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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 2020

	Six months ended 30 September				
	2020		2019		Change
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	
Revenue	2,517,590	100.0	3,128,701	100.0	(19.5%)
Gross profit	487,035	19.3	703,700	22.5	(30.8%)
(Loss)/profit attributable to owners of the Company	(32,426)	(1.3)	141,423	4.5	(122.9%)
Earnings before interest, taxes, depreciation and amortisation [#]	288,313	11.5	441,793	14.1	(34.7%)
Profit attributable to owners of the Company (excluded restructuring costs) [#]	12,065	0.5	141,423	4.5	(91.5%)
Earnings before interest, taxes, depreciation and amortisation margin (excluded restructuring costs) [#]	332,804	13.2	441,793	14.1	(24.7%)
	<i>HK cents</i>		<i>HK cents</i>		
(Loss)/earnings per share – basic and diluted	(2.6)		11.6		
Dividend per share	–		3.8		

[#] These are not measure of performance under Hong Kong Financial Reporting Standards (“**HKFRS**”), but are widely used by management for monitoring business performance of a company from operational perspective. It may not be comparable to similar measures presented by other companies.

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 2020 (“**1HF2021**” or the “**Period**”), together with the comparative unaudited figures for the corresponding period in 2019 (“**1HF2020**”).

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2020

		Six months ended	
		30 September	
	<i>Note</i>	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	2,517,590	3,128,701
Cost of sales	6	<u>(2,030,555)</u>	<u>(2,425,001)</u>
Gross profit		487,035	703,700
Other income	5	23,448	27,595
Distribution and selling expenses	6	(62,711)	(82,096)
General and administrative expenses	6	(298,068)	(332,217)
Research and development costs	6	(90,914)	(107,928)
Other operating expenses	6	<u>(44,491)</u>	<u>–</u>
Operating profit		<u>14,299</u>	<u>209,054</u>
Finance income		1,084	1,279
Finance costs		<u>(63,977)</u>	<u>(65,474)</u>
Finance costs, net	7	(62,893)	(64,195)
Share of net profit of an associate accounted for using the equity method		<u>1,429</u>	<u>–</u>
(Loss)/profit before income tax		(47,165)	144,859
Income tax credit/(expense)	8	<u>14,739</u>	<u>(3,436)</u>
(Loss)/profit for the period attributable to owners of the Company		<u>(32,426)</u>	<u>141,423</u>
(Loss)/earnings per share (expressed in HK cents per share)			
– Basic and diluted	9	<u>(2.6)</u>	<u>11.6</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(32,426)	141,423
Other comprehensive income/(loss), net of tax		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
Currency translation differences	42,134	(103,385)
Fair value gain on insurance policy investments	20,849	3,373
Fair value change on trade receivables carried at fair value through other comprehensive income (“FVOCI”), net	564	68
	<u>63,547</u>	<u>(99,944)</u>
Other comprehensive income/(loss) for the period, net of tax		
	<u>63,547</u>	<u>(99,944)</u>
Total comprehensive income attributable to owners of the Company	<u>31,121</u>	<u>41,479</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2020

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	4,528,687	4,611,413
Right-of-use assets	445,525	466,590
Intangible assets	46,672	47,923
Insurance policy investments	198,037	130,110
Deposits and prepayments	23,680	26,470
Investment in an associate	12,929	–
Deferred income tax assets	32,625	6,348
	5,288,155	5,288,854
Current assets		
Inventories	1,181,227	1,096,605
Trade receivables	1,003,536	718,896
Deposits, prepayments and other receivables	63,575	43,041
Tax recoverable	3,162	16
Cash and cash equivalents	763,391	587,616
	3,014,891	2,446,174
Total assets	8,303,046	7,735,028
EQUITY		
Equity attributable to owners of the Company		
Share capital	95,247	95,247
Reserves	2,804,899	2,822,748
Total equity	2,900,146	2,917,995

		As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	<i>11</i>	3,375,193	2,852,437
Other payables		12,912	12,792
Lease liabilities		69,205	63,129
Deferred income tax liabilities		9,770	4,039
		<u>3,467,080</u>	<u>2,932,397</u>
Current liabilities			
Trade payables	<i>12</i>	442,458	385,300
Accruals and other payables		551,729	655,706
Lease liabilities		82,491	99,701
Borrowings	<i>11</i>	834,321	737,568
Current income tax liabilities		24,821	6,361
		<u>1,935,820</u>	<u>1,884,636</u>
Total liabilities		<u>5,402,900</u>	<u>4,817,033</u>
Total equity and liabilities		<u>8,303,046</u>	<u>7,735,028</u>

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, functional sports products and pandemic prevention products.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This interim condensed consolidated financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the Board of Directors on 27 November 2020.

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 2020 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 does not include all the notes of the type normally included in an annual financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) during the interim reporting period.

3 ACCOUNTING POLICIES

The accounting policies applied to this interim condensed consolidated financial information are consistent with those of the annual consolidated financial statements for the year ended 31 March 2020, except for the equity accounting and the estimation of income tax using the tax rate that would be applicable to expected total annual earnings. Accounting policies not described in the annual financial statements for the year ended 31 March 2020, and the adoption of amended standards and conceptual framework effective for the financial year ending 31 March 2020 are described below.

3.1 Accounting policies not described in the annual financial statements for the year ended 31 March 2020

(i) *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (ii) below), after initially being recognised at cost.

(ii) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy under "impairment of non-financial assets" described in in the annual financial statements for the year ended 31 March 2020.

3.2 Adoption of new standards and amendments in the current interim period

(a) *New and amended standards and contractual framework adopted by the Group*

The following new standards and amendments are mandatory for the financial year beginning on 1 April 2020.

Amendments to HKFRS 3 (Revised)	Definition of a Business
Amendments to HKAS 1 and HKAS 8 (Amendment)	Definition of Materials
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to IFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	COVID-19-Related Rent Concessions

The adoption of the above new standards and amendments did not have any significant impact on the preparation of these interim condensed consolidated financial information.

(b) *New and amended standards and contractual framework not yet adopted by the Group*

The following new standards and amendments have been issued but are not effective for the financial year beginning on or after 1 April 2020 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKAS 1	Reference to the Conceptual Framework	1 January 2022
Amendment to HKFRS 37	Cost of fulfilling a Contract	1 January 2022
Amendment to HKAS 16	Proceeds before Intended Use	1 January 2022
Amendments to Annual Improvement Project	Annual improvements 2018-2020 cycle (HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41)	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined by the HKICPA

The Group will apply the above new and amended standards and conceptual framework when they become effective. The Group anticipates that the application of the above new and amended standards and contractual framework to existing standards have no material impact on the results and the financial position of the Group.

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 four segments engaged in manufacturing and trading of:

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

Pandemic prevention products (including fabric face masks, disposable masks and protective clothing) is a new segment determined by the Executive Directors as a result of the outbreak of coronavirus disease 2019 (“**COVID-19**”) during the six months ended 30 September 2020.

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

The segment results for the six months ended 30 September 2020 are as follows:

	Six months ended 30 September 2020				Total HK\$'000 (Unaudited)
	Bras and intimate wear HK\$'000 (Unaudited)	Bra pads and other molded products HK\$'000 (Unaudited)	Functional sports products HK\$'000 (Unaudited)	Pandemic prevention products HK\$'000 (Unaudited)	
Total segment revenue (Recognised at a point in time)	<u>1,521,020</u>	<u>232,424</u>	<u>390,745</u>	<u>373,401</u>	<u>2,517,590</u>
Gross profit/segment results	298,936	51,199	67,165	69,735	487,035
Other income					23,448
Distribution and selling expenses					(62,711)
General and administrative expenses					(298,068)
Research and development costs					(90,914)
Other operating expenses					(44,491)
Finance income					1,084
Finance costs					(63,977)
Share of profit of an associate accounted for using equity method					<u>1,429</u>
Loss before income tax					(47,165)
Income tax credit					<u>14,739</u>
Loss for the period					<u>(32,426)</u>

Other segment items included in the interim condensed consolidated income statement for the period ended 30 September 2020 is as follows:

	Six months ended 30 September 2020				Total HK\$'000 (Unaudited)
	Bras and intimate wear HK\$'000 (Unaudited)	Bra pads and other molded products HK\$'000 (Unaudited)	Functional sports products HK\$'000 (Unaudited)	Pandemic prevention products HK\$'000 (Unaudited)	
Depreciation for property, plant and equipment and right-of-use assets included in cost of sales	<u>110,993</u>	<u>20,820</u>	<u>32,099</u>	<u>27,106</u>	<u>191,018</u>

Depreciation for property, plant and equipment and right-of-use assets of approximately HK\$191,018,000 (2019: HK\$162,512,000) has been charged in “cost of sales”, approximately HK\$68,389,000 (2019: HK\$57,946,000) has been charged in “general and administrative expenses” and approximately HK\$8,320,000 (2019: HK\$7,755,000) has been charged in “research and development expenses” respectively.

The segment results for the six months ended 30 September 2019 are as follows:

	Six months ended 30 September 2019			Total <i>HK\$'000</i> (Unaudited)
	Bras and intimate wear <i>HK\$'000</i> (Unaudited)	Bra pads and other molded products <i>HK\$'000</i> (Unaudited)	Functional sports products <i>HK\$'000</i> (Unaudited)	
Total segment revenue (Recognised at a point in time)	2,580,294	345,628	202,779	3,128,701
Gross profit/segment results	590,313	74,656	38,731	703,700
Other income				27,595
Distribution and selling expenses				(82,096)
General and administrative expenses				(332,217)
Research and development costs				(107,928)
Finance income				1,279
Finance costs				(65,474)
Profit before income tax				144,859
Income tax expense				(3,436)
Profit for the period				141,423

Other segment items included in the interim condensed consolidated income statement for the period ended 30 September 2019 is as follows:

	Six months ended 30 September 2019			Total <i>HK\$'000</i> (Unaudited)
	Bras and intimate wear <i>HK\$'000</i> (Unaudited)	Bra pads and other molded products <i>HK\$'000</i> (Unaudited)	Functional sports products <i>HK\$'000</i> (Unaudited)	
Depreciation for property, plant and equipment and right-of-use assets included in cost of sales	134,024	17,954	10,534	162,512

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

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Unites States	1,199,376	1,429,459
Europe	316,518	390,388
Hong Kong	82,281	154,215
The People's Republic of China (the "PRC")	378,184	470,434
Japan	208,959	300,004
South Asia (<i>Note a</i>)	14,437	50,584
South-east Asia (<i>Note b</i>)	117,603	108,561
Other countries/regions (<i>Note c</i>)	200,232	225,056
	<u>2,517,590</u>	<u>3,128,701</u>

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 and deferred income tax assets, of the Group are located in the following geographical areas:

	As at	As at
	30 September	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
The PRC	824,663	854,676
Hong Kong	53,352	55,115
Vietnam	4,166,549	4,242,605
	<u>5,044,564</u>	<u>5,152,396</u>

5 OTHER INCOME

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Scrap sales income	3,790	4,600
Government grants	18,672	22,312
Others	986	683
	<u>23,448</u>	<u>27,595</u>

6 EXPENSES BY NATURE

The following items have been charged to the interim condensed consolidated income statement during the period:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	49,494	41,870
Amortisation of intangible assets	4,859	4,526
Depreciation of property, plant and equipment	218,233	186,343
Cost of inventories sold	852,723	1,072,482
Loss allowance of trade receivables	1,730	–
Employee benefit expenses	1,028,244	1,263,394
Restructuring costs (<i>Note</i>)	44,491	–

Note: The restructuring costs primarily include termination benefits of approximately HK\$34,988,000 (2019: Nil) paid to employees and write-off of fixed assets of approximately HK\$9,503,000 (2019: Nil) as a result of the reallocation of human resources and production capacity between the PRC and Vietnam for the six months ended 30 September 2020 and are included in “other operating expenses”.

7 FINANCE COSTS, NET

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income		
– interest income on bank deposits	1,084	1,279
Finance costs		
– interest expense on borrowings and factoring interests	(60,979)	(77,453)
– interest expense on lease liabilities	(4,275)	–
Less: interest expenses capitalised (<i>Note</i>)	1,277	11,979
	(63,977)	(65,474)
Finance costs, net	(62,893)	(64,195)

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, which is 2.5% per annum (2019: 4.1%).

8 INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the six months ended 30 September 2020.

The subsidiaries established and operated in Vietnam were subject to corporate income tax at a rate of 20% (2019: 20%). One of these subsidiaries is subject to a lower tax rate of 10% for fifteen consecutive years, commencing from the first year of making revenue. In addition, this 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 applicable tax rate for the PRC subsidiaries of the Group is 25% (2019: 25%) for the six months ended 30 September 2020.

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% to 175% 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**”). The management has assessed and recognised the amount of Super Deduction based on the best estimation for the six months ended 30 September 2020 (2019: Same).

Income tax credit/(expense) is recognised based on management's estimate of weighted average annual income tax rate expected for the full year. The amount of income tax charged to the interim condensed consolidated income statement represents:

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax	(5,670)	(3,478)
Deferred income tax	20,409	42
	14,739	(3,436)

9 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue.

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company (<i>HK\$'000</i>)	(32,426)	141,423
Weighted average number of ordinary shares in issue (<i>'000</i>)	1,224,250	1,224,250
Basic (loss)/earnings per share (expressed in HK cents per share)	(2.6)	11.6

(b) Diluted

Diluted (loss)/earnings per share for the six months ended 30 September 2020 and 2019 is the same as the basic (loss)/earnings per share as there were no potentially dilutive ordinary shares issued.

10 TRADE RECEIVABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables		
– carried at amortised cost	599,568	319,251
– carried at FVOCI	415,321	409,268
	<u>1,014,889</u>	<u>728,519</u>
Less: loss allowance of trade receivables	(11,353)	(9,623)
	<u>1,003,536</u>	<u>718,896</u>

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

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0–30 days	511,579	266,942
31–60 days	237,396	261,554
61–90 days	159,038	107,612
Over 90 days	106,876	92,411
	<u>1,014,889</u>	<u>728,519</u>

The credit period granted by the Group to the customers is generally 30 to 120 days. The Group does not hold any collateral as security.

As at 30 September 2020, included in the Group's trade receivables were amounts due from a related party of approximately HK\$5,577,000 (31 March 2020: HK\$3,090,000).

11 BORROWINGS

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Bank borrowings		
Non-current	3,375,193	2,852,437
Current	834,321	737,568
	<u>4,209,514</u>	<u>3,590,005</u>

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Opening balance as at 1 April	3,590,005	3,024,098
Proceeds from new borrowings	1,239,551	1,057,967
Repayments of borrowings	(620,042)	(851,466)
	<hr/>	<hr/>
Closing balance as at 30 September	4,209,514	3,230,599
	<hr/>	<hr/>

As at 30 September 2020, total undrawn trade and term loan facilities amounted to approximately HK\$2,811,403,000 (31 March 2020: HK\$2,571,090,000).

As at 30 September 2020, the Group's borrowings bore floating rates and the effective interest rate of the outstanding bank borrowings was 2.4% per annum (31 March 2020: 3.9% per annum).

As at 30 September and 31 March 2020, bank borrowings are secured by corporate guarantees given by the Company and certain subsidiaries of the Company.

12 TRADE PAYABLES

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

	As at	As at
	30 September	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0–30 days	282,965	210,788
31–60 days	104,158	120,384
61–90 days	46,145	39,769
Over 90 days	9,190	14,359
	<hr/>	<hr/>
	442,458	385,300
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13 DIVIDENDS

Final dividend of HK4.0 cents per ordinary share of the Company, totalling HK\$48,970,000 for the year ended 31 March 2020 was paid during the six months ended 30 September 2020.

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: HK3.8 cents per ordinary share, totalling HK\$46,522,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the Period, the global economy was battered by the COVID-19 pandemic (the “**Pandemic**”). The worldwide spread of the Pandemic since March resulted in lockdowns across many countries and cities in Europe and the US. Consequently, the majority of retail brands suspended the operation of their European and American outlets, leaving the industrial chain of textile and apparel retail in dire condition, especially from April to June. Operations, however, gradually resumed in July.

The Group’s markets are principally located in the US and Europe. Against the backdrop of a hit retail market in both regions, the Group’s orders were inevitably dealt a blow in the first quarter of Fiscal 2021, as some customers reduced or delayed their orders in the first quarter of this fiscal year. This posed challenge to the Group’s core business to a degree, with a particular impact on its traditional business of bras and intimate wear. Fortunately, the impact was offset by the resilient growth in certain sports-related business segments. Meanwhile, despite in difficult conditions, the Group lost no time to embrace the changes to develop and produce fabric face masks for its customers, enabling the Group to better utilize its overall capacity during the Period. Within just a few months, this strategy greatly contributed to revenue generation; helping to offset the impact from the Group’s traditional business of bras and intimate wear during the Period. The Group was also pleased to witness certain regions gain control of the Pandemic, thus enabling some of its closer partners to gradually resume operations and place orders starting in the second quarter. As a result, the Group saw a significant improvement in sales during the second quarter, with the year-on-year revenue decline narrowing from approximately 30% in the first quarter to below 10% in the second quarter. Looking ahead to the second half of Fiscal 2021, the Group’s operations has resumed normal with meaningful rebound in order demand. It is expected that order book volume is going to return to growth when compared to the same period last year.

Apart from actively exploring market opportunities amid the Pandemic, the management also comprehensively reviewed the Group’s internal structure and operational model during the Period, consequently, the Group streamlined its manpower and surrendered parts of the leased factory in Shenzhen, in order to improve human resources and production capacity allocation in the PRC and Vietnam in the long run. As a result, one-off expenses of approximately HK\$44.5 million in total were recorded. However, such efforts will save recurring operating expenses and increase overall operational efficiency over the long term.

This Pandemic has been both a test to and opportunity for many companies, being especially beneficial to sizeable businesses such as Regina Miracle, with its multi-regional capacity layout. On the premise that quality remains uncompromised, not only are brand partners pursuing products that offer even better value-for-money proposition, they are also more prudent with product inventory management. Hence, brand partners are placing short-turnaround time orders – representing the new normal for the industry, to ensure that the products they launch are more in line with the rapidly changing needs of consumers. Consequently, the speed production model has become the key to success in the wake of the upsurge in speed orders. After a five-year investment period since its listing, the Group has attained a strengthened factory layout and infrastructure in Vietnam. Leveraging its agile production model, the Group has continuously improved its production efficiency and flexibility, thereby bolstering the Group’s leading edge amid the consolidation of the intimate wear industry.

BUSINESS REVIEW

Financial Performance

For the six months ended 30 September 2020, the Group recorded a revenue of approximately HK\$2,517.6 million (1HF2020: HK\$3,128.7 million) despite the difficult operating environment, representing a year-on-year decline of 19.5%. The decrease in revenue inevitably led to the deleveraging of operations, with gross profit down by 30.8% to approximately HK\$487.0 million, and gross profit margin down to 19.3% (1HF2020: HK\$703.7 million and 22.5%, respectively). However, owing to the collective efforts of all employees of the Group to proactively broaden sources of income and reduce expenditures, the Group recorded earnings before interest, taxes, depreciation and amortisation (EBITDA) of approximately HK\$288.3 million with an EBITDA margin of 11.5% for the Period (1HF2020: HK\$441.8 million and 14.1%, respectively).

The Group recorded a net loss of approximately HK\$32.4 million for the Period (1HF2020: net profit of HK\$141.4 million) due to the deleveraging of operations and two items of one-off expenses pertaining to the streamlining of production capacity and human resources, including the distribution of severance payments totalling approximately HK\$35.0 million to approximately 470 employees in compliance with the regulations in China and Vietnam, as well as the write-off of fixed assets of approximately HK\$9.5 million recorded from surrendering parts of the leased factory in Shenzhen. Basic loss per share attributable to owners of the Company amounted to HK2.6 cents (1HF2020: basic earnings per share of HK11.6 cents). Excluding the aforementioned one-off expenditures, net profit would have declined by 91.5% year on year to approximately HK\$12.1 million, with a net profit margin of 0.5%.

The Group remains in a healthy financial position, with adequate financial resources to address the Pandemic. In addition to stable operating cash flows, it also holds ample cash in hand and total undrawn trade and term loan facilities of approximately HK\$763.4 million and HK\$2,811.4 million, respectively, as at 30 September 2020 (31 March 2020: HK\$587.6 million and HK\$2,571.0 million, respectively).

Bras and intimate wear

Bras and intimate wear products remain the major source of revenue of the Group. During the Period, this segment contributed approximately HK\$1,521.0 million in revenue (1HF2020: HK\$2,580.3 million), representing a year-on-year decrease of 41.1%, and accounting for 60.5% of the Group's total revenue. Gross profit amounted to approximately HK\$298.9 million, with gross profit margin at 19.7% (1HF2020: HK\$590.3 million and 22.9%, respectively).

During the Period, affected by the spread of the Pandemic in Europe and the US, the suspension of operations of retail stores in various locations in response to local pandemic-prevention measures prompted brand partners to either reduce or postpone orders and to scale back their shipments in the first quarter of current fiscal year, which dealt a major blow on the Group's traditional business of bras and intimate wear. Nevertheless, sports bras showing strong resilience stood out as an exceptional performer, with sales up by over 30% from the same period last year, owing to the greater popularity of sports and home exercise amid the heightened public attention to health under the Pandemic. Furthermore, the Group started to reap the benefits from the early-stage investment in development activities with three new world-renowned retail and sports brand partners during the Period, which is not an easy feat given the challenging operational environment, and is expected to serve as one of the growth drivers of this segment in the coming year. In addition, given the new normal of remotely working from home, bra top and bra products that provide comfortable and chic lounge wear experiences have also become best sellers during the Pandemic, as reflected by their strong sales performance during the Period. The Group has also added several domestic emerging e-commerce brand partners during the Period, which will pave the way for future business growth and a more balanced customer portfolio.

Bra pads and other molded products

Revenue from the bra pads and other molded products business amounted to approximately HK\$232.4 million (1HF2020: HK\$345.6 million), representing a year-on-year decrease of 32.8%, and accounting for 9.2% of the total revenue. Gross profit and gross profit margin from the segment were approximately HK\$51.2 million and 22.0%, respectively (1HF2020: HK\$74.7 million and 21.6%, respectively).

The revenue decline experienced by this segment was mainly due to lacklustre sales of bra pads induced by the Pandemic, which was largely in-line with the traditional bras and intimate wear segment. Still, what is encouraging is that Regina Miracle has been effective with its cross-industry and cross-product category business expansion efforts in recent years. Sales from the fabric processing and other accessories for consumer electronics produced for its reputable multinational technology partners rose by nearly 40% from the same period last year.

Functional sports products

The functional sports products business contributed approximately HK\$390.7 million in revenue during the Period (1HF2020: HK\$202.8 million), representing a significant year-on-year uptick of 92.7%, and accounting for 15.5% of the total revenue. The segment also recorded a gross profit of approximately HK\$67.2 million and a gross profit margin of 17.2% (1HF2020: HK\$38.7 million and 19.1%, respectively).

Higher revenue from this segment was mainly due to the popularity of sports products in recent years, which maintained resilient growth despite the Pandemic. Other drivers include greater awareness of the need to exercise amid the Pandemic, the increasing popularity of “working from home”, and travel restrictions imposed by many countries. Such developments resulted in greater market demand for products that are comfortable, suitable for lounging at home, light exercising, including sportswear and footwear products.

In terms of footwear, the Group's single-major American casual footwear brand partner mainly sells its products online, and this sub-segment was able to sustain double-digit sales growth during the Period.

With regard to the sportswear business, Regina Miracle has continued to develop innovative products for international sports and leisure brand partners by leveraging its unique development capabilities and craftsmanship, leading to satisfactory sales performance by the sub-segment during the Period.

Pandemic prevention products (PPP)

Targeting the surging market demand for anti-epidemic products in the wake of the Pandemic, the Group has engaged in relevant research and development (“**R&D**”), and developed and produced fabric face masks for its customers starting in March by making best use of its existing resources and technologies. With deliveries commencing in the first quarter of this fiscal year, the PPP business has contributed approximately HK\$373.4 million in revenue to the Group in less than half a year and has accounted for 14.8% of total revenue. The segment has recorded a gross profit of approximately HK\$69.7 million and a gross profit margin of 18.7%. During the Period, the PPP business derives the largest portion of its revenue from fabric face masks that are manufactured by the Group's Vietnam factories and designated for its European and American brand partners.

Production capacity

The Group has largely completed its factory layout at the Vietnam Singapore Industrial Park (“**VSIP**”) in Hải Phòng City, Vietnam. However, as the Vietnam government imposed community isolation measures across the country in April 2020 due to the Pandemic, approximately one third of the Group's Vietnamese employees were unable to work during that period. Coupled by natural attrition from April to June, the Group's production capacity was impacted in the first quarter of Fiscal 2021. Fortunately, benefiting from the satisfactory growth of sports bras and comfortable lounging bra products, the Group's core business has gradually returned to normal. Thus, recruitment has resumed since July, driving output in the second quarter. As of 30 September 2020, production in Vietnam accounted for approximately 76% of the Group's total revenue, up from approximately 65% last year.

It has been the Group's top priority to improve production efficiency of its factories in the PRC and Vietnam. The Pandemic has only strengthened the Group's resolve to comprehensively examine its internal structure and operational model. Consequently, it introduced a plan to streamline human resources and surrender parts of the leased factory in Shenzhen during the Review Period. Not only will these result in savings on operating expenses, it will also optimise human resources and production capacity in the long run, which in turn will raise operational efficiency. As at the end of the Period, the Group had a total of approximately 34,000 employees in Vietnam. With regard to the Shenzhen factory, a workforce of approximately 7,500 serves the R&D hub and production base. As Vietnam's production efficiency continues to improve, and the number of employees and new production lines in Vietnam continue to increase, the overall production capacity of the Group in Vietnam will further increase to meet business needs.

THE GROUP'S OPERATING RESULTS

Revenue

We derive our revenue primarily from direct sales of our products. Our total revenue decreased by 19.5% from approximately HK\$3,128.7 million in 1HF2020 to approximately HK\$2,517.6 million in 1HF2021. A comparison of the Group's revenue for 1HF2021 and 1HF2020 by product categories is as follows:

	Six months ended 30 September					
	2020		2019		Change	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Bras and intimate wear	1,521,020	60.5	2,580,294	82.5	(1,059,274)	(41.1)
Bra pads and other molded products	232,424	9.2	345,628	11.0	(113,204)	(32.8)
Functional sports products	390,745	15.5	202,779	6.5	187,966	92.7
Pandemic prevention products	373,401	14.8	–	–	373,401	N/A
	<u>2,517,590</u>	<u>100.0</u>	<u>3,128,701</u>	<u>100.0</u>	<u>(611,111)</u>	<u>(19.5)</u>

Revenue generated from sales of bras and intimate wear decreased by HK\$1,059.3 million, or 41.1%, from approximately HK\$2,580.3 million in 1HF2020 to approximately HK\$1,521.0 million in 1HF2021. The decrease was primarily attributable to the outbreak of the Pandemic around the world. The retail markets, especially in Europe and the United States where the Group's major markets are found, had been adversely affected. Hence, the Group experienced material reduction and defer in orders from customers, particularly in traditional bra and intimate wear business, such impact was partially offset by the resilient growth in sports bra. Revenue generated from sales of bras and intimate wear as a percentage of our total revenue decreased from 82.5% in 1HF2020 to 60.5% in 1HF2021.

Revenue generated from sales of bra pads and other molded products amounted to approximately HK\$232.4 million in 1HF2021, representing a decrease of HK\$113.2 million, or 32.8%, as compared to 1HF2020, which was due to the outbreak of the Pandemic around the world, leading decreased demand from our customers on bra pads. Such impact was partially offset by the resilient growth in molded parts of consumer electronics product. Revenue generated from sales of bra pads and other molded products as a percentage of our total revenue decreased from 11.0% in 1HF2020 to 9.2% in 1HF2021.

Revenue generated from sales of functional sports products increased by HK\$188.0 million, or 92.7%, from approximately HK\$202.8 million in 1HF2020 to approximately HK\$390.8 million in 1HF2021. The increase was primarily due to the increased demand from our customers. Revenue generated from sales of functional sports products as a percentage of our total revenue increased from 6.5% in 1HF2020 to 15.5% in 1HF2021.

Given the Pandemic has caused a surge in demand for pandemic prevention products, the Group quickly seized the opportunity to develop and produce face mask products for its customers. Revenue generated from sales of pandemic prevention products amounted to approximately HK\$373.4 million in 1HF2021, representing 14.8% as a percentage of our total revenue in 1HF2021.

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					
	2020		2019		Change	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Costs of raw materials	852,723	33.9	1,072,482	34.2	(219,759)	(20.5)
Employee benefit expenses	804,325	31.9	977,807	31.3	(173,482)	(17.7)
Depreciation	191,018	7.6	162,512	5.2	28,506	17.5
Others	182,489	7.3	212,200	6.8	(29,711)	(14.0)
	<u>2,030,555</u>	<u>80.7</u>	<u>2,425,001</u>	<u>77.5</u>	<u>(394,446)</u>	<u>(16.3)</u>
Cost of sales (excluded depreciation)	<u>1,839,537</u>	<u>73.1</u>	<u>2,262,489</u>	<u>72.3</u>	<u>(422,952)</u>	<u>(18.7)</u>

Cost of sales as a percentage of total revenue increased from 77.5% in 1HF2020 to 80.7% in 1HF2021. This was primarily attributable to the decrease in revenue, leading to a drop in capacity utilization and operating leverage.

Cost of sales decreased from approximately HK\$2,425.0 million in 1HF2020 to approximately HK\$2,030.6 million in 1HF2021 primarily due to decrease in costs of raw materials and employee benefit expenses as a result of the decrease in revenue.

Cost of sales (excluded depreciation) as a percentage of total revenue were 73.1% and 72.3% in 1HF2021 and 1HF2020 respectively.

Gross Profit and Gross Profit Margin

	Six months ended 30 September					
	2020		2019			
	Gross Profit	Gross Profit margin	Gross Profit	Gross Profit margin	Change	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Bras and intimate wear	298,936	19.7	590,313	22.9	(291,377)	(49.4)
Bra pads and other molded products	51,199	22.0	74,656	21.6	(23,457)	(31.4)
Functional sports products	67,165	17.2	38,731	19.1	28,434	73.4
Pandemic prevention products	69,735	18.7	–	–	69,735	N/A
	487,035	19.3	703,700	22.5	(216,665)	(30.8)

Our overall gross profit decreased from approximately HK\$703.7 million in 1HF2020 to approximately HK\$487.0 million in 1HF2021. The gross profit margin in 1HF2021 decreased by 3.2 percentage points to 19.3%, as compared to 22.5% in 1HF2020. Such decrease was mainly due to the drop in capacity utilization and operating leverage as a result of the decrease in revenue caused by the Pandemic.

Gross profit margin of bras and intimate wear decreased from 22.9% in 1HF2020 to 19.7% in 1HF2021, primarily due to a reduced utilization and operating leverage as a result of lower sales, that diluted the gross profit margin of this segment of products.

Gross profit margin of bra pads and other molded products increased from 21.6% in 1HF2020 to 22.0% in 1HF2021, primarily due to resilient growth in molded parts of consumer electronics product with relatively higher margin. The increase was partially offset by margin decrease in bra pads due to reduced utilization as a result of lower sales.

Gross profit margin of functional sports products decreased from 19.1% in 1HF2020 to 17.2% in 1HF2021, primarily due to the higher sales growth in products with relatively lower margin that diluted the gross profit margin of this segment of products.

Gross profit margin of pandemic prevention products was 18.7%, which was under ramp up stage in 1HF2021.

Other Income

Our other income consists primarily of government grants and scrap sales income. It decreased from approximately HK\$27.6 million in 1HF2020 to approximately HK\$23.4 million in 1HF2021, primarily attributable to decrease in 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 1HF2021 and 1HF2020, the Group's distribution and selling expenses as a percentage of total revenue remained stable at 2.5% and 2.6% respectively.

Distribution and selling expenses decreased from approximately HK\$82.1 million in 1HF2020 to approximately HK\$62.7 million in 1HF2021, primarily due to the decrease in freight and transportation expenses as a result of decrease in revenue.

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 10.6% in 1HF2020 to 11.8% in 1HF2021, mainly due to operating deleverage as a result of decrease in revenue and the increase in depreciation and amortisation as a result of the Group's factories expansion in Vietnam.

General and administrative expenses decreased from approximately HK\$332.2 million in 1HF2020 to approximately HK\$298.1 million in 1HF2021, mainly due to decrease in employee benefit 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 as a percentage of total revenue increased from 3.4% in 1HF2020 to 3.6% in 1HF2021, due to operating deleverage as a result of decrease in revenue.

Research and development costs decreased from approximately HK\$107.9 million in 1HF2020 to approximately HK\$90.9 million in 1HF2021, mainly due to decrease in employee benefit expenses.

Other Operating Expenses

Facing the Pandemic and with an aim to achieve a better human resources and production capacity allocation between the PRC and Vietnam in the long run:

- 1) the Group decided to implement human resources restructuring to streamline its manpower deployment during the Period. As such, severance payment in compliance with applicable PRC and Vietnamese rules and regulations of approximately HK\$35.0 million was distributed to approximately 470 staff; and

- 2) the Group surrendered parts of the leased factory in Shenzhen to better utilize its production capacity and improve operational efficiency, and the write-off of fixed assets of approximately HK\$9.5 million was recognised during the Period.

Due to streamlining the production capacity and human resources, these two one-off restructuring costs were recognised during the Period.

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 2.1% in 1HF2020 to 2.5% in 1HF2021, due to operating deleverage as a result of decrease in revenue.

Finance costs decreased from approximately HK\$65.5 million in 1HF2020 to approximately HK\$64.0 million in 1HF2021 was primarily attributable to global trend of declining interest rate, which was partially offset by increase in borrowings as a result of increase in working capital and capital expenditure of our Vietnam factories in 1HF2021.

Income Tax Expense

Income tax expense represents our total current and deferred tax expenses under the relevant Hong Kong and the 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 1HF2021 and 1HF2020. The applicable tax rate for the PRC subsidiaries of the Group is 25% in 1HF2021 and 1HF2020.

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% to 175% 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 or estimated such Super Deduction in ascertaining its tax assessable profits for 1HF2021 and 1HF2020.

The subsidiaries established and operated in Vietnam were subject to corporate income tax at a rate of 20% in 1HF2021 and 1HF2020. 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 Group recorded an income tax credit amounted approximately HK\$14.7 million in 1HF2021, as compared to an income tax expense amounted approximately HK\$3.5 million in 1HF2020.

Excluding the positive effect of claim of Super Deduction amounted approximately HK\$19.5 million (1HF2020: HK\$17.9 million), income tax expense was approximately HK\$4.8 million in 1HF2021 (1HF2020: HK\$21.3 million).

Net (Loss)/Profit

As a result of the cumulative effect of the above factors, our net profit decreased from approximately HK\$141.4 million in 1HF2020 to a net loss amounted approximately HK\$32.4 million in 1HF2021. Our net profit margin decreased from 4.5% in 1HF2020 to a net loss margin of 1.3% in 1HF2021.

Excluding the one-off restructuring costs (included in other operating expenses), our net profit was approximately HK\$12.1 million in 1HF2021, with a net profit margin of 0.5%.

Liquidity, Financial Resources and Bank Borrowings

The current ratio (calculated as current assets/current liabilities) increased from 1.3 as of 31 March 2020 to 1.6 as of 30 September 2020, primarily due to a greater increase in current assets than current liabilities.

As at 30 September 2020, the Group's net debt (represented by bank borrowings less the cash and cash equivalents) was approximately HK\$3,446.1 million (31 March 2020: HK\$3,002.4 million). The increase of net debt was mainly due to increase in working capital and capital expenditure of our Vietnam factories. Net gearing ratio as at 30 September 2020 was 118.8% (31 March 2020: 102.9%), 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 2020 was 109.0% (31 March 2020: 93.2%).

Working Capital Management

	As at	
	30 September	31 March
	2020	2020
	<i>(days)</i>	<i>(days)</i>
Receivables turnover days	63	44
Payables turnover days	37	28

The receivables turnover days was for 1HF2021 was 63 days. The increase was mainly attributed to longer credit terms were offered temporally to certain brand partners, in responding to impacts brought by the Pandemic. The payables turnover days for 1HF2021 were 37 days.

Capital Expenditures

For 1HF2021, the total addition to property, plant and equipment, right-of-use assets and intangible assets amounted to approximately HK\$181.1 million (1HF2020: HK\$635.2 million), which was mainly attributable additions of production lines and construction of our Vietnam facilities to cope with the Group's overall business expansion.

Pledged Assets

As at 30 September 2020 and 31 March 2020, insurance policy investments in the amount of approximately HK\$70.2 million and HK\$30.9 million respectively was pledged for financing related insurance premium.

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 30 September 2020 and 31 March 2020, 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 2020, 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, and the framework construction agreements disclosed in the announcements 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 2020, the Group employed a total of 41,429 full-time staff (31 March 2020: 42,917). The total staff cost of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to approximately HK\$1,063.2 million, representing 42.2% of the total revenue of the Group.

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

FUTURE PROSPECTS AND STRATEGIES

In entering the second half of the Fiscal 2021, despite the Pandemic not under full control across the world and the global economy still facing various challenges, the Group's brand partners have gradually adapted to the new normal in the post-Pandemic period after clearing their inventories, orders of core bras and intimate wear products have improved significantly when compared with the first half. Leveraging its innovative design and manufacturing (IDM) capabilities and flexible response, the Regina Miracle team has been able to actively develop products that can generate demand for its brand partners, driving a surge in overall orders the Group received in the second half of Fiscal 2021 when compared with the first half, and is expected to return to a positive growth year-over-year. The management considers the short-term challenges arising from the Pandemic are behind us and the business has steadily resumed its growth momentum, and is confident that the Group's business will return to the right track and maintain satisfactory growth.

In its wake, the management has noted evident changes in both the industry supply chain and market demand, and believe that a new landscape will emerge after an adjustment period. In the face of a host of changes in the "Post-Pandemic Era", Regina Miracle has been leveraging the management team's extensive industry experience to rapidly adjust its product development, capacity allocation and even financial policy. In this way, the Group will be able to fully and effectively utilise its advantages to recover from the Pandemic at a faster pace, as well as lay the foundation for fitting into various "Post-Pandemic New Normals" in the future.

Among the key changes and challenges in the Post-Pandemic Era has been an alteration in market demand. Although the PPP business has contributed to revenue generation during the Period, the Group will uphold the principle of prioritizing its core businesses, and pour considerable R&D and production resources into its long-term strength – the core businesses as they resume. In respect of product types, aside from the rising demand for household and comfortable intimate wear, the Pandemic has also driven a new “home exercise” trend that is expected to continue driving resilient and sustainable growth in demand for light sportswear and functional sports products. The production of comfortable and value-for-money household and functional sports products are strengths that Regina Miracle possesses, the Group trusts that these products will remain one of its major growth drivers going forward.

Moreover, the Group has also updated its strategies for market penetration and customer portfolio. Consequently, Regina Miracle has further expanded its presence in China over the past six months and will gradually increase its proportion of domestic orders in the future. China is not only among the few countries that has been able to quickly gain control of the Pandemic, but is also an economy that has been able to achieve a prompt post-Pandemic recovery. The Group, optimistic about the huge development potential of this market, has added some domestic e-commerce customers this year. This has helped it to withstand the impact of the Pandemic on its business, expand its customer base, achieve more balanced and sound market distribution, enhance its resilience to risk and prepare for future business growth.

The Pandemic has also proved to be a catalyst for online shopping. In fact, whether in Asia, Europe or America, e-commerce has demonstrated good development potential as it is free from geographical restrictions. However, compared with traditional bra products which require upper and lower busts and cup size measurements, online purchased products require the simplification of their sizes to allow consumers to easily choose well-fitting bras since actual fittings cannot be performed. This resulted in better sales of comfortable household products, whose development has been emphasised by Regina Miracle since a few years ago and is the area significantly leading the industry. As such, the Group has also been able to keep abreast of the latest trends and promptly cater for the needs of its brand partners.

In respect of capacity planning, with its five Vietnamese factories in operation, the Group has largely completed its production capacity layout in Vietnam, which is sufficient for the Group’s development in the next three years. Future development will focus on bolstering production effectiveness and efficiency as well as allocating production capacity in line with demand from emerging markets and brand partners in the Post-Pandemic Era. Part of footwear production has been gradually transferred from the Shenzhen factory to Vietnam Factory E, with the transfer set to be completed in the first half of 2021. The Group’s facility in Hung Yen Province of Vietnam, which operates principally with seamless knitting technology, experienced a modest impact on construction schedule due to the Pandemic. Its first phase is now undergoing fitting-out and is scheduled to commence operation in the first half of next year. As for the Shenzhen factory which is expected to become even more efficient with a streamlined structure, it will focus on research and development as well as expansion of the domestic China market with brand partners. The Shenzhen factory has also undergone upgrade and transformation to support the fabric processing and other accessories for high value-added consumer electronic products. The Shenzhen facility serves as another production location, along with the Vietnamese factories, for expanding the Group’s domestic business.

The Group will continue to leverage its solid foundation brought by its leadership and a superior brand customer base to best utilise the Group's strengths. The Group strives for strengthening its unique position as an innovation partner for brand customers while capturing enormous business opportunities brought by the "Post-Pandemic New Normal". This will involve the judicious and timely optimisation of the Group's product portfolio and market development strategies. The management is pleased to see that market demand has picked up following the adjustment of the industry, and is confident that the overall business trend will continue to improve, which will in turn create long-term value for brand partners and shareholders.

Last but not least, the Group wishes to take this opportunity to extend its heartfelt gratitude to our colleagues in our three operating locations for their commitment to their positions despite the Pandemic and agility, enabling the Group to ride out the challenge. The management will continue to grow together with all colleagues, and stand united to strive for the Group's long-term goal.

OTHER INFORMATION

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

During the six months ended 30 September 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2020 (2019: HK3.8 cents per share).

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 2020.

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 2020.

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 2020 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, 27 November 2020

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