, allowing the Group's business to regain its growth momentum during the Period.

Through its relentless efforts in craftsmanship innovation and exploration of new cooperation opportunities, the Group was able to extend its partnership with a number of world-renowned brands in the second half of the previous financial year. By far, Regina Miracle has made rapid headway in developing products for these new brand partners. Such advancements fully demonstrate their appreciation of Regina Miracle's comprehensive strength and, more importantly, lay a crucial foundation for the long-term sustainable growth of the Group.

BUSINESS REVIEW

Financial Performance

For the six months ended 30 September 2017, the Group recorded revenue of HK$2,813.5 million (1HF2017: HK$2,149.4 million), representing a year-on-year increase of 30.9%. Gross profit amounted to HK$583.8 million (1HF2017: HK$401.8 million), representing an increase of 45.3%. Gross profit margin stood at 20.7% (1HF2017: 18.7%), with the profit attributable to owners of the Company amounting to HK$95.6 million (1HF2017: HK$23.2 million) and a net profit margin of 3.4% (1HF2017: 1.1%). During the Period, earnings per share attributable to owners of the Company amounted to HK7.8 cents (1HF2017: HK1.9 cents).

The Board has resolved to declare an interim dividend of HK2.5 cents per ordinary share for the six months ended 30 September 2017 (1HF2017: Nil). The Group has maintained its dividend policy to distribute no less than 30% of its net profit for the financial year. The interim dividend is expected to be paid on or around Wednesday, 27 December 2017 to shareholders whose names appear on the register of members of the Company on Monday, 18 December 2017.

Bras and intimate wear

During the Period, bras and intimate wear products remained the biggest revenue contributor to the Group, recording a year-on-year increase of 34.6% to HK$2,282.7 million (1HF2017: HK$1,696.3 million) and accounting for 81.1% of total revenue. Gross profit from the segment amounted to HK$476.9 million, with a gross profit margin of 20.9% (1HF2017: HK$310.3 million and 18.3%, respectively).

The Period witnessed a steady rebound in the number of orders from certain brand partners, following a challenging operating environment with slashed orders from several major brand partners for various reasons during the same period of last year. In addition, given the strong demand for Regina Miracle products from several new brand partners, coupled by the sales of sports bras maintaining a notable volume growth, the Group recorded a satisfactory year-on-year increase in both revenue and gross profit from the bras and intimate wear business. As comfortable intimate wear remained an increasingly popular trend, the Group continued its R&D on a new generation of comfortable seamless intimate wear products for its brand partners during the Period, thereby further solidifying the close ties with the existing and new brand partners.

Bra pads and other molded products

Committed to developing finished bra products, the Group strategically reserved a major portion of its bra pad capacity for the manufacturing of its own finished bra products. As a result, the Group maintained a stable revenue from its business of bra pads and molded products, which contributed HK$272.0 million during the Period (1HF2017: HK$270.6 million) and accounted for 9.7% of total revenue. Gross profit and gross profit margin from the segment amounted to HK$57.7 million and 21.2%, respectively (1HF2017: HK$57.5 million and 21.2%, respectively).

Functional sports products

With the sports trend sweeping the globe in recent years, there has been keen demand for comfortable and high-functional sports-related products. Hence, constant innovation is crucial for international brands to remain competitive, while the strong innovative design capability that Regina Miracle possesses can readily support these needs of its brand partners. This drove the revenue growth of the Group's functional sports products to HK$258.7 million (1HF2017: HK$182.4 million), representing a year-on-year increase of 41.8% and accounting for 9.2% of the Group's total revenue. Gross profit from the segment amounted to HK$49.2 million, with gross profit margin reaching 19.0% (1HF2017: HK$34.1 million and 18.7%, respectively).

It is worth noting that the Group is recognised for its leading, innovative seamless bonding technology among its major sports brand partners who have joined hands with it to apply such technology to sportswear products, which led to a notable increase in sportswear orders. Despite still being a small share of the Group's total revenue, the sportswear category has displayed strong growth momentum and great prospects, taking into account increasing product co-developments between the Group and its new brand partners in the future. More than that, as the sales of sports footwear products also returned to growth during the Period, the Group is cautiously optimistic about the prospects of this segment.

Production capacity

Production expansion in Vietnam is the key to achieving the objectives of the Group's five-year plan. During the Period, the Group managed to improve the production capacity and efficiency of its first two Vietnam facilities, as they thereby gradually became more cost-effective. Furthermore, the Group has made satisfactory progress in the construction of its third and fourth facilities. With a multi-region layout of production capacity gradually taking shape, these developments lay a crucial foundation for Regina Miracle as the most preferred partner for its brand customers.

For the six months ended 30 September 2017, the ramping up in production efficiency of the first facility in Vietnam, which mainly produces bras and intimate wear, was in line with the management's expectation, enabling the Group to meet the strong order demands from its existing and new brand partners. It is anticipated that the facility could reach the expected annual capacity of 40 million units of output in this financial year as planned. The bra pads manufactured by the second facility, which commenced production in May 2017, were primarily supplied to the first facility in Vietnam for the production of bras and intimate wear. Its output was sufficient to support the Group's domestic in-house needs of bra pads during the Period. The Group continues to pace itself in expanding its bra pads capacity in the second facility to ensure that it can meet the domestic needs during this financial year. Currently, the production efficiency of the first two Vietnam facilities combined has reached nearly two-thirds that of their Shenzhen counterpart's, and is still rapidly increasing.

As at 30 September 2017, the first two Vietnam facilities employed a total of approximately 17,000 staff members. As for the Shenzhen facility, which serves as a base for both production and R&D, the number of staff remained stable at approximately 16,000. The Group will continue to boost its R&D on innovative products, as well as to raise its production capacity in response to the growing number of orders with a shorter delivery time demanded by partners.

THE GROUP'S OPERATING RESULTS

Revenue

We derive our revenue primarily from direct sales of our products. Our total revenue increased by 30.9% from HK$2,149.4 million in 1HF2017 to HK$2,813.5 million in 1HF2018. A comparison of the Group's revenue for 1HF2018 and 1HF2017 by product categories is as follows:

	Six months ended 30 September					
	2017		2016		Change	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Bras and intimate wear	**2,282,717**	**81.1**	1,696,289	78.9	586,428	34.6
Bra pads and other molded products	**272,026**	**9.7**	270,631	12.6	1,395	0.5
Functional sports products	**258,736**	**9.2**	182,434	8.5	76,302	41.8
	2,813,479	**100.0**	2,149,354	100.0	664,125	30.9

Revenue generated from sales of bras and intimate wear increased by HK$586.4 million, or approximately 34.6%, from HK$1,696.3 million in 1HF2017 to HK$2,282.7 million in 1HF2018. The increase was primarily due to the increase in sales volume of our bras driven by an increased demand from our customers. Revenue generated from sales of bras and intimate wear as a percentage of our total revenue increased from 78.9% in 1HF2017 to 81.1% in 1HF2018.

Revenue generated from sales of bra pads and other molded products remained relatively stable and amounted to HK$272.0 million in 1HF2018, representing an increase of approximately HK$1.4 million, or approximately 0.5%, as compared to 1HF2017. Revenue generated from sales of bra pads and other molded products as a percentage of our total revenue decreased from 12.6% in 1HF2017 to 9.7% in 1HF2018.

Revenue generated from sales of functional sports products increased by HK$76.3 million, or approximately 41.8%, from HK$182.4 million in 1HF2017 to HK$258.7 million in 1HF2018. The increase was primarily due to the increase in sales volume of our functional seamless sportswear and sports footwear driven by an increased demand from our customers. Revenue generated from sales of functional sports products as a percentage of our total revenue increased from 8.5% in 1HF2017 to 9.2% in 1HF2018.

Cost of sales

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

	Six months ended 30 September					
	2017		2016		Change	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Costs of raw materials	**1,103,393**	**39.2**	805,648	37.5	297,745	37.0
Employee benefit expenses	**846,462**	**30.1**	717,696	33.4	128,766	17.9
Depreciation	**91,592**	**3.3**	70,853	3.3	20,739	29.3
Others	**188,275**	**6.7**	153,324	7.1	34,951	22.8
	2,229,722	**79.3**	1,747,521	81.3	482,201	27.6

Cost of sales as a percentage of total revenue decreased from 81.3% in 1HF2017 to 79.3% in 1HF2018. This was primarily attributable to our continued efficiency improvement of the Vietnam factory, resulting in employee benefit expenses as a percentage of our total revenue decreased from 33.4% in 1HF2017 to 30.1% in 1HF2018.

Cost of sales increased from HK$1,747.5 million in 1HF2017 to HK$2,229.7 million in 1HF2018 primarily due to increases in costs of raw materials and employee benefit expenses as a result of increase in revenue.

Gross profit and gross profit margin

	Six months ended 30 September					
	2017		2016			
	Gross Profit	**Gross Profit margin**	Gross Profit	Gross Profit margin	Change	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Bras and intimate wear	**476,928**	**20.9**	310,264	18.3	166,664	53.7
Bra pads and other molded products	**57,669**	**21.2**	57,476	21.2	193	0.3
Functional sports products	**49,160**	**19.0**	34,093	18.7	15,067	44.2
	583,757	**20.7**	401,833	18.7	181,924	45.3

Our overall gross profit increased from HK$401.8 million in 1HF2017 to HK$583.8 million in 1HF2018. The gross profit margin in 1HF2018 increased by 2.0 percentage points to 20.7%, as compared to 18.7% in 1HF2017. Such increase was mainly driven by our continued efficiency improvement of the Vietnam factory.

The gross profit margin of bras and intimate wear increased from 18.3% in 1HF2017 to 20.9% in 1HF2018, primarily due to our continued efficiency improvement of the Vietnam factory.

While the gross profit margin of bra pads and other molded products remained stable at 21.2% in 1HF2017 and 1HF2018, the gross profit margin of functional sports products slightly increased from 18.7% in 1HF2017 to 19.0% in 1HF2018 primarily due to our improved utilization of our Shenzhen plant as a result of increased sales of this segment of products.

Other income and other gains, net

Our other income consists primarily of government grants. The decrease in other income by HK$7.6 million from HK$17.6 million in 1HF2017 to HK$10.0 million in 1HF2018, was primarily attributable to the decrease of government grants subsidies, which depend on the government grant policies and criteria during different time periods.

Distribution and selling expenses

Distribution and selling expenses primarily consist of freight and transportation expenses, employee benefit expenses for our sales personnel, travelling expenses, declaration charges, marketing and promotion expenses and others. For 1HF2017 and 1HF2018, the Group's distribution and selling expenses represented approximately 2.3% and 2.7% of its total revenue respectively.

Distribution and selling expenses increased by 48.3% from HK$50.5 million in 1HF2017 to HK$74.9 million in 1HF2018. The increase was primarily attributable to an increase in freight and transportation expenses as a result of an increase in sales of the Group.

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 fees, 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 decreased from 10.0% in 1HF2017 to 9.4% in 1HF2018, mainly due to the Group's enhanced operational efficiency.

General and administrative expenses increased by 22.6% from HK$215.6 million in 1HF2017 to HK$264.4 million in 1HF2018. The increase was primarily attributable to the Group's expansion in Vietnam, resulting in an 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.

Research and development costs increased by 16.6% from HK$103.0 million in 1HF2017 to HK$120.1 million in 1HF2018, primarily due to 1) leasing of a new premise in Shenzhen for expanding the Group's research and development capabilities; and 2) an increase in employee benefit expenses of research and development personnel as a result of our strategic focus on research and development for securing both existing and new brands partners. Our research and development costs as a percentage of total revenue decreased from 4.8% in 1HF2017 to 4.3% in 1HF2018.

Finance income

Finance income represents interest income on bank deposits.

Finance costs

Finance costs represent interest expense on borrowings. For 1HF2017 and 1HF2018, the Group's finance costs represented approximately 0.7% and 0.7% of its total revenue respectively.

The 33.4% increase in finance costs from HK$15.7 million in 1HF2017 to HK$20.9 million in 1HF2018 was primarily attributable to increase in borrowings, as a result of increase in revenue in 1HF2018.

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 1HF2018 and 1HF2017. The applicable tax rate for the PRC subsidiaries of the Group is 25% in 1HF2018 and 1HF2017.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a period as tax deductible expenses in determining its tax assessable profits for that period ("**Super Deduction**"). Regina Miracle Intimate Apparel (Shenzhen) Co., Limited, a subsidiary of the Company, has claimed such Super Deduction in ascertaining its tax assessable profits for the six months ended 30 September 2017 (2016: Nil).

The subsidiaries established and operated in Vietnam were subject to corporate income tax at a rate of 20% in 1HF2018 and 1HF2017. 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 Group's income tax expense increased from HK$12.5 million in 1HF2017 to HK$18.2 million in 1HF2018. The increase was mainly due to increase in taxable income; partially offset by a claim of Super Deduction amounted HK$11.2 million. Considering the Super Deduction, the Group's effective tax rate decreased from 34.9% in 1HF2017 to 16.0% in 1HF2018.

Net profit

As a result of the cumulative effect of the above factors, our net profit for the Period increased by 311.4% from HK$23.2 million in 1HF2017 to HK$95.6 million in 1HF2018. Our net profit margin increased from 1.1% in 1HF2017 to 3.4% in 1HF2018.

Liquidity, financial resources and bank borrowings

As at 30 September 2017, the net working capital (calculated as current assets less current liabilities) was approximately HK$164.4 million. The current ratio (calculated as current assets/current liabilities) remained stable at 1.1 times as at 30 September 2017 and 31 March 2017.

As at 30 September 2017, the Group's net debt (represented by bank borrowings less the cash and cash equivalents) was HK$1,221.6 million (31 March 2017: HK$1,071.4 million). The increase of net debt was mainly due to capital expenditure for our production facilities in Vietnam. Gearing ratio as at 30 September 2017 was 45.6% (31 March 2017: 40.9%), which was calculated as net debt divided by total equity.

Working capital management

	As at	
	30 September 2017	31 March 2017
	(days)	*(days)*
Inventory turnover days	**68**	73
Receivables turnover days	**45**	49
Payables turnover days	**34**	30

The decrease in inventory turnover days for 1HF2018 by 5 days was primarily due to improved inventory control of the Group.

The receivables and payables turnover days remained relatively stable and at healthy levels during 1HF2018.

Capital expenditures

For 1HF2018, the total addition to property, plant and equipment, leasehold land and land use rights, and intangible assets amounted to approximately HK$324.0 million (1HF2017: HK$399.2 million), which was mainly attributable to additions of production lines for our second Hai Phong facility and construction of our third Hai Phong facility to cope with the Group's overall business expansion.

Pledged assets

As at 31 March 2017 and 30 September 2017, the Group did not have assets pledged for bank borrowing.

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. dollar. As the HK dollar is pegged to U.S. dollar, our foreign exchange exposure in respect of the HK dollar is considered minimal. 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 31 March 2017 and 30 September 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 six months ended 30 September 2017, 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 the framework construction agreement disclosed in the announcement dated 24 July 2017, 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 2017, the Group employed a total of approximately 33,474 full-time staff (31 March 2017: 33,955). The total staff cost of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to HK$1,118.1 million, representing 39.7% 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 communication 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 Period and up to the date of this announcement.

FUTURE PROSPECTS AND STRATEGIES

Going forward, the Group will embrace various development opportunities brought by new worldwide market trends in intimate wear and sportswear, as well as the changing sales tactics and portfolios of its partners. In respect of market trends, given the growing consumer demand for comfortable intimate wear and sportswear, the management believes that the new generation of seamless products will sustain its popularity in the foreseeable future. Buttressed by over 15 years of rich experience in its innovative technology of seamless bonding, Regina Miracle will fully leverage its competitive edge to lead technology advancement in the market through its commitment to extending the application of seamless bonding, our long-established technology in intimate wear, to related product categories. Meanwhile, in view of the growing public demand for sports-related products, the management is striving to achieve further R&D breakthroughs in seamless functional sports products.

In respect of partnerships, with several major brand partners boosting their presence in Asia and particularly within the Chinese market, together with an expanding customer portfolio, the Group expects new opportunities to be unlocked with strong order demands from its existing and new partners as well as an increasingly complex product specifications. The Group also continues to strive for bringing in more brand partners to attain a stronger customer mix. The management remains cautiously optimistic about the prospects of the Group's business growth over the next three-to-five years.

To cope with the Group's long-term development, the management has formulated a five-year plan which underlines the importance of its production expansion in Vietnam. The Group continues to boost the production efficiency of its first two facilities in Vietnam and progress with the construction of its third and fourth ones. In particular, the third facility is expected to start production by the second quarter of 2018. Dedicated to producing mainly bras and intimate wear and functional sportswear products, the facility has a planned annual production capacity of approximately 30 million units. The fourth facility is planned to be a "Sports City", mainly dedicated to producing functional sportswear. Phase I of the fourth facility is expected to start trial production in the second half of 2018.

The Shenzhen facility will retain its role as a base mainly responsible for the R&D and production of value-added products with high-tech specifications across different categories. It will also continue to serve as a strategic stronghold in the Group's business expansion in China to support the development strategy of its major brand partners to further develop the Chinese market. In the future, the Group will allocate the production capacity between its Shenzhen and Vietnam facilities based on its assessment of various factors, such as cost competitiveness, policies as well as requirements from brand partners.

In addition, to consolidate its industry leadership, the Group will take further steps to innovate extensively across areas including products, craftsmanship, production and management, etc. Not only has the Group successfully built close ties with more world-renowned quality brands, it will also continue to develop a more diversified range of innovative products together with its long-term brand partners. In respect of craftsmanship, the Group will continue to invest in innovative seamless craftsmanship, injection technology and new craftsmanship applications, in an effort to enhance the molding technology and further expand a new generation of seamless products.

As for production and management innovation, the Group will continue to promote the lean production model, including optimising material specifications. Meanwhile, the Group will continue to strengthen its supply chain management and raise production efficiency through the application of such information technology platforms as an SAP system, a Fast React production control system, an RFID system, and high-efficiency production planning systems.

Leveraging its strong capability as an Innovative Design Manufacturer (IDM) and its plan to continue to expand its production capacity, Regina Miracle has laid a solid foundation in the intimate wear and sportswear sectors and become a trusted partner for more pre-eminent brands across the globe. The Group continues to follow its five-year plan strategy, actively enhances its capacity layout in China and Vietnam, and win the confidence of its brand partners through its innovative products. The management will uphold its pursuit of excellence and comprehensive innovation across a wide front as it consolidates the foundation of the Group's success, and creates long-term and high-value returns for shareholders.

OTHER INFORMATION

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

During the six months ended 30 September 2017, 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 to declare an interim dividend of HK2.5 cents (the "**Interim Dividend**") (2016: Nil) per ordinary share for the six months ended 30 September 2017 payable on or about Wednesday, 27 December 2017 to all shareholders of the Company whose names appear on the register of members of the Company on Monday, 18 December 2017.

CLOSURE OF REGISTER OF MEMBERS FOR INTERIM DIVIDEND

For the purpose of ascertaining the shareholders' entitlement for the Interim Dividend, the register of members of the Company will be closed from Friday, 15 December 2017 to Monday, 18 December 2017, both days inclusive, during which no transfer of shares will be registered. To qualify for the Interim Dividend, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates are 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. on Thursday, 14 December 2017.

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 2017, save for the deviation as mentioned below.

According to code provision A.2.1 of the CG Code, 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 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 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of 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 throughout the six months ended 30 September 2017.

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 interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited ("**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 2017 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, 30 November 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.