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 2022

FINANCIAL HIGHLIGHTS

	Six months ended 30 September				
	2022		2021		
	HK$'000	%	*HK$'000*	%	Change
Revenue	**4,613,295**	**100.0**	4,080,615	100.0	13.1%
Gross profit	**1,168,415**	**25.3**	980,607	24.0	19.2%
Profit attributable to owners of the Company	**312,965**	**6.8**	254,287	6.2	23.1%
Earnings before interest, taxes, depreciation and amortisation#	**811,016**	**17.6**	650,654	15.9	24.6%
Profit attributable to owners of the Company (excluded share of net losses/profits of associates accounted for using the equity method and restructuring cost)#	**362,686**	**7.9**	271,773	6.7	33.5%
Earnings before interest, taxes, depreciation and amortisation (excluded share of net losses/profits of associates accounted for using the equity method and restructuring cost)#	**860,737**	**18.7**	668,140	16.4	28.8%
	HK cents		*HK cents*		
Earnings per share – basic and diluted	**25.6**		20.8		
Dividend per share	**8.5**		6.8		

These are not measures 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. They 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 2022 ("**1HF2023**" or the "**Period**"), together with the comparative unaudited figures for the corresponding period in 2021 ("**1HF2022**").

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2022

		Six months ended 30 September	
	Note	**2022** *HK$'000* **(Unaudited)**	2021 *HK$'000* (Unaudited)
Revenue	*4*	**4,613,295**	4,080,615
Cost of sales	*6*	**(3,444,880)**	(3,100,008)
Gross profit		**1,168,415**	980,607
Other income	*5*	**26,556**	14,658
Distribution and selling expenses	*6*	**(103,372)**	(90,162)
General and administrative expenses	*6*	**(393,259)**	(399,099)
Research and development costs	*6*	**(125,955)**	(124,260)
Other operating expenses	*6*	**–**	(21,290)
Operating profit		**572,385**	360,454
Finance income		**1,409**	915
Finance costs		**(146,181)**	(64,280)
Finance costs, net	*7*	**(144,772)**	(63,365)
Share of net (losses)/profits of associates accounted for using the equity method	*14*	**(49,721)**	3,804
Profit before income tax		**377,892**	300,893
Income tax expenses	*8*	**(64,927)**	(46,606)
Profit for the period attributable to owners of the Company		**312,965**	254,287
Earnings per share attributable to owners of the Company (expressed in HK cents per share)			
– Basic and diluted	*9*	**25.6**	20.8

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**312,965**	254,287
Other comprehensive (loss)/income		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Currency translation differences	**(426,976)**	31,381
Fair value (loss)/gain on insurance policy investments	**(17,293)**	14,166
Fair value change on trade receivables carried at fair value through other comprehensive income ("**FVOCI**")	**22,954**	8,442
Reclassification of trade receivables FVOCI reserve to factoring interests and charges upon disposals	**(23,123)**	(8,798)
Share of the exchange loss recognised in other comprehensive income ("**OCI**") of an associate	**(16,223)**	–
Other comprehensive (loss)/income for the period, net of tax	**(460,661)**	45,191
Total comprehensive (loss)/income for the period attributable to owners of the Company	**(147,696)**	299,478

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2022

	Note	**As at 30 September 2022** *HK$'000* **(Unaudited)**	As at 31 March 2022 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**4,333,851**	4,537,707
Right-of-use assets		**488,112**	481,586
Intangible assets		**33,763**	37,459
Insurance policy investments		**190,795**	201,935
Deposits and prepayments		**359,321**	348,443
Investments in associates	*14*	**377,683**	14,406
Deferred income tax assets		**55,793**	39,260
		5,839,318	5,660,796
Current assets			
Inventories		**1,446,622**	1,568,661
Trade receivables	*10*	**906,357**	1,146,208
Deposits, prepayments and other receivables		**46,719**	42,765
Tax recoverable		**868**	3,312
Restricted bank deposits		**1,802**	3,000
Cash and cash equivalents		**872,113**	995,030
		3,274,481	3,758,976
Total assets		**9,113,799**	9,419,772
EQUITY			
Equity attributable to owners of the Company			
Share capital		**95,247**	95,247
Reserves		**3,393,314**	3,541,010
Total equity		**3,488,561**	3,636,257

	Note	As at 30 September 2022 HK$'000 (Unaudited)	As at 31 March 2022 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	*11*	**3,146,824**	3,401,989
Other payables		**25,582**	25,447
Lease liabilities		**101,576**	86,265
Deferred income tax liabilities		**29,246**	30,257
		3,303,228	3,543,958
Current liabilities			
Trade payables	*12*	**528,920**	536,270
Accruals and other payables		**643,839**	683,988
Lease liabilities		**69,187**	60,740
Borrowings	*11*	**899,299**	862,071
Current income tax liabilities		**180,765**	96,488
		2,322,010	2,239,557
Total liabilities		**5,625,238**	5,783,515
Total equity and liabilities		**9,113,799**	9,419,772

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 intimate wear, sports products, consumer electronics components, bra pads and other moulded products and footwear.

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 has been approved for issue by the Board of Directors on 29 November 2022.

This interim condensed consolidated financial information has been reviewed, not audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2022 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting".

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual consolidated 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 2022, 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 those of the annual financial statements for the year ended 31 March 2022, except for 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 2022, and the adoption of amended standards effective for the financial year ending 31 March 2023 are described below.

(a) Amendments adopted by the Group

The following amended standards, improvements and accounting guideline are mandatory and have been adopted by the Group for the first time for the financial periods beginning on 1 April 2022.

Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2018-2020
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

The adoption of the above amendments did not have any significant impact on the results and financial position of the Group.

(b) New and amended standards and interpretation not yet adopted by the Group

The following new and amended standards and interpretation have been issued but are not effective for the financial year beginning on or after 1 April 2023 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 April 2023
HKFRS 17 (Amendment)	Amendments to HKFRS17	1 April 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 April 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 April 2023
HKAS 8 (Amendment)	Definition of Accounting Estimates	1 April 2023
HKAS 12 (Amendment)	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 April 2023
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 April 2024
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has not adopted above new standards and amendments that are not yet effective for this interim reporting period. The Group anticipates that the application of the above new and amended standards and interpretation to existing standards have no material impact on the results and the financial position of the Group.

4 SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker ("**CODM**") that are used to make strategic decisions. The CODM is identified as the Executive Directors of the Company.

During the six months ended 30 September 2022, the CODM assessed the performance of the Group mainly from the product perspective. The Group is organised into five segments engaged in manufacturing and trading of:

(i) Intimate wear – manufacturing and trading of bras, bra tops, panties, shapewear and swimwear.

(ii) Sports products – manufacturing and trading of sports bras, sports leggings, sports shorts and sports tops.

(iii) Consumer electronics components – production and trading of virtual reality (VR) headsets, keyboards, laptops and tablet PC accessories.

(iv) Bra pads and other moulded products – manufacturing and trading of bras pads, fabric mask and other moulded products for further processing.

(v) Footwear – manufacturing and trading of shoes.

The CODM reviews the performance of the Group on a regular basis and reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM assesses the performance of the operating segments based on a measure of segment results, including gross profit of the operating segments. Information relating to segment assets and liabilities is not disclosed as such information is not regularly reported to the CODM. Other information provided to the CODM is measured in a manner consistent with that as adopted for the condensed consolidated interim financial information contained herein.

Since 1 April 2022, "fabric masks" segment has been grouped under "bra pads and other moulded products" as it became an insignificant segment. Accordingly, the comparatives have been restated.

The segment results for the six months ended 30 September 2022 are as follows:

	Six months ended 30 September 2022					
	Intimate wear	**Sports products**	**Consumer electronics components**	**Bra pads and other moulded products**	**Footwear**	**Total**
	HK\$'000	***HK\$'000***	***HK\$'000***	***HK\$'000***	***HK\$'000***	***HK\$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Total segment revenue (Recognised at a point in time)	**2,464,349**	**1,483,716**	**258,319**	**213,047**	**193,864**	**4,613,295**
Gross profit/segment results	**652,756**	**357,994**	**64,580**	**49,853**	**43,232**	**1,168,415**
Other income						**26,556**
Distribution and selling expenses						**(103,372)**
General and administrative expenses						**(393,259)**
Research and development costs						**(125,955)**
Finance income						**1,409**
Finance costs						**(146,181)**
Share of net losses of associates accounted for using the equity method						**(49,721)**
Profit before income tax						**377,892**
Income tax expenses						**(64,927)**
Profit for the period						**312,965**

The segment results for the six months ended 30 September 2022 are as follows:

Other segment items included in the interim condensed consolidated income statement for the period ended 30 September 2022 is as follows:

	Six months ended 30 September 2022					
	Intimate wear	**Sports products**	**Consumer electronics components**	**Bra pads and other moulded products**	**Footwear**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Depreciation for property, plant and equipment and right-of-use assets included in cost of sales	**107,820**	**64,986**	**20,082**	**12,607**	**7,930**	**213,425**

Depreciation for property, plant and equipment and right-of-use assets of approximately HK$213,425,000 (2021: HK$198,998,000) has been charged in "cost of sales", approximately HK$62,853,000 (2021: HK$72,628,000) has been charged in "general and administrative expenses" and approximately HK$7,901,000 (2021: HK$9,738,000) has been charged in "research and development expenses", respectively.

The segment results for the six months ended 30 September 2021 are as follows:

	Six months ended 30 September 2021					
	Intimate wear	Sports products	Consumer electronics components	Bra pads and other moulded products	Footwear	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited)
Total segment revenue (Recognised at a point in time)	2,336,012	1,036,390	232,723	304,725	170,765	4,080,615
Gross profit/segment results	569,853	243,378	58,181	69,919	39,276	980,607
Other income						14,658
Distribution and selling expenses						(90,162)
General and administrative expenses						(399,099)
Research and development costs						(124,260)
Other operating expenses						(21,290)
Finance income						915
Finance costs						(64,280)
Share of profit of an associate accounted for using the equity method						3,804
Profit before income tax						300,893
Income tax expenses						(46,606)
Profit for the period						254,287

Other segment items included in the interim condensed consolidated income statement for the period ended 30 September 2021 is as follows:

	Six months ended 30 September 2021					
	Intimate wear	Sports products	Consumer electronics components	Bra pads and other moulded products	Footwear	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited)
Depreciation for property, plant and equipment and right-of-use assets included in cost of sales	102,690	45,895	23,020	18,996	8,397	198,998

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

	Six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Unites States	**2,211,891**	2,117,712
The People's Republic of China (the "**PRC**")	**867,996**	623,345
Europe	**566,199**	461,884
Japan	**266,122**	284,319
South-east Asia *(Note a)*	**135,907**	130,214
Canada	**131,394**	83,862
Hong Kong	**89,848**	107,341
Latin America	**72,869**	41,200
Korea	**70,722**	41,890
South Asia *(Note b)*	**64,708**	60,951
Other countries/regions *(Note c)*	**135,639**	127,897
	4,613,295	4,080,615

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

Note b: Includes Bangladesh, Sri Lanka and India.

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 CODM.

Non-current assets, other than deposits, deferred tax assets and insurance policy investments, of the Group are located in the following geographical areas:

	As at 30 September 2022 *HK$'000* **(Unaudited)**	As at 31 March 2022 *HK$'000* (Audited)
The PRC	**979,578**	980,850
Hong Kong	**415,955**	59,473
Vietnam	**4,191,062**	4,369,826
	5,586,595	5,410,149

5 OTHER INCOME

	Six months ended 30 September	
	2022 *HK$'000* **(Unaudited)**	2021 *HK$'000* (Unaudited)
Scrap sales income	**7,545**	6,661
Government grants *(Note)*	**15,917**	6,036
Others	**3,094**	1,961
	26,556	14,658

Note: During the period ended 30 September 2022, the government grants obtained mainly represent one-off training subsidies and technical innovation subsidies from the PRC Government and salaries and wages subsidies granted under the Anti-Epidemic Fund by the Government of the Hong Kong Special Administrative Region ("**ESS subsidies**") for the use of paying wages of employees from May to July 2022 (2021: technical innovation subsidies from the PRC Government).

Under the terms of the ESS subsidies, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to its employees. There are no unfulfilled conditions or other contingencies attaching to these grants.

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	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**240,981**	237,586
Depreciation of right-of-use assets	**43,198**	43,778
Amortisation of intangible assets	**4,173**	5,033
Cost of inventories sold	**1,698,242**	1,489,612
Loss allowance of trade receivables	**4,356**	3,135
Employee benefit expenses	**1,566,788**	1,455,410
Restructuring costs *(Note)*	**–**	21,290

Note: During the period ended 30 September 2021, the restructuring costs primarily included write-off of fixed assets of approximately HK$21,290,000. The amount was included in "other operating expenses".

7 FINANCE COSTS, NET

	Six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
– interest income on bank deposits	**1,409**	915
Finance costs		
– interest expense on borrowings and factoring interests	**(141,470)**	(61,131)
– interest expense on lease liabilities	**(4,711)**	(3,149)
	(146,181)	(64,280)
Finance costs, net	**(144,772)**	(63,365)

8 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the six months ended 30 September 2022.

The applicable tax rate for the PRC subsidiaries of the Group is 25% (2021: 25%) for the six months ended 30 September 2022.

According to a policy promulgated by the State Tax Bureau of the PRC (the "**PRC Tax Authority**") 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 PRC Tax Authority has further issued a notice to announce on a further increase of the Super Deduction claim to 200% from 2021 onwards. The management has assessed and recognised the amount of Super Deduction based on the best estimation for the six months ended 30 September 2022 (2021: Same).

The subsidiaries established and operated in Vietnam were subject to corporate income tax at a rate of 20% (2021: 20%). In accordance with the applicable tax regulations, preferential tax rates and tax holidays are granted to new investment projects based on regulated encouraged sectors, encouraged locations, and size of the projects.

Regina Miracle International (Vietnam) Co., Ltd. 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 first year of this tax reduction period commenced in the financial year ended 31 March 2018. Starting from the year ended 31 March 2022, Regina Miracle International (Vietnam) Co., Ltd will be paying the corporate income tax at a 5% reduced rate (with a 50% reduction to its original 10% rate).

Regina Miracle International Hung Yen Co., Ltd. is entitled to full exemption from corporate income tax for the first two 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 four years, which is offered by the Vietnam Government and is stipulated in the subsidiary's investment license. The first year of this tax reduction period commenced in the financial year ended 31 March 2022.

Income tax expenses are 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	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax	**(82,100)**	(70,378)
Deferred income tax	**17,173**	23,772
Income tax expenses	**(64,927)**	(46,606)

9 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**312,965**	254,287
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)	**25.6**	20.8

(b) Diluted

Diluted earnings per share for the six months ended 30 September 2022 and 2021 is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

10 TRADE RECEIVABLES

	As at 30 September 2022	As at 31 March 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables		
– carried at amortised cost	**731,944**	901,826
– carried at FVOCI	**192,118**	257,731
	924,062	1,159,557
Less: loss allowance of trade receivables	**(17,705)**	(13,349)
	906,357	1,146,208

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

	As at 30 September 2022	As at 31 March 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–30 days	**436,742**	570,670
31–60 days	**179,110**	228,956
61–90 days	**129,812**	174,250
Over 90 days	**178,398**	185,681
	924,062	1,159,557

The credit period granted by the Group to the customers is generally 60 to 90 days. The Group does not hold any collateral as security.

As at 30 September 2022, included in the Group's trade receivables were amounts due from associates and related parties of approximately HK$71,666,000 (31 March 2022: HK$5,175,000)).

11 BORROWINGS

	As at 30 September 2022	As at 31 March 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank borrowings		
Non-current	**3,146,824**	3,401,989
Current	**899,299**	862,071
	4,046,123	4,264,060

	Six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Opening balance as at 1 April	**4,264,060**	4,368,891
Proceeds from new borrowings	**2,085,174**	2,550,000
Repayments of borrowings	**(2,303,111)**	(2,627,145)
Closing balance as at 30 September	**4,046,123**	4,291,746

As at 30 September 2022, total undrawn trading and term loan facilities amounted to approximately HK$2,907,165,000 and HK$621,250,000, respectively (31 March 2022: HK$2,371,020,000 and HK$ Nil).

As at 30 September 2022, the Group's borrowings bore floating rates and the effective interest rate of the outstanding bank borrowings was 5.3% per annum (31 March 2022: 2.5% per annum).

As at 30 September and 31 March 2022, bank borrowings were 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 30 September 2022 *HK$'000* **(Unaudited)**	As at 31 March 2022 *HK$'000* (Audited)
0–30 days	**362,072**	362,038
31–60 days	**111,831**	115,868
61–90 days	**49,928**	42,892
Over 90 days	**5,089**	15,472
	528,920	536,270

13 DIVIDENDS

Final dividend of the Company of HK7.2 cents per ordinary share, totalling HK$88,146,000 for the year ended 31 March 2022 has been paid out in October 2022.

The Board has resolved to declare an interim dividend of the Company of HK8.5 cents (2021: HK6.8 cents) per ordinary share, totalling approximately HK$104,061,000 for the six months ended 30 September 2022 (2021: HK$83,249,000).

14 INVESTMENTS IN ASSOCIATES

The amounts recognised in the condensed consolidated balance sheet are as follows:

	As at 30 September 2022 *HK$'000* **(Unaudited)**	As at 31 March 2022 *HK$'000* (Audited)
Investments in associates	**377,683**	14,406

The movements of investments in associates during the period are as follows:

	As at 30 September	
	2022 *HK$'000* **(Unaudited)**	2021 *HK$'000* (Unaudited)
At 1 April	**14,406**	11,715
Acquisition of an associate *(Note 15)*	**352,463**	–
Capital injection in an associate	**76,758**	–
Share of net (losses)/profits of associates	**(43,702)**	3,804
Elimination of unrealised profit with an associate	**(6,019)**	–
Share of the exchange loss recognised in OCI of an associate	**(16,223)**	–
At 30 September	**377,683**	15,519

On 25 January 2022, Regina Miracle Fung Ying Limited ("**RM Fung Ying**"), a wholly-owned subsidiary of the Company, entered into a joint venture implementation agreement ("**Agreement**") with ASLA US Holdings LLC and Victoria's Secret & Co. (collectively, the "**Sellers**") where the Sellers agreed to sell 49% of VSCO Holdings ("**VSCO**") equity interest for a cash consideration of US$45 million. The transaction was completed on 6 April 2022.

Set out below are the summarised financial information for the unaudited financial information for VSCO since completion of acquisition.

	As at 30 September 2022 *HK$'000* **(Unaudited)**
Assets and liabilities	
Current assets	**453,900**
Non-current assets	**835,420**
Current liabilities	**(431,693)**
Non-current liabilities	**(561,555)**

Set out below are the summarised financial information for the unaudited financial information for VSCO since completion of acquisition.

	For the period from 6 April 2022 to 30 September 2022 HK$'000 (Unaudited)
Profit or loss and other comprehensive loss	
Revenue	**584,330**
Earnings before interest, tax, depreciation and amortisation expenses*	**35,225**
Loss for the period	**(96,206)**
Other comprehensive loss	**(33,108)**
Total comprehensive loss	**(129,314)**

* This is not a measure of performance under 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.

15 ACQUISITION OF AN ASSOCIATE

On 25 January 2022, RM Fung Ying entered into the Agreement with the Sellers where the Sellers agreed to sell 49% of VSCO's equity interest for a cash consideration of US$45,000,000 (equivalent to HK$352,463,000).

The transaction was completed on 6 April 2022. According to the Agreement, the Group will appoint two out of five directors in the Board of VSCO and accordingly, VSCO is treated as an associate of the Company.

The following table summarises the provisional purchase price allocation and the notional goodwill as at the acquisition date:

	HK$'000
Consideration paid – Cash	352,463
Recognised amounts of provisional fair values of identifiable assets acquired and liabilities assumed	
Current assets	330,099
Non-current assets	1,038,720
Current liabilities	(347,461)
Non-current liabilities	(680,633)
	340,725
Multiplied by: % of ownership interests acquired	49%
Net identifiable assets acquired	166,955
Add: Notional Goodwill	185,508
Net assets acquired	352,463

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Benefiting from the earlier recovery in Europe, the United States and some Asian markets, as well as the diversified development of the consumer landscape in the domestic market, the Group recorded its best-ever business performance in 1HF2023, laying a solid foundation for its Five-Year Plan of business development to be steadily achieved. Nevertheless, the Group also observed an increasingly cautious consumer sentiment in some regions due to the impact of factors such as geopolitical conflicts, rising global inflation and slowing growth in certain economies. Major retailers are still trying to strike a balance between logistical risks and inventory pressure and are choosing to consolidate their existing supply chain layouts. Although the Group's brand partners are still making every effort to maintain their close relations with versatile and core supply chain partners like Regina Miracle, the Group expects to face short-term challenges in the second half of the financial year as market pressures intensify.

Even as the industry consolidates, there is still room for market penetration. The establishment of the joint venture ("**VS China**") between the Group and Victoria's Secret & Co. ("**Victoria's Secret**") was completed on 6 April 2022, and has since then been implementing its planned strategies to strengthen online operations and localization. In addition, the Vietnam production base, as a pillar of the Group's export business, has timely optimized its organizational structure in view of market changes, and made full use of the advantages of cost reduction and efficiency improvement through innovative craftsmanship manufacturing, while also improving supply chain localization at the same time.

BUSINESS REVIEW

Financial performance

During the Period, despite the impact of macroeconomic fluctuations, the Group continued its growth momentum from the previous financial year and recorded revenue of approximately HK$4,613.3 million (1HF2022: HK$4,080.6 million), a year-on-year increase of 13.1%, hitting a record high compared to the corresponding periods in previous years. Gross profit grew correspondingly by 19.2% to approximately HK$1,168.4 million, with gross profit margin up by 1.3 percentage points to 25.3% (1HF2022: HK$980.6 million and 24.0%, respectively). Benefiting from the full implementation of the Five-Year Plan and effective internal control measures, operating leverage was increased, driving earnings before interest, taxes, depreciation and amortisation (EBITDA) up by 24.6% to approximately HK$811.0 million, with EBITDA margin up by 1.7 percentage points to 17.6% (1HF2022: HK$650.7 million and 15.9%, respectively). The Group recorded a net profit of approximately HK$313.0 million for the Period, representing a year-on-year increase of 23.1%, with net profit margin up by 0.6 percentage points to 6.8% (1HF2022: HK$254.3 million and 6.2%, respectively). Excluding the share of net losses/profits of associates accounted for using the equity method and restructuring cost, the adjusted EBITDA was up by 28.8% to approximately HK$860.7 million for the Period, with adjusted EBITDA margin up by 2.3 percentage points to 18.7% (1HF2022: HK$668.1 million and 16.4%, respectively); while the adjusted net profit was approximately HK$362.7 million for the Period, representing a year-on-year increase of 33.5%, with adjusted net profit margin up by 1.2 percentage points to 7.9% (1HF2022: HK$271.8 million and 6.7%, respectively).

The Group is in a sound financial position, with strong operating cash flows amounting to approximately HK$985.5 million during the Period (1HF2022: HK$422.9 million) and ample war chest. Its total cash on hand was approximately HK$872.1 million as at 30 September 2022 (31 March 2022: approximately HK$995.0 million).

In order to share these fruitful results with shareholders, the Board has resolved to declare an interim dividend of HK8.5 cents per share for 1HF2023 (1HF2022: HK6.8 cents per share), in line with the Group's dividend policy of distributing no less than 30% of its net profit for the financial year. The interim dividend is expected to be paid on or around Friday, 23 December 2022 to shareholders whose names appear on the register of members of the Company on Thursday, 15 December 2022.

Over the past few years, the Group has continued to launch new innovative products through craftsmanship innovation and automated production equipment development, and has expanded its product categories across industries and product lines to form a diversified product matrix. To provide a clearer picture of the performance of its different business segments, the Group has regrouped its businesses into the following five major segments with effect from the current financial year.

Intimate wear

Intimate wear products include bras, bra tops, panties, shapewear and swimwear.

During the Period, this segment contributed approximately HK$2,464.3 million in revenue (1HF2022: HK$2,336.0 million), a year-on-year increase of 5.5%, accounting for 53.4% of the Group's total revenue, and remained the main source of revenue for the Group. The segment's gross profit grew by 14.5% to approximately HK$652.8 million, with gross profit margin up by 2.1 percentage points to 26.5% (1HF2022: HK$569.9 million and 24.4%, respectively).

The growth was mainly attributable to the continuation of the earlier recovery in the European, the United States and Asian retail markets and the increase in unit prices of a number of products. During the Period, the Group continued to implement its strategies of differentiation and sub-category expansion on the basis of its industry-leading R&D capabilities, and achieved remarkable result. The Group continued to consolidate its market share with its existing brand partners, and jointly explore quality market opportunities.

Sports products

Sports products include sports bras, sports leggings, sports shorts and sports tops.

This business segment contributed approximately HK$1,483.7 million in revenue during the Period (1HF2022: HK$1,036.4 million), a 43.2% year-on-year increase, accounting for 32.2% of total revenue. Segmental gross profit was approximately HK$358.0 million and gross profit margin was 24.1% (1HF2022: HK$243.4 million and 23.5%, respectively).

Sports bras continued to record strong sales performance amidst the ongoing sports boom and became the main growth driver for this business segment. During the Period, the Group created functional and comfortable sports products with its innovative craftsmanship for its brand partners and the market. Among these, sports leggings were highly sought after and are expected to replicate the growth trajectory of sports bras.

Consumer electronics components

Consumer electronics components include virtual reality ("**VR**") headset, keyboard, laptop and tablet PC accessories.

Revenue from this business segment amounted to approximately HK$258.3 million (1HF2022: HK$232.7 million), a year-on-year increase of 11.0%, accounting for 5.6% of the Group's total revenue. The segment's gross profit increased by 11.0% to approximately HK$64.6 million (1HF2022: HK$58.2 million and 25.0%, respectively).

The Group's commitment to bringing products with comfortable and skin-friendly features to the market led to steady growth in overall orders during the Period. The segment recorded mid-double-digit growth in sales year-on-year during the Period, which was mainly driven by keyboard, laptop and tablet PC accessories, and is seeing more diversified development. As for VR headsets, the segment's revenue remained stable year-on-year, as the Group continued to expand its brand partner base during the Period, with orders from its brand partners in China gradually increasing. The Group has extended some of its proprietary technologies with cross-category innovations to the production and application of consumer electronics textile products that are suitable for prolonged use.

Bra pads and other moulded products

Bra pads and other moulded products mainly include bra pads, other moulded products and fabric masks.

Revenue from this business segment amounted to approximately HK$213.0 million (1HF2022: HK$304.7 million), a year-on-year decrease of 30.1%, accounting for 4.6% of the Group's total revenue. The segment's gross profit was maintained at HK$49.9 million and gross profit margin was 23.4% (1HF2022: HK$69.9 million and 22.9%, respectively). Bra pads and other moulded products recorded low-teens drop amidst the market headwinds. With the pandemic largely under control and the subsequent relaxation of pandemic prevention measures in countries across the globe, market demand for fabric masks slowed down and segment revenue declined by approximately 63% as expected, and the Group has strategically reallocated relevant resources to other segments.

Footwear

Footwear mainly refers to shoes.

Revenue from this business segment amounted to approximately HK$193.9 million (1HF2022: HK$170.8 million), a year-on-year increase of 13.5%, accounting for 4.2% of the Group's total revenue. The revenue increase was attributable to the solid growth in sales of a US casual footwear brand partner. The segment's gross profit grew by 10.1% to approximately HK$43.2 million and gross profit margin was down by 0.7 percentage points to 22.3% (1HF2022: HK$39.3 million and 23.0%, respectively) as the relevant production lines were still in the production capacity ramp-up stage after their full transfer to the Vietnam production base during the Period.

Production capacity

As the market continues to consolidate and the supply chain becomes increasingly condensed, the Group's leading position in the supply chain has become evident. The Group continues to cater to the different needs of its domestic and international brand partners with agility and quick turnaround times. As an important production base of Regina Miracle, its factories in Vietnam have entered into an efficiency ramp-up stage. Leveraging the experience of optimizing the first three factories in Vietnam, the Group accelerated the production efficiency of all other factories in Vietnam so as to enhance its consolidated gross margin. During the Period, the average efficiency of the total six plants in Vietnam further improved, driving the growth in the Group's gross profit. As of 30 September 2022, the proportion of Vietnam's total production value to the Group's total revenue increased to 80%.

As for Mainland China, the Group's production base is expected to be relocated to the Zhaoqing New District Industrial Park in the Greater Bay Area as scheduled. As at the end of the Period, the Group had a total of approximately 39,300 employees in Vietnam, and percentage of local employees reached 85% following efforts in accelerating localization. Meanwhile, the Shenzhen factory in China, which is the Group's R&D center and production base, had approximately 6,200 employees.

THE GROUP'S OPERATING RESULTS

Revenue

We derive our revenue primarily from direct sales of our products. Our total revenue increased by 13.1% from approximately HK$4,080.6 million in 1HF2022 to approximately HK$4,613.3 million in 1HF2023. A comparison of the Group's revenue for 1HF2023 and 1HF2022 by product categories is as follows:

	Six months ended 30 September					
	2022		2021		Change	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Intimate wear	**2,464,349**	**53.4**	2,336,012	57.2	128,337	5.5
Sports products	**1,483,716**	**32.2**	1,036,390	25.4	447,326	43.2
Consumer electronics components	**258,319**	**5.6**	232,723	5.7	25,596	11.0
Bra pads and other moulded products	**213,047**	**4.6**	304,725	7.5	(91,678)	(30.1)
Footwear	**193,864**	**4.2**	170,765	4.2	23,099	13.5
	4,613,295	**100.0**	4,080,615	100.0	532,680	13.1

Revenue generated from sales of intimate wear increased by 5.5% from 1HF2022 to 1HF2023. 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 sports products increased by 43.2% from 1HF2022 to 1HF2023. The increase was primarily due to strong demand for sports related products.

Revenue generated from sales of consumer electronics components increased by HK$25.6 million, or 11.0%, from approximately HK$232.7 million in 1HF2022 to approximately HK$258.3 million in 1HF2023. The increase was primarily due to strong demand for the entertaining consumer electronic products.

From 1HF2023, fabric masks were reclassified as part of the bra pads and other moulded products segment. Revenue generated from this segment decreased by HK$91.7 million, primary due to the decrease in demand for fabric masks with the rollout of vaccines that helps curb the effects of the Pandemic.

Revenue generated from sales of footwear increased by HK$23.1 million, or 13.5%, from approximately HK$170.8 million in 1HF2022 to approximately HK$193.9 million in 1HF2023. The increase was primarily due to the increase in demand from our casual footwear brand partner.

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					
	2022		2021		Change	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Costs of raw materials	**1,698,242**	**36.8**	1,489,612	36.5	208,630	14.0
Employee benefit expenses	**1,209,065**	**26.2**	1,126,234	27.6	82,831	7.4
Depreciation	**213,425**	**4.7**	198,998	4.9	14,427	7.2
Others	**324,148**	**7.0**	285,164	7.0	38,984	13.7
	3,444,880	**74.7**	3,100,008	76.0	344,872	11.1

Cost of sales as a percentage of total revenue decreased from 76.0% in 1HF2022 to 74.7% in 1HF2023. This was primarily attributable to improvement in production efficiency and increase in revenue leading to economy of scale.

Cost of sales increased from approximately HK$3,100.0 million in 1HF2022 to approximately HK$3,444.9 million in 1HF2023 primarily due to increase in costs of raw materials and employee benefit expenses as a result of the increase in revenue.

Gross Profit and Gross Profit Margin

	Six months ended 30 September					
	2022		2021			
	Gross Profit	**Gross Profit margin**	Gross Profit	Gross Profit margin	Change	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Intimate wear	**652,756**	**26.5**	569,853	24.4	82,903	14.5
Sports products	**357,994**	**24.1**	243,378	23.5	114,616	47.1
Consumer electronics components	**64,580**	**25.0**	58,181	25.0	6,399	11.0
Bra pads and other moulded products	**49,853**	**23.4**	69,919	22.9	(20,066)	(28.7)
Footwear	**43,232**	**22.3**	39,276	23.0	3,956	10.1
	1,168,415	**25.3**	980,607	24.0	187,808	19.2

Our overall gross profit increased from approximately HK$980.6 million in 1HF2022 to approximately HK$1,168.4 million in 1HF2023. The gross profit margin in 1HF2023 increased by 1.3 percentage points to 25.3%, as compared to 24.0% in 1HF2022. Such increase was mainly due to improvement in production efficiency and remarkable increase in revenue leading to economies of scale.

Drop in gross profit margin of footwear was due to production relocation from Shenzhen to Vietnam Factory, which affected its production efficiency in the Period.

Other Income

Our other income consists primarily of government grants and scrap sales income. It increased from approximately HK$14.7 million in 1HF2022 to approximately HK$26.6 million in 1HF2023, primarily attributable to increase in government grants subsidies, which is subject to 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 1HF2023 and 1HF2022, the Group's distribution and selling expenses as a percentage of total revenue remained relatively stable at 2.2%.

Distribution and selling expenses increased from approximately HK$90.2 million in 1HF2022 to approximately HK$103.4 million in 1HF2023, primarily due to the increase in freight and transportation expenses as a result of the increase 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 decreased from 9.8% in 1HF2022 to 8.5% in 1HF2023, mainly due to the Group's streaming of operation and operating leverage as a result of increase in revenue.

General and administrative expenses decreased from approximately HK$399.1 million in 1HF2022 to approximately HK$393.3 million in 1HF2023, mainly due to exchange gain arising from RMB and VND depreciation.

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 decreased from 3.0% in 1HF2022 to 2.7% in 1HF2023, due to operating leverage as a result of increase in revenue.

For 1HF2023 and 1HF2022, the Group's research and development costs remained relatively stable at approximately HK$126.0 million and approximately HK$124.3 million respectively.

Other Operating Expenses

To achieve a better production capacity allocation between the PRC and Vietnam in the long run, in 1HF2022, 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$21.3 million was recognised in 1HF2022. No such expense was recognised in 1HF2023.

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 1.6% in 1HF2022 to 3.2% in 1HF2023, due to primarily attributable to global trend of rising interest rate.

Finance costs increased from approximately HK$64.3 million in 1HF2022 to approximately HK$146.2 million in 1HF2023 was primarily attributable to the reasons mentioned above.

Income Tax Expenses

Income tax expenses represent 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 1HF2023 and 1HF2022. The applicable tax rate for the PRC subsidiaries of the Group is 25% in 1HF2023 and 1HF2022.

The subsidiaries established and operated in Vietnam were subject to corporate income tax at a rate of 20% (2021: 20%). In accordance with the applicable tax regulations, preferential tax rates and tax holidays are granted to new investment projects based on regulated encouraged sectors, encouraged locations, and size of the projects.

Regina Miracle International (Vietnam) Co., Ltd., a subsidiary holding the production facility at VSIP Hài Phòng in Vietnam, 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 from Fiscal 2018 to Fiscal 2021; and a 50% reduction in corporate income tax for the next nine years from Fiscal 2022, which is offered by the Vietnam Government and is stipulated in the subsidiary's investment license.

Regina Miracle International Hung Yen Co., Ltd., a subsidiary holding the production facility at Hung Yen Province in Vietnam, is entitled to full exemption from corporate income tax from Fiscal 2022 to Fiscal 2023; and a 50% reduction in corporate income tax for the next four years from Fiscal 2024, which is offered by the Vietnam Government and is stipulated in the subsidiary's investment license.

The Group's income tax expense was approximately HK$64.9 million in 1HF2023 (1HF2022: HK$46.6 million).

Net Profit

As a result of the cumulative effect of the above factors, our net profit in 1HF2023 was approximately HK$313.0 million, increased from approximately HK$254.3 million in 1HF2022. Our net profit margin in 1HF2023 was 6.8%, increased from 6.2% in 1HF2022.

Excluding the one-off restructuring costs (included in other operating expenses) and share of net losses/profits of associates accounted for using the equity method, our net profit was approximately HK$362.7 million in 1HF2023, with a net profit margin of 7.9%.

Liquidity, Financial Resources and Bank Borrowings

As at 30 September 2022, the Group's current ratio (calculated as current assets/current liabilities) was 1.4 and the Group's net debt (represented by bank borrowings less the cash and cash equivalents) was approximately HK$3,174.0 million.

Net gearing ratio as at 30 September 2022 was 91.0% (31 March 2022: 89.9%), 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 2022 was 79.7% (31 March 2022: 88.7%).

Working Capital Management

	As at	
	30 September 2022	31 March 2022
	(days)	*(days)*
Receivables turnover days	**41**	49
Payables turnover days	**28**	28

The receivables turnover days and payables turnover days have remained healthy and stable at 41 and 28 days respectively as at 30 September 2022.

Capital Expenditures

For 1HF2023, the total addition to property, plant and equipment and intangible assets amounted to approximately HK$207.2 million (1HF2022: HK$190.5 million), which was mainly attributable additions of production lines and construction of our production facilities to cope with the Group's overall business expansion.

Pledged Assets

As at 30 September 2022 and 31 March 2022, insurance policy investments in the amount of approximately HK$67.2 million and HK$67.5 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 2022 and 31 March 2022, the Group did not have any significant contingent liabilities.

Material Acquisitions and Future Plans for Major Investment

Save for the acquisition of 49% of the equity interest in VSCO Holdings at a total consideration of US$45 million disclosed in the announcements dated 25 January 2022, during 1HF2023, 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 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 2022, the Group employed a total of 45,847 full-time staff (31 March 2022: 45,385). The total staff cost of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to approximately HK$1,566.8 million, representing 34.0% 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 reporting period and up to the date of this announcement.

FUTURE PROSPECTS AND STRATEGIES

Market trend analysis

Against the backdrop of rising inflation in Europe and the United States, central banks around the world are under pressure of hefty interest rate hikes, consequently dampening consumption sentiment and economic performance. The textile and retail industries, as well as the supply chain as a whole, are therefore facing numerous challenges in an adverse business environment. Meanwhile, with the lifting of anti-pandemic measures in various countries, logistics has become more efficient and the previous backlog of in-transit inventory has been released, which in turn has brought noticeable inventory pressure on the Group's brand partners, causing them to adopt an obviously conservative approach to order placement during the second half of the financial year. Affected by the macro market situation, the Group expects to encounter greater challenges in the second half of the financial year, which are anticipated to continue into April to June of next year. As for each major business segment, the Group expects:

– Intimate wear: Orders from European and American brand partners are anticipated to weaken in the second half of this financial year, while the Group's Japanese brand partner has continued to maintain growth momentum. As such, the overall revenue of the sector is expected to record a teens level decline in the second half of this financial year, and a slight decline for the full year.

– Sports products: Core sports brand partners have turned conservative in their orders, and the order momentum has fallen markedly short of previous expectations. The revenue in the second half of this financial year is therefore expected to see teens level decline year-on-year, while maintaining teens level growth for the full year.

– Consumer electronics components: Affected by the significant adjustments in orders from major overseas end customers, a sharp reduction in orders was seen in the second half of the year, leading to adjustments in the momentum of orders for the full year.

– Bra pads and other moulded products: As sales of the bra pad business have been impacted by the weakening trend of the Group's brand partners in Europe and the United States, and the fabric mask business has continued to be scaled down proactively on a significant basis according to the Group's plan, revenue from this segment is expected to record significant year-on-year drop in second half and the full year.

– Footwear: Orders in the second half of the financial year are expected to drop remarkably on the back of slowing orders from its single brand partner for the footwear business, leading to low-teens reduction in orders for the full year.

In short, the Group expects overall sales to decline by 10-20% (towards the higher-end of the range) year-on-year in the second half of the financial year, while full-year sales are expected to remain flat or slightly decline year-on-year.

Amplifying our advantages, stay cautious on costs to shore up resources

In the face of the macro challenges, the Group will implement a series of measures to expand revenue and reduce expenses, including but not limited to: accelerating the promotion and penetration of products with innovative craftsmanship and technological aesthetics based on the successful experience of business breakthroughs with existing brand partners; adjusting the recruitment plans and staff rosters in the factories in Mainland China and Vietnam as appropriate; prudently evaluating fixed asset investment plans; and keeping the schedule of relocating to the Zhaoqing production base flexible.

Adhering to the long-term Five-Year Plan development framework and diversify business to sustain steady and sound development

As a blueprint for the long-term sustainable development of the Group, the management formulated a Five-year Plan for Fiscal 2022-2026 at the beginning of last year, focusing on the following three objectives: 1) drive steady growth in sales through innovation and R&D; 2) expand marginal profit by launching high value-added and innovative products and enhancing management and production efficiency; and 3) maintain healthy operating cash flows and capital expenditures, gradually lowering the debt ratio in the mid- to long-term. Despite facing multiple challenges in the market environment, the Group still actively maintains the long-term development framework of its Five-Year Plan, and strives to promote growth recovery by leveraging its innovative craftsmanship and advantages in production capacity.

Successive breakthroughs in craftsmanship innovation, accelerating the introduction of innovative products with technological aesthetics to the market

After two years of dedicated efforts in R&D, the Group has made successive breakthroughs in craftsmanship innovation. Besides enhancing the technological appearance and functionality of the products, it has also reduced the use of labor in the production process and significantly improved the cost efficiency of products under innovative craftsmanship. In particular, the Group's integrated seamless bonding solutions (for example: RePersbond, ReSiltech), coupled with the Group's proprietary moulded cup technology (for example: ReMatrixPad), have successfully opened up a novel and unique development path that differentiates from the sewing workmanship in the textile industry over the past 20 years, further consolidating the Group's differentiation advantages and competitiveness.

The Group is committed to enhancing the standardization of its innovative processes and leveraging the advantages of cost efficiency improvement to accelerate the adoption of its products at scale, so as to realize the further penetration of innovative processes in brand partners' products while driving changes in the industry's practices.

It is worth mentioning that in the first half of this financial year, the Group jointly launched with its major Japanese brand partner a series of flagship bra top products featuring its seamless bonding craftsmanship and innovative moulded cups. It also developed and launched a series of flagship products for the VS China joint venture, including the Double-Size 'Jelly-Striped' Bra Top, Leggings and "Anti-Gravity" bras. With their technological aesthetics and functional features, these products have been well received by consumers and are leading the way to the targeted introduction of such innovative craftsmanship to the products of its various intimate wear brand partners. With the products leveraging the Group's innovative craftsmanship proving to be well received by the market, many sports brand partners have shown keen interest in the Group's technological craftsmanship, and this success is expected to be duplicated in the sports category.

Such reform on innovative craftsmanship with technological aesthetics is a strategy proactively pursued by the Group in response to the current lackluster macro environment. Based on the current development progress of the Group with its brand partners, more breakthroughs at the business level with multiple brand partners riding on the Group's innovative craftsmanship are expected.

Capitalizing on regional and scale advantages of supply chain in Vietnam, accelerate the achievement of cost reduction and efficiency enhancement through innovative craftsmanship

After years of strategic deployment, the Group's production base in Vietnam has gained considerable regional and scale advantages with mature operations, orderly management, stable workforce and enhanced production efficiency as planned. The pandemic has also accelerated supply chain localization, enabling the Group to deploy its production capacity in a more coordinated and agile way, thereby shortening the delivery lead time and improving response time.

In respect of the application of innovative craftsmanship with technological aesthetics such as seamless bonding technology and injection moulded cups, the Group has established the world's leading and scaled production base in Vietnam. The base has helped to develop and broaden the advantages of seamless bonding technology in the development and manufacturing of innovative products, thus facilitating the timely integration of seamless bonding and moulded cup technologies, which is expected to provide the Group with vigorous momentum when the market picks up.

Establish strategic partnerships in supply chain, and create unique entry barrier through material and machinery innovation

Leveraging its sophisticated know-how about products and development of automated production machinery for its craftsmanship, Regina Miracle spearheads the R&D direction of its supply chain, among which, by virtue of years of strategic alliances that focuses on materials innovation, the Group has established inimitable supply chain partnerships in foam and fabric material developments that provides the advantages of tailored development and prioritized collaborations. This, coupled with its craftsmanship innovation, has allowed the Group to form and strengthen the entry barrier with its product uniqueness.

Product innovation advantages manifested by rapid development of e-commerce sales in China

As a major step in the Group's layout in the PRC market, since the formal establishment of and cooperation in the VS China joint venture, both parties have fully leveraged their synergies and made encouraging progress on the sales performance during the Period. In the domestic market, the pandemic still poses challenges to store sales to a certain extent, so the joint venture has adopted a prudent strategy in developing stores and will invest in an orderly and appropriate manner depending on the pandemic situation. At the same time, VS China has gradually redefined its brand image to more effectively cater for the needs of Chinese consumers and stepped up its efforts in driving e-commerce sales. Several product collections jointly developed with Regina Miracle have achieved remarkable sales in the e-commerce channels, and, together with the rapid response capabilities of the supply chain, have led to a significant increase in sales and rankings on major e-commerce platforms. In particular, at the Double Eleven Campaign (D11), VS China's gross merchandise volume (GMV) achieved encouraging results of exceeding RMB100 million for the first time on Tmall's "D11", with a year-on-year increase of 139%. In view of the huge potential of domestic e-commerce sales and the strong growth momentum in this area, the joint venture will place focus on developing e-commerce channels in the next three years, in an effort to sustain long-term growth of its business.

At the same time, the Group will continue to strengthen its collaboration with traditional and e-commerce brand partners in the domestic lingerie market to promote vigorous development for all. For the development of its businesses in China, the Group's R&D center and production base in Shenzhen will be relocated to Zhaoqing in phases from mid-2023 onwards, with the relocation expected to be completed by the end of 2024. This move is expected to help strengthen the collaboration between the Group and its international brand partners in the domestic market, as well as to help seize new opportunities with traditional offline/emerging online brands in China and from other channels.

Regina Miracle fully appreciates the importance of ESG issues to its business development. Therefore, it has been effectively promoting its sustainable development strategies with the current three-tier structure of "leadership – decision-making – execution" since Fiscal 2022. Based on the United Nations' 2030 Sustainable Development Goals, the Group has formulated six key issues of concern, based on which it has set four goals for 2030, namely carbon reduction, waste management, sustainable innovation, and people and community. During the Period, the Group achieved outstanding results in the relevant performance indicators and will continue to create long-term value for all stakeholders in a responsible manner and assume social responsibility to achieve sustainable development.

Conclusion

In the first half of the financial year, the Group's business reached new heights and continued its steady growth. The Group will continue to deepen its seamless bonding technology and innovative craftsmanship with technological aesthetics in the future, so as to create trendsetting products in the market. The Group expects to face certain challenges in the second half of the financial year due to the headwinds in the macro environment, which may continue into June next year. However, the Group is confident that it will be able to withstand market changes and maintain solid business performance by leveraging its leading innovative R&D capabilities and inimitable strategic partnerships, coupled with the various advantages of its Vietnam production base in terms of scale, stability and agility. The Group will proactively rise to the challenge by timely optimizing its strategies to mitigate the short-term impacts, and endeavor to seize market opportunities in a bid to maintain growth momentum in the medium to long term. While sustaining business growth, the Group will also continue to make every effort to achieve its sustainability targets and create long-term value for its shareholders and stakeholders.

Last but not least, the Group would like to express its sincere gratitude to its brand partners, supplier partners, business partners and shareholders for their unwavering support, as well as the management team and colleagues for their tireless efforts and devotion.

OTHER INFORMATION

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

During the six months ended 30 September 2022, 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 HK8.5 cents (the "**Interim Dividend**") (2021: HK6.8 cents) per ordinary share for the six months ended 30 September 2022 payable on or about Friday, 23 December 2022 to all shareholders of the Company whose names appear on the register of members of the Company on Thursday, 15 December 2022.

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 Wednesday, 14 December 2022 to Thursday, 15 December 2022, 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 Tuesday, 13 December 2022.

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 Company has implemented and applied the principles contained within the recommended best practices of the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), including reflecting those principles in the Company's relevant policies. 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 of the CG Code throughout the six months ended 30 September 2022.

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company has appointed Mr. Hung Yau Lit (also known as YY Hung) as both the Chairman and the Chief Executive Officer of the Company. The Board believes that vesting the roles of the Chairman and Chief Executive Officer in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises five executive Directors (including Mr. Hung Yau Lit (also known as YY Hung)) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board will nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company.

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 2022.

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 2022 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, 29 November 2022

As at the date of this announcement, the Board 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.