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Regina Miracle International (Holdings) Limited
維珍妮國際(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2199)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 September		
	2018	2017	
	HK$'000	*HK$'000*	Change
Revenue	**3,062,917**	2,813,479	8.9%
Gross profit	**658,084**	583,757	12.7%
Profit attributable to owners of the Company	**133,722**	95,615	39.9%
Earnings before interest, taxes, depreciation and amortisation	**361,055**	254,943	41.6%
Gross profit margin (%)	**21.5%**	20.7%	0.8pp
Net profit margin (%)	**4.4%**	3.4%	1.0pp
Earnings before interest, taxes, depreciation and amortisation margin (%)	**11.8%**	9.1%	2.7pp
	HK cents	*HK cents*	
Earnings per share – basic and diluted	**10.9**	7.8	
Dividend per share	**3.6**	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 2018 ("**1HF2019**" or the "**Period**"), together with the comparative unaudited figures for the corresponding period in 2017 ("**1HF2018**").

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
		HK$'000	*HK$'000*
	Note	**(Unaudited)**	(Unaudited)
Revenue	*5*	**3,062,917**	2,813,479
Cost of sales	*7*	**(2,404,833)**	(2,229,722)
Gross profit		**658,084**	583,757
Other income and other gains	*6*	**17,540**	10,049
Distribution and selling expenses	*7*	**(72,935)**	(74,852)
General and administrative expenses	*7*	**(303,928)**	(264,407)
Research and development costs	*7*	**(106,776)**	(120,146)
		191,985	134,401
Finance income		**386**	314
Finance costs		**(33,477)**	(20,908)
Finance costs, net	*8*	**(33,091)**	(20,594)
Profit before income tax		**158,894**	113,807
Income tax expense	*9*	**(25,172)**	(18,192)
Profit for the period attributable to owners of the Company		**133,722**	95,615
Earnings per share attributable to owners of the Company during the period (expressed in HK cents per share)			
– basic and diluted	*10*	**10.9**	7.8

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**133,722**	95,615
Other comprehensive (loss)/income, net of tax		
Items that have been reclassified or may be subsequently reclassified to income statement		
Currencies translation differences	**(157,263)**	(5,938)
Fair value gain on available-for-sale financial assets	**–**	564
Fair value gain on financial assets at fair value through other comprehensive income	**565**	–
Reclassification adjustment upon disposal of available-for-sale financial assets	**–**	(16)
Other comprehensive loss for the period, net of tax	**(156,698)**	(5,390)
Total comprehensive (loss)/income attributable to owners of the Company	**(22,976)**	90,225

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2018

	Note	As at 30 September 2018 *HK$'000* (Unaudited)	As at 31 March 2018 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**3,685,966**	3,414,878
Leasehold land and land use rights		**295,903**	301,554
Intangible assets		**47,037**	44,752
Available-for-sale financial assets		**–**	66,631
Financial assets at fair value through other comprehensive income		**71,302**	–
Deposits and prepayments		**40,526**	17,167
		4,140,734	3,844,982
Current assets			
Inventories		**866,719**	826,961
Trade and bills receivables	*11*	**727,287**	848,787
Deposits, prepayments and other receivables		**85,515**	47,299
Tax recoverable		**3,941**	6,056
Cash and cash equivalents		**497,553**	450,125
		2,181,015	2,179,228
Total assets		**6,321,749**	6,024,210
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**95,247**	95,247
Reserves		**2,703,154**	2,774,335
Total equity		**2,798,401**	2,869,582
LIABILITIES			
Non-current liabilities			
Borrowings	*12*	**1,345,126**	985,854
Deferred income tax liabilities		**4,600**	5,690
		1,349,726	991,544
Current liabilities			
Trade payables	*13*	**441,288**	408,884
Accruals and other payables		**528,859**	555,920
Borrowings	*12*	**1,173,349**	1,164,500
Current income tax liabilities		**30,126**	33,780
		2,173,622	2,163,084
Total liabilities		**3,523,348**	3,154,628
Total equity and liabilities		**6,321,749**	6,024,210

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 26 November 2018.

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 2018 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

3 ACCOUNTING POLICIES

The accounting policies applied to this interim condensed consolidated financial information are consistent with that of the annual consolidated financial statements for the year ended 31 March 2018, except that taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

(a) The following amended standards are mandatory for the first time for the financial year beginning on 1 April 2018:

HKFRS 1 and HKAS 28 (Amendments)	Annual Improvements 2014-2016 cycle
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKAS 40 (Amendments)	Transfers of investment property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9, "Financial Instruments" and HKFRS 15, "Revenue from Contracts with Customers" are disclosed in Note 4 below.

Apart from aforementioned HKFRS 9 and HKFRS 15, 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.

(b) The following are new standards and amendments to existing standards that have been published, but are not effective for the accounting periods beginning on 1 April 2018 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 April 2019
HKFRS 16	Leases	1 April 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 April 2019
HKFRS 17	Insurance contracts	1 April 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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. While the accounting for lessors will not significantly change.

Impact

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$378,487,000. 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.

Date of adoption by the Group

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.

4 CHANGE IN ACCOUNTING POLICIES

The following explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial information and also disclose the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening balance sheet on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more details by paragraphs below.

Interim condensed consolidated balance sheet (extract)	**31 March 2018 as originally presented** *HK$'000*	**Effects of the adoption of HKFRS 9** *HK$'000*	**1 April 2018 Restated** *HK$'000*
Non-current assets			
Available-for-sale financial assets	66,631	(66,631)	–
Financial assets at fair value through other comprehensive income	–	66,631	66,631
Current assets			
Trade and bills receivables	848,787	(1,683)	847,104
Equity			
Retained earnings	977,700	(1,683)	976,017

(a) HKFRS 9 "Financial Instruments" – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

The total impact on the Group's retained earnings as at 1 April 2018 is as follows:

	Note	*HK$'000*
Opening retained earnings – HKAS 39		977,700
Increase in provision for trade and bills receivables from adoption of HKFRS 9	*(i)*	(1,683)
Opening retained earnings – HKFRS 9		976,017

(i) Impairment of financial assets

The Group has mainly two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Trade and bills receivables
- Deposits and other receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

The impairment loss for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customers' past settlement pattern, existing market conditions as well as forward looking estimates at the end of each reporting period.

While other receivables, cash and cash equivalents and short-term bank deposits are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

Trade and bills receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and bills receivables.

To measure expected credit losses, trade and bills receivables has been grouped based on the shared credit risk characteristics.

On that basis, the impairment loss as at 1 April 2018 was determined as follows:

	Current	**0-30 days past due**	**31-60 days past due**	**61-90 days past due**	**91-180 days past due**	**Over 180 days past due**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gross carrying amount	741,911	86,890	7,697	1,509	8,609	2,171	848,787
Impairment loss	(686)	(48)	(5)	(1)	(4)	(939)	(1,683)

The impairment loss for trade and bills receivables as at 31 March 2018 reconcile to the opening impairment loss on 1 April 2018 as follows:

	Trade and bills receivables
	HK$'000
As at 31 March 2018 – HKAS 39	–
Amounts additionally provided through opening retained profits on adoption of HKFRS 9	1,683
Opening impairment loss as at 1 April 2018 – HKFRS 9	1,683

The impairment loss increased by a further HK$1,005,000 to HK$2,688,000 for trade and bills receivables during the six months to 30 September 2018.

(ii) ***Classification and measurements***

Available-for-sale financial assets classified as financial assets at fair value through other comprehensive income

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and classified its financial assets into the approximate HKFRS 9 categories. The Group elected to present changes in the fair value of all its previously classified as available-for-sale financial assets in other comprehensive income.

The impact of the reclassification as at 1 April 2018 is as follows:

	Available-for sale financial assets *HK$'000*	**Financial assets at fair value through other comprehensive income** *HK$'000*
Opening balance – HKAS 39	66,631	–
Reclassify investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(66,631)	66,631
Opening balance – HKFRS 9	–	66,631

The impact of these changes on the Group's equity as at 1 April 2018 is as follows:

	Available-for-sale financial assets reserve *HK$'000*	**Financial assets at fair value through other comprehensive income reserve** *HK$'000*
Opening balance – HKAS 39	2,991	–
Reclassify investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(2,991)	2,991
Opening balance –HKFRS 9	–	2,991

(b) HKFRS 9 "Financial Instruments"–Accounting policies

(i) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income; and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other income and other gains", together with foreign exchange gains and losses.

Equity instruments

The Group subsequently measures all equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

(iii) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and fair value though other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Impairment losses are presented in the "General and administrative expenses". For trade and bills receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) HKFRS 15 “Revenue from Contracts with Customers”– Impact of adoption

HKFRS 15, “Revenue from Contracts with Customers” deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 “Revenue” and HKAS 11 “Construction contract” and related interpretations. The new accounting policies are set out in Note 4(d) below.

The Group has assessed its performance obligations under its arrangements pursuant to HKFRS 15 and has concluded that there are no significant differences between the performance obligations required to be units of account under HKFRS 15 and the deliverables considered to be units of account under HKAS 18.

The new standard requires the Group to estimate the total consideration, including an estimate of future variable consideration, receive in exchange for the goods delivered. The Group’s revenue streams are not significant impacted by the new standard.

(d) HKFRS 15 “Revenue from Contracts with Customers” – Accounting Policy

Sale of goods

The Group manufactures and sells bras, intimate wear, bra pads, other molded products and functional sports products in the wholesale market. Revenue is recognised when control of the products has transferred, being when the products are delivered to the wholesaler at a point in time, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5 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 2018 are as follows:

	Six months ended 30 September 2018			
	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	**2,372,908**	**257,962**	**432,047**	**3,062,917**
Gross profit/segment results	**521,223**	**55,204**	**81,657**	**658,084**
Other income and other gains				**17,540**
Distribution and selling expenses				**(72,935)**
General and administrative expenses				**(303,928)**
Research and development costs				**(106,776)**
Finance income				**386**
Finance costs				**(33,477)**
Profit before income tax				**158,894**
Income tax expense				**(25,172)**
Profit for the period				**133,722**

Other segment item included in the interim condensed consolidated income statement for the period ended 30 September 2018 is as follows:

	Six months ended 30 September 2018			
	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)**
Depreciation included in cost of sales	**84,033**	**19,465**	**14,818**	**118,316**

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

	Six months ended 30 September 2017			
	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	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				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:

	Six months ended 30 September 2017			
	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)
Depreciation included in cost of sales	65,564	20,174	5,854	91,592

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

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Unites States	**1,575,361**	1,604,969
Europe	**317,370**	246,136
Hong Kong	**181,141**	169,362
The People's Republic of China (the "**PRC**")	**351,625**	265,775
Japan	**224,655**	182,637
South Asia *(Note a)*	**24,548**	20,886
South-east Asia *(Note b)*	**134,045**	109,095
Other countries/regions *(Note c)*	**254,172**	214,619
	3,062,917	2,813,479

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 financial instruments of the Group are located in the following geographical areas:

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
PRC	**908,169**	1,006,536
Hong Kong	**50,797**	53,572
Vietnam	**3,102,958**	2,712,019
	4,061,924	3,772,127

6 OTHER INCOME AND OTHER GAINS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income		
Scrap sale income	**4,552**	1,442
Government grants	**11,248**	8,019
Others	**1,740**	558
	17,540	10,019
Other gains		
Gains on disposal of available-for-sale financial assets	**–**	30
	17,540	10,049

7 EXPENSES BY NATURE

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

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of leasehold land and land use rights	**3,647**	2,847
Amortisation of intangible assets	**4,282**	3,837
Depreciation of property, plant and equipment	**161,139**	113,858

8 FINANCE COSTS, NET

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
– interest income on bank deposits	**386**	314
Finance costs		
– interest expense on borrowings	**(52,212)**	(30,257)
Less: interest expenses capitalised (Note)	**18,735**	9,349
Finance costs, net	**(33,477)**	(20,908)
	(33,091)	(20,594)

Note:

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general and specific borrowings during the period, in this case 3.9% (2017: 2.7%).

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the six months ended 30 September 2018.

The applicable tax rate for the PRC subsidiaries of the Group is 25% (2017: 25%) for the six months ended 30 September 2018.

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 2018 and 2017.

The subsidiaries established and operated in Vietnam were subject to corporate income tax at a rate of 20% (2017: 20%). One of the subsidiaries 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, which is offered by the Vietnam Government and is stipulated in the subsidiary's investment license.

The amount of income tax charged to the interim condensed consolidated income statement represents:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	**9,786**	12,885
– PRC enterprise income tax	**16,476**	5,477
Deferred income tax	**(1,090)**	(170)
Income tax expense	**25,172**	18,192

10 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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK$'000)	**133,722**	95,615
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)	**10.9**	7.8

(b) Diluted

Diluted earnings per share for the six months ended 30 September 2018 and 2017 is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

11 TRADE AND BILLS RECEIVABLES

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade and bills receivables	**729,975**	848,787
Less: provision for impairment of trade and bills receivables	**(2,688)**	–
	727,287	848,787

Gross trade and bills receivables, based on invoice date, were aged as follows:

0–30 days	**455,805**	556,359
31–60 days	**156,295**	150,229
61–90 days	**98,735**	110,292
Over 90 days	**19,140**	31,907
	729,975	848,787

The credit period granted by the Group to the customers is generally 45 to 120 days.

As at 30 September 2018, included in the Group's trade and bills receivables were amounts due from a related party of approximately HK$7,428,000 (31 March 2018: HK$4,799,000).

12 BORROWINGS

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank borrowings		
Non-current	**1,345,126**	985,854
Current	**1,173,349**	1,164,500
	2,518,475	2,150,354

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Opening balance as at 1 April	**2,150,354**	1,483,693
Proceeds from new borrowings	**965,500**	349,083
Repayments of borrowings	**(597,379)**	(207,095)
Closing balance as at 30 September	**2,518,475**	1,625,681

As at 30 September 2018, total undrawn bank facilities amounted to approximately HK$1,807,022,000 (31 March 2018: HK$2,406,528,000).

As at 30 September 2018, the Group's borrowings bore floating rates and the effective interest rate of the outstanding bank borrowings was 4.0% per annum (31 March 2018: 3.1% per annum).

As at 30 September and 31 March 2018, bank borrowings are secured by corporate guarantees given by the Company and certain subsidiaries of the Company.

13 TRADE PAYABLES

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

	As at 30 September 2018 *HK$'000* **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
0–30 days	**236,591**	242,922
31–60 days	**126,617**	68,278
61–90 days	**70,991**	92,083
Over 90 days	**7,089**	5,601
	441,288	408,884

14 DIVIDENDS

Final dividend of HK3.8 cents per ordinary share of the Company, totalling HK$46,522,000 for the year ended 31 March 2018 was paid during the six months ended 30 September 2018.

The Board has resolved to declare an interim dividend of HK3.6 cents per ordinary share of the Company, totalling approximately HK$44,073,000 for the six months ended 30 September 2018 (2017: HK$30,606,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Despite its impact on the global economy and trade since early 2018, the escalating China-US trade dispute has presented Regina Miracle with opportunities for market share gain, given the Group's early-mover advantage to establish its presence in Vietnam. Since the Group's listing in 2015, the management has steadfastly expanded production in Vietnam even amidst market volatility. Under the management's well-arranged deployment of manufacturing resources, Regina Miracle has been able to promptly react and adjust during the drastic shifts in the trade situation and fulfill brand partners' quest for outside of China production in response to their demand for high-volume orders. This achievement validates the management's perseverance in implementing its strategies.

In addition to being well-positioned with its production bases in Vietnam, Regina Miracle has remained committed to innovations in design and manufacturing over the years through diligent study of highly technical and innovative craftsmanship. This has enabled the Group to establish solid relations with existing and new renowned brand partners across the globe. Regina Miracle, with its consistent focus on developing innovative craftsmanship that enhances product comfort, is in relentless pursuit of breakthroughs in the Group's core technologies. Targeting consumers' need for innovative solutions, the Group has prioritised the research, development and adoption of its Seven Innovative Technologies in 2018. During the period, its development of well-received comfortable products for its partners has driven the steady development of sales performance.

On the other hand, the growing demand for fast turnaround of orders among brand partners has posed a challenge to suppliers. However, as the Group has been committed to expanding its production factories in Vietnam since its listing, and proactively pursued production automation since the stage of technological research and developed innovative craftsmanship, it has been able to cooperatively adapt to the changes in industry trends and the rapid pace of our brand partners. The management believes that such an advantage will help the Group seize the opportunities presented by industry consolidation in the foreseeable future, further enlarge its market share and solidify the foundation of its long-term healthy development.

BUSINESS REVIEW

Financial Performance

For the six months ended 30 September 2018, the Group recorded a year-on-year increase of 8.9% in revenue to HK$3,062.9 million (1HF2018: HK$2,813.5 million). Gross profit grew by 12.7% to HK$658.1 million (1HF2018: HK$583.8 million), while gross profit margin increased to 21.5% (1HF2018: 20.7%). Benefiting from the continuous increase of production capacity and efficiency in its Vietnamese factories, the Group has recorded a continuously improving profit margin. Earnings before interest, taxes, depreciation and amortisation (EBITDA) has increased by 41.6% to HK$361.1 million (1HF2018: HK$254.9 million), with the EBITDA margin lifted to 11.8% (1HF2018: 9.1%). In the meantime, net profit also rose by 39.9% to HK$133.7 million (1HF2018: HK$95.6 million), with a net profit margin of 4.4% (1HF2018: 3.4%). Basic earnings per share attributable to owners of the Company amounted to HK10.9 cents for the period (1HF2018: HK7.8 cents).

To share the fruit of our achievements with shareholders, the Board has resolved to propose an interim dividend of HK3.6 cents for the six months ended 30 September 2018 (1HF2018: HK2.5 cents), which is in line with the policy of paying no less than 30% of net profit as dividends for the financial year. The interim dividend is expected to be paid on or around Friday, 21 December 2018 to shareholders whose names appear on the register of members of the Company on Thursday, 13 December 2018.

Bras and intimate wear

Bras and intimate wear remain the major source of revenue to the Group. During the period, this segment contributed HK$2,372.9 million (1HF2018: HK$2,282.7 million) in revenue, representing a year-on-year increase of 4.0% and accounting for approximately 77.5% of the overall revenue (1HF2018: 81.1%). During the review period, the Group made good progress in its collaboration with new brand partners, effectively offsetting the underperformance by certain brand partners.

In constant pursuit of innovative craftsmanship and advanced technology, Regina Miracle has effectively incorporated the Seven Innovative Technologies during the period to develop innovative differentiated products for its world-renowned brand partners. Well-received by the market, these products have further strengthened the collaborative ties between the Group and its newly-added global brand partners, which, in turn, has resulted in a more balanced customer mix.

Gross profit from the segment amounted to HK$521.2 million, and gross profit margin rose to 22.0% (1HF2018: HK$476.9 million and 20.9%, respectively). During the period, the efficiency of Vietnamese Factories A and B continued to improve, driving the expansion in the segment's gross profit margin. However, Vietnamese Factory C did not commence operation until the beginning of the period and the training of newly joined production line staff was still underway during the period, which partially offset the gains in gross profit margin of Vietnamese Factories A and B.

Bra pads and other molded products

Revenue from the business of bra pads and other molded products amounted to HK$258.0 million (1HF2018: HK$272.0 million), representing 8.4% of the total revenue (1HF2018: 9.7%). Gross profit and gross profit margin from the segment amounted to HK$55.2 million and 21.4% (1HF2018: HK$57.7 million and 21.2%).

Currently, a large portion of the Group's self-produced bra pads are supplied for in-house manufacturing, as the Group maintains its strategy to invest greater resources in finished bra products. With the continuously improving production efficiency of Vietnamese Factory B, which focuses on bra pads and other molded products, there has been an increase in the self-supply ratio of bra pads needed domestically by the Group's Vietnamese factories, which will help ease the pressure from rising raw material prices.

Functional sports products

Revenue from functional sports products registered a significant increase of 67.0% to HK$432.0 million (1HF2018: HK$258.7 million), which represented 14.1% of the total revenue (1HF2018: 9.2%). The growth was mainly driven by 1) a significant growth in footwear revenue due to an increase in order demand as a result of a new brand partner addition, which has not begun contributing to the segment's revenue during the same period last year; 2) strong double-digit growth in the sportswear segment.

Gross profit from the segment amounted to HK$81.7 million, with a gross profit margin of 18.9% (1HF2018: HK$49.2 million and 19.0%, respectively).

During the period, the majority of functional sports products were manufactured in the Group's Shenzhen factory. As the new capacity for functional sports apparel and footwear products gradually becomes available upon the production commencement of Vietnamese Factories C, D and E, the production of the vast majority of such products will be gradually transferred from Shenzhen to Vietnam.

Footwear products

In respect of footwear products, the Group added a new casual footwear brand partner from the US last year. The smooth collaboration between the two has resulted in rapid increase in orders within just one year, enabling the Group to record satisfactory progress in its footwear business, and in turn drives the continuous expansion of the scale of its functional sports products business as a whole.

Sportswear products

During the period, the Group's sportswear business underwent further expansion, primarily because it effectively incorporated innovative capabilities from cross-sector and cross-product categories by applying its technical know-how from the seamless bonding craftsmanship of its intimate wear products to sportswear products. As a result, unique products have been developed, which led to a satisfactory double-digit growth in sales of sportswear products and a more diversified development of the Group's products at the same time.

Improving production capacity layout in Vietnam and seizing market opportunities

During the period, the Group continued to bolster its production capacity and efficiency in Vietnam, so as to coordinate with the even greater demand of orders from major brand partners for Vietnamese production bases under the shadow of the looming trade war. Meanwhile, the Group has also actively promoted automated production models boosted by information technology in a bid to enhance production management and efficiency.

As at 30 September 2018, the three Vietnamese factories had a total of approximately 27,500 staff members, among which skilled workers at production lines accounted for an increasing proportion in the first two factories, which has driven the steady improvement of production efficiency. With its production commencing in April this year, Factory C is mainly engaged in producing bras, intimate wear and functional sportswear. During the period, the factory implemented its plan to gradually recruit production line staff, the number of which was approximately 7,500 by the end of the reporting period, and focused on conducting dedicated training for such new staff according to plan. Notably, the Group has incorporated its latest self-developed automated production equipment into part of Factory C's manufacturing processes, which is conducive to boosting the factory's efficiency and stability in the long run.

Still under construction, Factory D and Phase 1 of Factory E in Vietnam are expected to commence production during the second quarter of 2019. The former area will be equipped with the Group's latest self-developed automated equipment, and centred on three types of innovative craftsmanship for seamless bonding (from the Seven Innovative Technologies) to produce multiple categories of products. The latter is planned to be furnished with production lines for bras and intimate wear and apparel, and equipped with in-house screen printing capabilities. At the same time, the factory is to reserve production capacity for footwear products to support the steady development of the footwear business.

Primarily engaged in research, development and production, the Shenzhen factory is mainly responsible for products with higher technical requirements and the supply of products sold to the domestic Chinese market for brand partners. As at 30 September 2018, the Group had nearly 12,000 staff members in its Shenzhen facility.

THE GROUP'S OPERATING RESULTS

Revenue

We derive our revenue primarily from direct sales of our products. Our total revenue increased by 8.9% from HK$2,813.5 million in 1HF2018 to HK$3,062.9 million in 1HF2019. A comparison of the Group's revenue for 1HF2019 and 1HF2018 by product categories is as follows:

	Six months ended 30 September					
	2018		2017		Change	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Bras and intimate wear	**2,372,908**	**77.5**	2,282,717	81.1	90,191	4.0
Bra pads and other molded products	**257,962**	**8.4**	272,026	9.7	(14,064)	(5.2)
Functional sports products	**432,047**	**14.1**	258,736	9.2	173,311	67.0
	3,062,917	**100.0**	2,813,479	100.0	249,438	8.9

Revenue generated from sales of bras and intimate wear increased by HK$90.2 million, or approximately 4.0%, from HK$2,282.7million in 1HF2018 to HK$2,372.9 million in 1HF2019. 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 decreased from 81.1% in 1HF2018 to 77.5% in 1HF2019.

Revenue generated from sales of bra pads and other molded products amounted to HK$258.0 million in 1HF2019, representing a decrease of approximately HK$14.1 million, or approximately 5.2%, as compared to 1HF2018, which was in line with the Group's strategy that higher priority was given for the Group's in-house production of bra products. Revenue generated from sales of bra pads and other molded products as a percentage of our total revenue decreased from 9.7% in 1HF2018 to 8.4% in 1HF2019.

Revenue generated from sales of functional sports products increased by HK$173.3 million, or approximately 67.0%, from HK$258.7 million in 1HF2018 to HK$432.0 million in 1HF2019. The increase was primarily due to the increase in sales volume of our functional 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 9.2% in 1HF2018 to 14.1% in 1HF2019.

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					
	2018		2017		Change	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Costs of raw materials	**1,130,151**	**36.9**	1,103,393	39.2	26,758	2.4
Employee benefit expenses	**942,802**	**30.7**	846,462	30.1	96,340	11.4
Depreciation	**118,316**	**3.9**	91,592	3.3	26,724	29.2
Others	**213,564**	**7.0**	188,275	6.7	25,289	13.4
	2,404,833	**78.5**	2,229,722	79.3	175,111	7.9

Cost of sales as a percentage of total revenue decreased from 79.3% in 1HF2018 to 78.5% in 1HF2019. This was primarily attributable to our continued efficiency improvement of the Vietnam factory, resulting in a reduction of cost of materials as a percentage of our total revenue.

Cost of sales increased from HK$2,229.7 million in 1HF2018 to HK$2,404.8 million in 1HF2019 primarily due to 1) increase in employee benefit expenses due to ramping up of our third factory; and 2) increase in deprecation as a result of the Group's factories expansion in Vietnam.

Gross profit and gross profit margin

	Six months ended 30 September					
	2018		2017			
	Gross Profit	**Gross Profit margin**	Gross Profit	Gross Profit margin	Change	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Bras and intimate wear	**521,223**	**22.0**	476,928	20.9	44,295	9.3
Bra pads and other molded products	**55,204**	**21.4**	57,669	21.2	(2,465)	(4.3)
Functional sports products	**81,657**	**18.9**	49,160	19.0	32,497	66.1
	658,084	**21.5**	583,757	20.7	74,327	12.7

Our overall gross profit increased from HK$583.8 million in 1HF2018 to HK$658.1 million in 1HF2019. The gross profit margin in 1HF2019 increased by 0.8 percentage points to 21.5%, as compared to 20.7% in 1HF2018. Such increase was mainly driven by our continued efficiency improvement of the first and second Vietnam factory, which was partially offset by the ramping up in production efficiency of our third factory.

The gross profit margin of bras and intimate wear increased from 20.9% in 1HF2018 to 22.0% in 1HF2019, primarily due to our continued efficiency improvement of the first and second Vietnam factory, which was partially offset by the ramping up in production efficiency of our third factory.

Gross profit margin of bra pads and other molded products have remained relatively stable at 21.2% in 1HF2018 and 21.4% in 1HF2019.

Gross profit margin of functional sports products have also remained relatively stable at 19.0% in 1HF2018 and 18.9% in 1HF2019.

Other income and other gains

Our other income and other gains consists primarily of government grants and scrap sales income. It increased from HK$10.0 million in 1HF2018 to HK$17.5 million in 1HF2019, primarily attributable to 1) increase in government grants subsidies, which depend on the government grant policies and criteria during different time periods; and 2) increase of scrap sales income.

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.

The Group's distribution and selling expenses as a percentage of sales decreased from 2.7% in 1HF2018 to 2.4% in 1HF2019, primarily due to streamlining of operation and operating leverage as a result of increase in sales.

Distribution and selling expenses decreased by 2.6% from HK$74.9 million in 1HF2018 to HK$72.9 million in 1HF2019.

General and administrative expenses

General and administrative expenses primarily consist of employee benefit expenses for our administrative personnel, depreciation and amortisation, 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 increased from 9.4% in 1HF2018 to 9.9% in 1HF2019, mainly due to increase in depreciation, as a result of the Group's factories expansion in Vietnam.

General and administrative expenses increased from HK$264.4 million in 1HF2018 to HK$303.9 million in 1HF2019. The increase was primarily attributable to the Group's expansion in Vietnam, resulting in an increase in employee benefit expenses, depreciation and amortisation, 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 decreased from 4.3% in 1HF2018 to 3.5% in 1HF2019, primarily due to streamlining of operation and operating leverage as a result of increase in sales.

It decreased from HK$120.1 million in 1HF2018 to HK$106.8 million in 1HF2019, primarily due to decrease in employee benefit expenses of research and development personnel. Higher start-up research and development costs was incurred for certain new brands partners in 1HF2018.

Finance income

Finance income represents interest income on bank deposits.

Finance costs

Finance costs represent interest expense on borrowings. Our finance costs as a percentage of total revenue increased from 0.7% in 1HF2018 to 1.1% in 1HF2019, primarily due to 1) global trend of rising interest rate; and 2) increase in borrowings, as a result of Vietnam factories expansion and increase in revenue in 1HF2019.

Finance costs increased from HK$20.9 million in 1HF2018 to HK$33.5 million in 1HF2019 was primarily attributable to the reasons mentioned above.

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 1HF2019 and 1HF2018. The applicable tax rate for the PRC subsidiaries of the Group is 25% in 1HF2019 and 1HF2018.

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 1HF2019 and 1HF2018.

The subsidiaries established and operated in Vietnam were subject to corporate income tax at a rate of 20% in 1HF2019 and 1HF2018. One of the subsidiaries 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, which is offered by the Vietnam Government and is stipulated in the subsidiary's investment license.

The Group's income tax expense increased from HK$18.2 million in 1HF2018 to HK$25.2 million in 1HF2019. Excluding the positive effect of claim of Super Deduction amounted HK$11.8 million (1HF2018: HK$11.5 million), the Group's effective tax rate decreased from 26.0% in 1HF2018 to 23.3% in 1HF2019, mainly attributed to profits generated by the Vietnam subsidiaries are exempted from corporate income tax.

Net profit

As a result of the cumulative effect of the above factors, our net profit for the Period increased by 39.9% from HK$95.6 million in 1HF2018 to HK$133.7 million in 1HF2019. Our net profit margin increased from 3.4% in 1HF2018 to 4.4% in 1HF2019.

Liquidity, financial resources and bank borrowings

The current ratio (calculated as current assets/current liabilities) remained stable at 1.0 times as at 30 September 2018 and 31 March 2018.

As at 30 September 2018, the Group's net debt (represented by bank borrowings less the cash and cash equivalents) was HK$2,020.9 million (31 March 2018: HK$1,700.2 million). The increase of net debt was mainly due to capital expenditure for our production facilities in Vietnam. Gearing ratio as at 30 September 2018 was 72.2% (31 March 2018: 59.3%), which was calculated as net debt divided by total equity. Excluding the currencies depreciation impact on the net assets denominated in RMB and VND, the adjusted net gearing as at 30 September 2018 was 69.1% (31 March 2018: 59.9%).

Working capital management

	As at	
	30 September 2018 ***(days)***	31 March 2018 *(days)*
Inventory turnover days	**64**	65
Receivables turnover days	**47**	47
Payables turnover days	**32**	30

Our inventory, receivables and payables turnover days remained relatively stable and at healthy levels during 1HF2019.

Capital expenditures

For 1HF2019, the total addition to property, plant and equipment, leasehold land and land use rights, and intangible assets amounted to approximately HK$553.6 million (1HF2018: HK$324.0 million), which was mainly attributable additions of production lines for our Hai Phong facility and construction of our Hai Phong facility to cope with the Group's overall business expansion.

Pledged assets

As at 31 March 2018 and 30 September 2018, 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 RMB and VND, 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 minimise the currency translation risk.

Contingent liabilities

As at 31 March 2018 and 30 September 2018, 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 2018, 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 and 24 April 2018 respectively, 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 2018, the Group employed a total of approximately 39,811 full-time staff (31 March 2018: 36,993). The total staff cost of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to HK$1,205.9 million, representing 39.4% 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

The Group believes that crises and opportunities coexist amidst the uncertainties brought by the international trade situation, as well as the challenges posed by rising production costs and labour supply shortages in Shenzhen. In respect of production capacity allocation, the Group will take into account a number of factors such as cost competitiveness, policy, technical requirement and the demand of brand partners in allocating and adjusting the production capacities between its Vietnamese and Shenzhen factories as appropriate. In particular, the shift of production capacity from Shenzhen to Vietnam will be accelerated as appropriate, to capture the ever-growing demand from international brand partners for Vietnamese production bases. The Group will also continue to seek further opportunities of establishing production sites to prepare for longer-term business expansion.

In view of the foregoing, the Group will also review and adjust the existing long-term development strategies based on macroeconomic development and industry changes in a timely manner. To effectively utilise the Group's invaluable production capacity and cope with the demand of orders from brand partners, the Group will strengthen its strategy of strictly selecting brand partners and optimising product portfolios. In this way, it will aim to strike a reasonable balance between promoting steady development of its business scale and improving profitability, attaining the objective of optimum profit and laying a solid foundation for long-term, healthy development.

Meanwhile, the Group will continue to work on the expansion of its production capacity and enhancement of efficiency at its factories in Vietnam and raise the proportion of automated production, so as to attain a better utilisation rate and, ultimately, profitability. In addition, the Group will continue to seek breakthroughs in technological innovation, work with suppliers to develop more proprietary production machinery, create for our brand partners more unique products with high added value that provide comfort and lead fashion trends, and leverage the opportunities brought about by industry consolidation to boost market share.

In respect of cost control, the Group will adopt more automated production equipment powered by information technology as well as implement lean management. On top of that, in response to the recent trend of rising raw material prices, the Group will address the issue from its root by jointly developing new materials with third-party suppliers and seeking more cost-effective alternatives so as to reduce production cost. At the same time, the Group will optimise its production processes and craftsmanship to bolster profit performance.

Going forward, to cope with the challenges arising from the macroeconomic environment, Regina Miracle will continue to strive to advance by adhering to its established development strategies. Upholding its mission as an innovative design manufacturer (IDM), the Group will enhance and further explore its collaborative ties with world-renowned brand partners and consolidate its industrial leadership through pioneering innovative technologies. The Group will also work to secure satisfactory returns for its shareholders whilst promoting business growth.

OTHER INFORMATION

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

During the six months ended 30 September 2018, 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 HK3.6 cents (the "**Interim Dividend**") (2017: HK2.5 cents) per ordinary share for the six months ended 30 September 2018 payable on or about Friday, 21 December 2018 to all shareholders of the Company whose names appear on the register of members of the Company on Thursday, 13 December 2018.

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 Tuesday, 11 December 2018 to Thursday, 13 December 2018, 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 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. on Monday, 10 December 2018.

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 save as disclosed below, the Company has complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") 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 2018.

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 2018.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. 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 Group's independent auditor, PricewaterhouseCoopers, 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 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 2018 will be despatched to the shareholders of the Company and made available on the website of The Stock Exchange of Hong Kong Limited 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
Hung Yau Lit (also known as YY Hung)
Chairman

Hong Kong, 26 November 2018

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.