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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

	Year ended 31 March				
	2023		2022		Change
	HK$'000	*%*	*HK$'000*	*%*	
Revenue	7,879,287	100.0	8,346,728	100.0	(5.6%)
Gross profit	1,902,111	24.1	2,045,440	24.5	(7.0%)
Operating profit	787,819	10.0	758,747	9.1	3.8%
Profit attributable to owners of the Company	383,258	4.9	520,694	6.2	(26.4%)
Earnings before interest, taxes, depreciation and amortisation#	1,310,013	16.6	1,333,812	16.0	(1.8%)
Adjusted profit attributable to owners of the Company#*	458,650	5.8	575,638	6.9	(20.3%)
Adjusted earnings before interest, taxes, depreciation and amortisation#*	1,385,405	17.6	1,388,756	16.6	(0.2%)
	HK cents		*HK cents*		
Earnings per share – basic and diluted	31.3		42.5		
Dividend per share	10.3		14.0		
– *Interim dividend*	8.5		6.8		
– *Proposed final dividend*	1.8		7.2		

These are not measures of performance under Hong Kong Financial Reporting Standards ("**HKFRS**"), but is 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.

* Adjusted profit attributable to owners of the Company and adjusted earnings before interest, taxes, depreciation and amortisation are derived by excluding share of net losses/profits of associates accounted for using the equity method and restructuring cost.

ANNUAL RESULTS

The board of directors (the "**Board**") of Regina Miracle International (Holdings) Limited ("**Regina Miracle**" or the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2023 ("**Fiscal 2023**"), together with the comparative figures for the corresponding year in 2022 ("**Fiscal 2022**"), as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2023

	Note	**2023** *HK$'000*	2022 *HK$'000*
Revenue	*3*	**7,879,287**	8,346,728
Cost of sales	*5*	**(5,977,176)**	(6,301,288)
Gross profit		**1,902,111**	2,045,440
Other income	*4*	**38,007**	25,861
Distribution and selling expenses	*5*	**(180,657)**	(180,767)
General and administrative expenses	*5*	**(701,748)**	(817,699)
Research and development costs	*5*	**(235,765)**	(253,003)
Other operating expenses	*5*	**(34,129)**	(61,085)
Operating profit		**787,819**	758,747
Finance income	*6*	**3,197**	1,767
Finance costs	*6*	**(293,532)**	(149,135)
Finance costs, net	*6*	**(290,335)**	(147,368)
Share of net (losses)/profits of associates accounted for using the equity method		**(41,263)**	6,141
Profit before income tax		**456,221**	617,520
Income tax expenses	*7*	**(72,963)**	(96,826)
Profit for the year attributable to owners of the Company		**383,258**	520,694
Earnings per share for profit attributable to owners of the Company (expressed in HK cents per share)			
– Basic and diluted	*8*	**31.3**	42.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2023

	2023	2022
	HK$'000	*HK$'000*
Profit for the year	**383,258**	520,694
Other comprehensive (loss)/income:		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Currency translation differences	**(253,756)**	188,149
Exchange reserve released upon disposal of subsidiaries	**–**	(649)
Fair value loss on insurance policy investments	**(10,662)**	(139)
Fair value change on trade receivables carried at fair value through other comprehensive income ("**FVOCI**")	**(49,843)**	(19,484)
Reclassification of trade receivables at FVOCI reserve to factoring interests and charges upon disposals	**49,522**	19,344
Share of exchange loss recognised in OCI of an associate	**(15,307)**	–
Other comprehensive (loss)/income for the year, net of tax	**(280,046)**	187,221
Total comprehensive income attributable to owners of the Company	**103,212**	707,915

CONSOLIDATED BALANCE SHEET

As at 31 March 2023

	Note	2023 HK$'000	2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**4,246,304**	4,537,707
Right-of-use assets		**478,359**	481,586
Intangible assets		**31,295**	37,459
Insurance policy investments		**202,155**	201,935
Investments in associates	*12*	**381,505**	14,406
Deposits and prepayments		**380,978**	348,443
Deferred income tax assets		**57,316**	39,260
		5,777,912	5,660,796
Current assets			
Inventories		**1,437,829**	1,568,661
Trade receivables	*10*	**710,534**	1,146,208
Deposits, prepayments and other receivables		**74,347**	42,765
Tax recoverable		**1,302**	3,312
Restricted bank deposits		**5,338**	3,000
Cash and cash equivalents		**675,028**	995,030
		2,904,378	3,758,976
Total assets		**8,682,290**	9,419,772
EQUITY			
Equity attributable to owners of the Company			
Share capital		**95,247**	95,247
Reserves		**3,452,015**	3,541,010
Total equity		**3,547,262**	3,636,257

	Note	2023 HK$'000	2022 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**3,638,548**	3,401,989
Other payables		**37,728**	25,447
Lease liabilities		**99,253**	86,265
Deferred income tax liabilities		**40,691**	30,257
		3,816,220	3,543,958
Current liabilities			
Trade payables	*11*	**340,327**	536,270
Accruals and other payables		**426,399**	683,988
Lease liabilities		**61,194**	60,740
Borrowings		**319,988**	862,071
Current income tax liabilities		**170,900**	96,488
		1,318,808	2,239,557
Total liabilities		**5,135,028**	5,783,515
Total equity and liabilities		**8,682,290**	9,419,772

NOTES

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 Company has its primary listing on The Stock Exchange of Hong Kong Limited. 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 holding company. The Company and its subsidiaries (together the "**Group**") are principally engaged in the manufacturing and trading of intimate wear, sports products, consumer electronics components, bra pads and other moulded products and footwear.

These consolidated financial statements are presented in thousands of Hong Kong Dollar ("**HK$'000**"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of trade receivables carried at FVOCI and insurance policy investments which are carried at fair value.

The preparation of these consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involve a higher degree of judgement or complexity or areas when assumptions and estimates are significant to the consolidated financial statements.

(a) Amended standards and accounting guideline adopted by the Group

The Group has applied the following amended standards and accounting guideline for the first time for their annual reporting period commencing 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 these amended standards and accounting guideline did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

The following new and amended standards and interpretation have been issued that are not mandatory for financial year ended 31 March 2023 and have not been early adopted by the Group:

HKFRS 17	Insurance Contracts	1 April 2023
HKFRS 17 (Amendment)	Amendments to HKFRS 17	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 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 April 2023
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 April 2024
HKFRS 16 (Amendment)	Lease Liability in a Sale and Leaseback	1 April 2024
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 2024
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

These new standards and amendments are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 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 year ended 31 March 2023, 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 and tablet PC accessories.

(iv) Bra pads and other moulded products – manufacturing and trading of bras pads, fabric masks, one-piece moulded hats and other moulded products for further processing.

(v) Footwear – manufacturing and trading of casual 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 year ended 31 March 2023 are as follows:

	Intimate wear *HK$'000*	Sports products *HK$'000*	Consumer electronics components *HK$'000*	Bra pads and other moulded products *HK$'000*	Footwear *HK$'000*	Total *HK$'000*
Total segment revenue (Recognised at a point in time)	**4,424,824**	**2,436,331**	**371,478**	**322,640**	**324,014**	**7,879,287**
Gross profit/segment results	**1,108,426**	**566,465**	**81,561**	**72,194**	**73,465**	**1,902,111**
Other income						**38,007**
Distribution and selling expenses						**(180,657)**
General and administrative expenses						**(701,748)**
Research and development costs						**(235,765)**
Other operating expenses						**(34,129)**
Finance income						**3,197**
Finance costs						**(293,532)**
Share of net loss of an associate accounted for using equity method						**(41,263)**
Profit before income tax						**456,221**
Income tax expenses						**(72,963)**
Profit for the period						**383,258**

Other segment item included in the consolidated income statement for the year ended 31 March 2023 is as follows:

	Intimate wear *HK$'000*	Sports products *HK$'000*	Consumer electronics components *HK$'000*	Bra pads and moulded products *HK$'000*	Footwear *HK$'000*	Total *HK$'000*
Depreciation for property, plant and equipment and right-of-use assets included in cost of sales	**228,029**	**125,810**	**31,392**	**22,047**	**15,670**	**422,948**

Depreciation for property, plant and equipment and right-of-use assets of HK$422,948,000 has been charged in "cost of sales", HK$114,664,000 has been charged in "general and administrative expenses" and HK$17,770,000 has been charged in "research and development costs" respectively.

The segment results for the year ended 31 March 2022 are as follows:

	Intimate wear *HK$'000*	Sports products *HK$'000*	Consumer electronics components *HK$'000*	Bra pads and other moulded products *HK$'000* (Restated)	Footwear *HK$'000*	Total *HK$'000*
Total segment revenue (Recognised at a point in time)	4,715,950	2,190,683	496,162	580,932	363,001	8,346,728
Gross profit/segment results	1,189,190	513,923	125,033	133,978	83,316	2,045,440
Other income						25,861
Distribution and selling expenses						(180,767)
General and administrative expenses						(817,699)
Research and development costs						(253,003)
Other operating expenses						(61,085)
Finance income						1,767
Finance costs						(149,135)
Share of net profit of an associate accounted for using equity method						6,141
Profit before income tax						617,520
Income tax expenses						(96,826)
Profit for the period						520,694

Other segment item included in the consolidated income statement for the year ended 31 March 2022 is as follows:

	During the year ended 31 March 2022					
	Intimate wear *HK$'000*	Sports products *HK$'000*	Consumer electronics components *HK$'000*	Bra pads and moulded products *HK$'000* (Restated)	Footwear *HK$'000*	Total *HK$'000*
Depreciation for property, plant and equipment and right-of-use assets included in cost of sales	206,307	97,798	38,181	36,255	16,604	395,145

Depreciation for property, plant and equipment and right-of-use assets of HK$395,145,000 has been charged in "cost of sales", HK$142,374,000 has been charged in "general and administrative expenses" and HK$21,477,000 has been charged in "research and development costs" respectively.

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

	2023	2022
	HK$'000	*HK$'000*
United States	**3,810,347**	4,324,706
The People's Republic of China ("**The PRC**")	**1,380,621**	1,354,181
Europe	**1,001,588**	980,709
Japan	**499,943**	493,467
South-east Asia *(Note a)*	**251,134**	267,801
Hong Kong	**147,697**	184,442
South Asia *(Note b)*	**95,722**	138,528
Other countries/regions *(Note c)*	**692,235**	602,894
	7,879,287	8,346,728

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

Note b: Includes Bangladesh, Sri Lanka and India.

Note c: Includes Canada, Taiwan, Australia 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 deposits, deferred tax assets and insurance policy investments, of the Group are located in the following geographical areas:

	2023	2022
	HK$'000	*HK$'000*
Vietnam	**4,144,573**	4,369,826
The PRC	**1,322,687**	980,850
Hong Kong	**45,280**	59,473
	5,512,540	5,410,149

4 OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Scrap sales income	**12,485**	13,568
Government grants *(Note)*	**21,511**	9,366
Others	**4,011**	2,927
	38,007	25,861

Note:

During the year ended 31 March 2023, the government grants obtained mainly represent one off technical innovation subsidies, productivity support subsidies and training 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 (2022: 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.

5 EXPENSES BY NATURE

	2023	2022
	HK$'000	*HK$'000*
Amortisation of intangible assets	**8,075**	9,928
Depreciation of property, plant and equipment	**470,180**	484,782
Depreciation of right-of-use assets	**85,202**	74,214
Cost of inventories sold	**2,952,427**	3,050,049
(Reversal of)/provision for loss allowance of trade receivables	**(2,245)**	3,005
Employee benefit expenses	**2,741,419**	2,895,092
Restructuring costs *(Note)*	**34,129**	61,085

Note:

The restructuring costs primarily include termination benefits of HK$34,129,000 paid to employees (2022: write-off of fixed assets of approximately HK$61,085,000) as a result of the reallocation of production capacity and human resources between the PRC and Vietnam for the year ended 31 March 2023 and are included in "other operating expenses" in the consolidated income statement.

6 FINANCE COSTS, NET

	2023	2022
	HK$'000	*HK$'000*
Finance income		
– interest income on bank deposits	**3,128**	1,643
– other interest income	**69**	124
	3,197	1,767
Finance costs		
– interest expense on bank borrowings	**(234,841)**	(122,970)
– factoring interests and charges	**(49,522)**	(19,344)
– interest expense on lease liabilities	**(8,876)**	(6,538)
– unwinding interest	**(293)**	(283)
	(293,532)	(149,135)
Finance costs, net	**(290,335)**	(147,368)

7 INCOME TAX EXPENSES

For the years ended 31 March 2022 and 2023, the Group is eligible to nominate one Hong Kong incorporated entity in the Group to be chargeable at the two-tiered profits tax rates, whereby profits tax will be chargeable on the first HK$2 million of assessable profits at 8.25% and assessable profits above this threshold will be subject to a rate of 16.5%. Hong Kong profits tax for other Hong Kong incorporated entities in the Group has been provided for at the rate of 16.5% on the estimated assessable profits.

The applicable tax rate for the PRC subsidiaries of the Group is 25% for the year ended 31 March 2023 except for one subsidiary that is subject to a reduced tax rate of 15% under the High and New Technological Enterprise programme (2022: Same).

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 year ended 31 March 2023.

The subsidiaries established and operated in Vietnam were subject to corporate income tax at a rate of 20% (2022: 20%). In accordance with the applicable tax regulations, preferential tax rates and tax holidays will be 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.

The amount of taxation charged to the consolidated income statement represents:

	2023	2022
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**39,768**	91,947
– PRC enterprise income tax	**3,646**	13,561
– Overseas income tax	**9,520**	4,860
Under/(over) provision in prior years	**27,604**	(107)
Deferred income tax	**(7,575)**	(13,435)
Income tax expenses	**72,963**	96,826

8 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 during the year.

	2023	2022
Profit attributable to owners of the Company (HK$'000)	**383,258**	520,694
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)	**31.3**	42.5

(b) Diluted

Diluted earnings per share for the years ended 31 March 2023 and 2022 are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

9 DIVIDENDS

(a) Dividends recognized during the reporting period

	2023 ***HK$'000***	2022 *HK$'000*
Final dividend, paid of HK7.2 cents per ordinary share for the year ended 31 March 2022 (For the year ended 31 March 2021: HK3.3 cents)	**88,146**	40,400
Interim dividend, paid of HK8.5 cents per ordinary share for the period ended 30 September 2022 (For the period ended 30 September 2021: HK6.8 cents)	**104,061**	83,249
Special dividend, paid of HK1.5 cents of per ordinary share for the year ended 31 March 2021	**–**	18,364
	192,207	142,013

(b) Dividends not yet recognized during the reporting period

At a meeting held on 29 June 2023, a final dividend of HK1.8 cents per ordinary share of the Company, totalling approximately HK$22,037,000 (2022: a final dividend of HK7.2 cents per ordinary share of the Company, totalling approximately HK$88,146,000) for the year ended 31 March 2023 are proposed. These consolidated financial statements do not reflect these dividend payables.

10 TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables		
– carried at amortised cost	**563,005**	901,826
– carried at FVOCI	**158,633**	257,731
	721,638	1,159,557
Less: loss allowance of trade receivables	**(11,104)**	(13,349)
	710,534	1,146,208

The carrying amounts of trade receivables carried at amortised costs approximate their fair values.

(a) As at 31 March, the ageing analysis of gross trade receivables based on invoice date were as follows:

	2023	2022
	HK$'000	*HK$'000*
0–30 days	**356,792**	570,670
31–60 days	**207,241**	228,956
61–90 days	**47,687**	174,250
Over 90 days	**109,918**	185,681
	721,638	1,159,557

The credit period granted by the Group is generally 30 to 90 days. The Group does not hold any collateral as security.

(b) As at 31 March 2023, included in the Group's trade receivables were amounts due from related parties of approximately HK$67,610,000 (2022: HK$5,175,000).

11 TRADE PAYABLES

As at 31 March, the ageing analysis of trade payables based on invoice date were as follows:

	2023	2022
	HK$'000	*HK$'000*
0–30 days	**280,175**	362,038
31–60 days	**55,184**	115,868
61–90 days	**107**	42,892
Over 90 days	**4,861**	15,472
	340,327	536,270

12 ACQUISITION OF AN ASSOCIATE

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 the equity interest of VSCO Holdings ("**VSCO**") 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 appointed two out of five directors in the Board of VSCO and accordingly, VSCO is treated as an associate of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Relatively large fluctuations were seen in the second half of the year under review from the first half due to uncertainties in the global economy. While the Group's revenue reached a record high in the first half, the second half saw a significant decrease in the order volume due to a series of severe challenges such as inflationary pressures in the European and United States markets and high inventories of the Group's brand partners. At the same time, rising interest rates in the U.S. dollar and related currencies in the capital markets put considerable pressure on the Group's finance costs. In the face of downward market pressure, the Group adopted a number of cost reduction and efficiency enhancement measures to maintain competitiveness and financial flexibility, including seizing the opportunity from brand partners' supply chain consolidation to integrate production capacity, optimizing production processes and craftsmanship standardization, reducing non-essential expenses and improving overall operational efficiency. In addition, based on its solid diversification strategy, the Group has been proactively expanding its presence in the PRC market to expand its share of business beyond its established markets in Europe and the United States, while actively exploring with brand partners the extension of the Group's core technologies to outerwear with a view to positioning itself for incremental market growth through leading and differentiated products.

Meanwhile, 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. During the year under review, as the Group's collaboration with the VS China team deepened in terms of strategy, product research and development ("**R&D**"), supply chain and operations, the launch of jointly developed leading and differentiated products in the PRC market became increasingly smooth, demonstrating rapid growth, especially in the e-commerce channel, and thus effectively restoring VS China's profitability. In addition, the relaxation of pandemic prevention and control measures in China at the end of the year also enabled VS China's offline businesses to mostly return to a more ideal state of operations. The open and mutual trust, synergy and consensus between both parties as well as the implementation of turnaround initiatives have allowed the Victoria's Secret brand to gradually sharpen its positioning and be revitalized in the PRC market.

BUSINESS REVIEW

Financial Performance

Between the wax and wane of the first and second halves of the year under review, the Group recorded revenue of approximately HK$7,879.3 million (Fiscal 2022: HK$8,346.7 million), representing a year-on-year decrease of 5.6%. Gross profit decreased by 7.0% to approximately HK$1,902.1 million, with gross profit margin decreasing by 0.4 percentage points to 24.1% (Fiscal 2022: HK$2,045.4 million and 24.5%, respectively). Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased by 1.8% to approximately HK$1,310.0 million, with EBITDA margin increasing by 0.6 percentage points to 16.6% (Fiscal 2022: HK$1,333.8 million and 16.0%, respectively). The Group recorded a net profit of approximately HK$383.3 million for the year under review, representing a year-on-year decrease of 26.4%, with net profit margin decreasing by 1.3 percentage points to 4.9%

(Fiscal 2022: HK$520.7 million and 6.2%, respectively). Basic earnings per share attributable to owners of the Company was HK31.3 cents (Fiscal 2022: basic earnings per share of HK42.5 cents). Excluding one-off expense items, adjusted EBITDA decreased by 0.2% to approximately HK$1,385.4 million, and adjusted EBITDA margin increased by 1.0 percentage point to 17.6% (Fiscal 2022: HK$1,388.8 million and 16.6%, respectively). Adjusted net profit was approximately HK$458.7 million for the period, representing a year-on-year decrease of 20.3%, with adjusted net profit margin decreasing by 1.1 percentage points to 5.8% (Fiscal 2022: HK$575.6 million and 6.9%, respectively).

During the year under review, the Group's financial position was sound, with net current assets increasing to approximately HK$1,585.6 million (Fiscal 2022: HK$1,519.4 million). As at 31 March 2023, its total undrawn banking facilities amounted to approximately HK$3,783.6 million (31 March 2022: approximately HK$2,371.0 million).

In order to share these fruitful results with shareholders, the Board has resolved to recommend a final dividend of HK1.8 cents per share for Fiscal 2023 (Fiscal 2022: HK7.2 cents per share), which together with the interim dividend of HK8.5 cents per share, makes a total dividend of HK10.3 cents, in line with the Group's dividend policy of distributing no less than 30% of its net profit for the financial year. The proposed final dividend is subject to the approval of the Company's shareholders at the annual general meeting to be held on Wednesday, 13 September 2023. The final dividend is expected to be paid on or around Wednesday, 4 October 2023 to shareholders whose names appear on the register of members of the Company on Friday, 22 September 2023.

Over the past few years, the Group has continued to launch new and 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. The Group's businesses are classified into five major segments, which are as follows.

Intimate wear

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

During the year under review, this business segment contributed revenue of approximately HK$4,424.8 million (Fiscal 2022: HK$4,716.0 million), a year-on-year decrease of 6.2% and accounting for 56.2% of the total revenue, and remained the Group's main source of revenue. The segment's gross profit decreased by 6.8% to approximately HK$1,108.4 million, with gross profit margin decreasing by 0.1 percentage points to 25.1% (Fiscal 2022: HK$1,189.2 million and 25.2%, respectively).

The weakened global economy further dampened consumer sentiment, and intimate wear, being part of the general consumer goods, was inevitably impacted. Despite the sales from major brand partners in the US market recorded relatively significant declines, the overall performance of intimate wear business remained stable thanks to the stable growth of major brand partner in the Japanese market as well as the new contributions of sales from VS China. However, drawing on its industry-leading R&D capabilities and innovative craftsmanship, the Group continued to implement its strategies of differentiation and sub-category expansion, while putting effective product quality management in place, thereby striving to create excellent product value through continuous innovation and quality improvement, as well as consolidating its partnerships with existing brand partners.

Sports products

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

This business segment contributed revenue of approximately HK$2,436.3 million during the year under review (Fiscal 2022: HK$2,190.7 million), representing a year-on-year increase of 11.2% and accounting for 30.9% of total revenue. The segment's gross profit was approximately HK$566.5 million and gross profit margin was 23.3% (Fiscal 2022: HK$513.9 million and 23.5%, respectively).

Sales of sport bras remained stable during the year under review, while sports leggings and sportswear were the main growth drivers for this business segment. The Group's solid brand partnerships supported growth in different categories amid short-term business fluctuations as the three leading core technologies accelerated the R&D of new products. Meanwhile, sports leggings maintained strong growth momentum thanks to a diversified brand partners base and product matrix.

Consumer electronics components

Consumer electronics components include virtual reality ("**VR**") headsets and tablet PC accessories.

Revenue from this business segment amounted to approximately HK$371.5 million (Fiscal 2022: HK$496.2 million), representing a year-on-year decrease of 25.1% and accounting for 4.7% of the Group's total revenue. The segment's gross profit decreased by 34.8% to approximately HK$81.6 million and the gross profit margin was 22.0% (Fiscal 2022: HK$125.0 million and 25.2%, respectively). The downturn in global consumer electronics market resulted in a relatively significant transitional adjustment in orders from brand partners. However, the business is expected to further recover in the second half of 2023 calendar year with the launch of a new generation of products by the Group's major brand partners, which will stimulate market demand.

Bra pads and other moulded products

Bra pads and other moulded products mainly include bra pads, fabric masks, one-piece moulded hats and other moulded products.

Revenue from this business segment amounted to approximately HK$322.6 million (Fiscal 2022: HK$580.9 million), representing a year-on-year decrease of 44.5% and accounting for 4.1% of the Group's total revenue. The segment's gross profit was maintained at HK$72.2 million and gross profit margin was 22.4% (Fiscal 2022: HK$134.0 million and 23.1%, respectively). Across the business segment, revenue from bra pad products declined in line with the impact of order demand for intimate wear, while demand for fabric masks slowed down as expected as the pandemic was brought under control. One-piece moulded hats, which were a new category developed by the Group during the year under review, have become the fastest-growing sports accessory.

Footwear

Footwear mainly refers to causal shoes.

Revenue from this business segment amounted to approximately HK$324.0 million (Fiscal 2022: HK$363.0 million), representing a year-on-year decrease of 10.7% and accounting for 4.1% of the Group's total revenue. Due to a decrease in orders from its sole brand partner, the segment's gross profit decreased by 11.8% to approximately HK$73.5 million, down by 0.3 percentage points to 22.7% (Fiscal 2022: HK$83.3 million and 23.0%, respectively).

VS China

Within just one year after the completion, VS China's operating performance has improved significantly, with its operating revenue amounting to HK$1,344.2 million in Fiscal 2023 of the Group (2022/4-2023/3). In particular, profitability started to achieve significant improvement in the second half of the year.

Production capacity

To respond rapidly to the demand from its domestic and international brand partners, the Group is committed to enhancing its production capacity, reducing costs and improving efficiency, thereby achieving explosive power of the production capability and economies of scale. The Group continued to optimize its production processes through four key initiatives, including manufacturing automation, management digitalization, improvement on its staff's efficiency and supply chain localization, to improve production efficiency and product quality, while enhancing employee's skills and reducing costs. The Group's longstanding collaboration and continued rapport with its brand partners are instrumental in enhancing production efficiency and ultimately increasing gross profit margins. Furthermore, the localization of its supply chain is conducive to further shortening response time.

Vietnam accounted for 85% of the Group's total revenue as of 31 March 2023 as it has played an increasingly important role as the main production base for Regina Miracle. In response to the decline in export orders in the second half of Fiscal 2023, the Group has temporarily suspended local recruitment in Vietnam since last September and made appropriate optimization of its local workforce structure, reducing the number of employees from a peak of more than 39,000 last year to approximately 31,600. It also adjusted production units and operating hours to promote workforce utilization rate. In addition, the Group has further implemented localization of personnel, with local employees accounting for 98% of the workforce. Meanwhile, in Mainland China, the Shenzhen production base employed approximately 5,100 staff members. Furthermore, construction of the first phase of the Group's production base in the Zhaoqing New District Industrial Park is well underway as planned, and will commence operations and production in phases in the current fiscal year. It is expected to create effective synergy and collaboration with the Shenzhen production base.

THE GROUP'S OPERATING RESULTS

Revenue

We derive our revenue primarily from direct sales of our products. Our total revenue decreased by 5.6% from approximately HK$8,346.7 million in Fiscal 2022 to approximately HK$7,879.3 million in Fiscal 2023. A comparison of the Group's revenue for Fiscal 2023 and Fiscal 2022 by product categories is as follows:

	For the year ended 31 March					
	2023		2022		Change	
	HK$'000	***% of Revenue***	*HK$'000*	*% of Revenue*	*HK$'000*	*%*
Intimate wear	**4,424,824**	**56.2**	4,715,950	56.5	(291,126)	(6.2)
Sports products	**2,436,331**	**30.9**	2,190,683	26.3	245,648	11.2
Consumer electronics components	**371,478**	**4.7**	496,162	5.9	(124,684)	(25.1)
Bra pads and other moulded products	**322,640**	**4.1**	580,932	7.0	(258,292)	(44.5)
Footwear	**324,014**	**4.1**	363,001	4.3	(38,987)	(10.7)
	7,879,287	**100.0**	8,346,728	100.0	(467,441)	(5.6)

Revenue generated from sales of intimate wear, consumer electronics components and footwear decreased by 6.2%, 25.1% and 10.7% respectively from Fiscal 2022 to Fiscal 2023. The decrease was primarily due to the decrease in demand from our brand partners as a result of global economic downturn.

Revenue generated from sales of sports products increased by HK$245.6 million, or 11.2%, from approximately HK$2,190.7 million in Fiscal 2022 to approximately HK$2,436.3 million in Fiscal 2023. The increase was primarily due to the strong demand for sports related products. Revenue generated from sales of functional sports products as a percentage of our total revenue increased from 26.3% in Fiscal 2022 to 30.9% in Fiscal 2023.

From Fiscal 2023, fabric masks were reclassified as part of the bra pads and other moulded products segment. Revenue generated from this segment decreased, primary due to the decrease in demand for fabric masks with the rollout of vaccines that helps curb the effects of the Pandemic.

Cost of sales

Cost of sales primarily consists of costs of inventories sold, employee benefit expenses for personnel directly involved in our production activities, depreciation of our production equipment and others.

	For the year ended 31 March					
	2023		2022		Change	
	HK$'000	***% of Revenue***	*HK$'000*	*% of Revenue*	*HK$'000*	*%*
Costs of inventories sold	**2,952,427**	**37.5**	3,050,049	36.5	(97,622)	(3.2)
Employee benefit expenses	**2,106,700**	**26.7**	2,264,780	27.1	(158,080)	(7.0)
Depreciation	**422,948**	**5.4**	395,145	4.8	27,803	7.0
Others	**495,101**	**6.3**	591,314	7.1	(96,213)	(16.3)
	5,977,176	**75.9**	6,301,288	75.5	(324,112)	(5.1)
Cost of sales (excluded depreciation)	**5,554,228**	**70.5**	5,906,143	70.8	(351,915)	(6.0)

Cost of sales as a percentage of total revenue increased from 75.5% in Fiscal 2022 to 75.9% in Fiscal 2023. This was primarily attributable to 1) decrease in revenue, leading to a reduced capacity utilization and operating deleverage; 2) increase in depreciation as a percentage of revenue by 0.6% as a result of decrease in revenue; and 3) increase in cost of inventories sold as a percentage of revenue by 1.0% due to increase in sales proportion of products with higher raw materials cost. Nevertheless, employee benefit expenses as a percentage of revenue has been improved due to the Group's streamlining of manpower.

Cost of sales decreased from approximately HK$6,301.3 million in Fiscal 2022 to approximately HK$5,977.2 million in Fiscal 2023 primarily due to decrease in employee benefit expenses as a result of the decrease in revenue.

Cost of sales (excluded depreciation) as a percentage of total revenue were 70.5% and 70.8% in Fiscal 2023 and Fiscal 2022 respectively.

Gross profit and gross profit margin

	For the year ended 31 March					
	2023		2022			
	Gross Profit	**Gross Profit margin**	Gross Profit	Gross Profit margin	Change	
	HK$'000	**%**	*HK$'000*	%	*HK$'000*	%
Intimate wear	**1,108,426**	**25.1**	1,189,190	25.2	(80,764)	(6.8)
Sports products	**566,465**	**23.3**	513,923	23.5	52,542	10.2
Consumer electronics components	**81,561**	**22.0**	125,033	25.2	(43,472)	(34.8)
Bra pads and other moulded products	**72,194**	**22.4**	133,978	23.1	(61,784)	(46.1)
Footwear	**73,465**	**22.7**	83,316	23.0	(9,851)	(11.8)
Gross profit	**1,902,111**	**24.1**	2,045,440	24.5	(143,329)	(7.0)
Gross profit (excluded depreciation)	**2,325,059**	**29.5**	2,440,585	29.2	(115,526)	(4.7)

Our overall gross profit decreased from approximately HK$2,045.4 million in Fiscal 2022 to approximately HK$1,902.1 million in Fiscal 2023. The overall gross profit margin in Fiscal 2023 decreased by 0.4 percentage points to 24.1%, as compared to 24.5% in Fiscal 2022.

The decrease in overall gross profit margin was mainly due to drop in capacity utilization and operating deleverage as a result of decrease in revenue caused by global economic downturn.

Nevertheless, the overall gross profit (excluded depreciation) margin in Fiscal 2023 improved by 0.3 percentage points to 29.5%, as compared to 29.2% in Fiscal 2022.

Gross profit margin of intimate wear, sports products, and footwear have remained relatively stable.

Drop in gross profit margin of consumer electronics components and bra pads and other moulded products in Fiscal 2023 was mainly due to the reasons mentioned above. Besides, increase in sales proportion of products with higher raw materials costs also led to a drop in gross profit margin of consumer electronics components.

Other income

Our other income consists primarily of government grants and scrap sales income. It increased from approximately HK$25.9 million in Fiscal 2022 to approximately HK$38.0 million in Fiscal 2023, primarily attributable to increase in government grants subsidies, which depends 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.

Distribution and selling expenses have remained relatively stable in terms of absolute amount and percentage of total revenue respectively for both Fiscal 2023 and Fiscal 2022.

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 fee, insurance, office and administrative expenses, bank charges and others.

General and administrative expenses as a percentage of total revenue decreased from 9.8% in Fiscal 2022 to 8.9% in Fiscal 2023, mainly due to the streamlined operation of the Group.

General and administrative expenses decreased from approximately HK$817.7 million in Fiscal 2022 to approximately HK$701.7 million in Fiscal 2023, mainly due to exchange gain arising from RMB.

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.

For Fiscal 2023 and Fiscal 2022, the Group's research and development costs as a percentage of total revenue remained relatively stable at 3.0%.

Research and development costs decreased from approximately HK$253.0 million in Fiscal 2022 to approximately HK$235.8 million in Fiscal 2023, mainly due to decrease in employee benefit expenses.

Other operating expenses

To achieve a better human resources and production capacity allocation between the PRC and Vietnam in the long run:

1) 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$61.1 million were recognised in Fiscal 2022. No such expense was recognised in Fiscal 2023.

2) In Fiscal 2023, the Group decided to implement human resources restructuring to streamline its manpower deployment during the year. As such, severance payment in compliance with applicable PRC and Vietnamese rules and regulations of approximately HK$34.1 million was distributed.

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 1.8% in Fiscal 2022 to 3.7% in Fiscal 2023, primarily attributable to global trend of rising interest rate; partially offset by saving arising from decrease in debts.

Finance costs increased from approximately HK$149.1 million in Fiscal 2022 to approximately HK$293.5 million in Fiscal 2023 was primarily attributable to the reasons mentioned above.

In light of better utilization of existing undrawn bank facilities with lower interest rate, on 16 June 2023, the Group has early repaid the full amount of the outstanding Syndicated Loan amounted to HK$1,500,000,000 with accrued interest, in order to save finance costs and improve financial position of the Group.

Share of net loss of an associate accounted for using the equity method – VSCO Holdings ("VSCO")

On 6 April 2022, the Group acquired 49% of the equity interest in VSCO for a cash consideration of US$45 million. Share of loss of VSCO amounted HK$47.1 million was recorded in the first half of Fiscal 2023. There were remarkable improvements in VSCO in the second half of Fiscal 2023 with a share of profit amounted HK$11.6 million. The Group continues to be optimistic about sales, profit and store growth opportunities for VSCO going forward.

Income tax expenses

Income tax expenses represent our total current and deferred tax expenses under the relevant Hong Kong, PRC and Vietnam income tax rules and regulations.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits in Fiscal 2023 and Fiscal 2022.

The applicable tax rate for the PRC subsidiaries of the Group was 25% in Fiscal 2023 except for one subsidiary that is subject to a reduced tax rate of 15% under the High and New Technological Enterprise programme (Fiscal 2022: same).

The subsidiaries established and operated in Vietnam were subject to corporate income tax at a rate of 20% (Fiscal 2022: 20%). In accordance with the applicable tax regulations, preferential tax rates and tax holidays will be 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$73.0 million in Fiscal 2023 (Fiscal 2022: HK$96.8 million).

Operating profit

The Group's operating profit margin improved from 9.1% in Fiscal 2022 to 10.0% in Fiscal 2023, whereas the operating profit increased from approximately HK$758.7 million in Fiscal 2022 to approximately HK$787.8 million in Fiscal 2023, reflecting the Group's improvements in its business operation.

Net profit

As a result of the cumulative effect of the above factors, our net profit decreased from approximately HK$520.7 million in Fiscal 2022 to approximately HK$383.3 million in Fiscal 2023. Our net profit margin decreased from 6.2% in Fiscal 2022 to 4.9% in Fiscal 2023.

Liquidity, financial resources and bank borrowings

The current ratio (calculated as current assets/current liabilities) improved from 1.7 as of 31 March 2022 to 2.2 as of 31 March 2023.

As at 31 March 2023, the Group's net debt (represented by bank borrowings less the cash and cash equivalents) was approximately HK$3,283.5 million (31 March 2022: HK$3,269.0 million). Net gearing ratio as at 31 March 2023 was 92.6% (31 March 2022: 89.9%), which was calculated as net debt divided by total equity.

Working capital management

	As at	
	31 March 2023	31 March 2022
	(days)	*(days)*
Receivables turnover days	**43**	49
Payables turnover days	**27**	28

The receivables turnover days and payables turnover days have remained healthy and stable at 43 and 27 days respectively as at 31 March 2023.

Capital expenditures

For Fiscal 2023, the total addition to property, plant and equipment, leasehold land and land use rights, and intangible assets amounted to approximately HK$282.3 million (Fiscal 2022: HK$421.1 million), which was mainly attributed to additions of production lines and construction of our Vietnam facilities to cope with the Group's overall business expansion.

Pledged assets

As at 31 March 2023 and 31 March 2022, insurance policy investments in the amount of approximately HK$67.9 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 minimize the currency translation risk.

Contingent liabilities

As at 31 March 2023, the Group did not have any significant contingent liabilities.

Material acquisitions and future plans for major investment

On 25 January 2022, Regina Miracle Fung Ying Limited, a wholly-owned subsidiary of the Company, entered into a joint venture implementation 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 ("**VSCO Acquisition**"). The VSCO Acquisition was completed on 6 April 2022.

Save for the investment in the construction of the production facilities in Vietnam during Fiscal 2022, and the VSCO Acquisition above, 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 31 March 2023, the Group employed a total of approximately 37,015 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$2,741.4 million, representing 38.5% 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 communications 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 report.

FUTURE PROSPECTS AND STRATEGIES

Market Trend Analysis

As it enters Fiscal 2024, the Group expects the factors that suppressed order demand in the previous fiscal year, such as high inflation and brand partners' inventory pressure, to gradually ease, which will drive a slight period-on-period improvement in revenue in the first half of the year and a further return to year-on-year and period-on-period growth in the second half of the year. Continued strong demand for innovative products in the United States and Europe markets, coupled with ongoing supply chain concentration by brand partners and thus their strengthened strategic partnerships with industry-leading supply chain companies with outstanding R&D capabilities, will also provide strong support for the Group's recovery from the downturn in the second half of Fiscal 2023.

In terms of the Group's major business segments, revenue from intimate wear is expected to start seeing low double-digit period-on-period growth in the first half of Fiscal 2024, mainly benefiting from the gradual recovery of orders from its core international brand partners and the continued thriving development of the PRC market. In particular, the IDM business as driven by VS China is expected to grow rapidly. As the Group's international brand partners continue the destocking process alongside strategically consolidating their supply chains, revenue from sports products is expected to stabilize in the first half of Fiscal 2024; and it is expected to improve period-on-period in the second half as the Group's strategy to expand into new sportswear categories takes hold. Regarding consumer electronics components, revenue is expected to start period-on-period improving in the first half and to recover further in the second half as the launch of a new generation of products by the Group's major brand partners are expected to stimulate market demand. As for footwear products, in pursuit of better economies of scale in production, the Group has taken the initiative to terminate its cooperation with its existing brand partner, and will gradually reduce production starting in the first half of Fiscal 2024, which will result in a more than 50% decrease in revenue on a sequential basis, followed by the cessation of orders in the second half. With regard to the production space and capacities released by the closure of the footwear business, the Group will strategically redeploy them to the seamless bonding apparel business. The Group is confident that the rapid growth of this category will offset the income shortfall caused by the discontinued footwear business.

Consolidate human resources and strengthen efficiency and competitiveness through continued investment in digitalization amidst industry cycle

While focusing on craftsmanship advancement, Regina Miracle has always been committed to innovation in production models and equipment, continuously improving automation levels and significantly reducing the use of labor in production process. These have opened up a wide room for improving productivity and flexibility. The Group will continue to reduce manual intervention and thus costs while increasing efficiency per employee through digitalized data management, production craftsmanship templating, streamlined production processes and automation of production operations. Based on the results of current internal efficiency enhancements, if the sales volumes return to the peak level seen in the first half of Fiscal 2023, the Group expects to maintain the same level of production scale with approximately 20% less manpower, reflecting the effectiveness in its production efficiency improvements and competitiveness. The cost structure can then be further optimized and the gross profit margin is expected to improve. The Group has also developed a five-year digitalization roadmap with clear implementation targets to maintain and strengthen collaboration and integration with its strategic brand partners in the field of digitalization.

Drive the expansion of products from intimate wear to outerwear riding on the three core technologies

Over the years, the Group has adhered to the IDM business model based on three core technologies and developed a series of diversified technology matrix. Among them, the latest diversified seamless bonding technology enjoys a leading advantage in the market, opening up a novel and unique development path that is different from the traditional sewing processes. The Group will continue to strengthen the promotion of this new technology among existing and new brand partners, striving to gradually expand its application scope from intimate wear to outerwear, further enriching the Group's product portfolio and expanding into a broader market.

Regina Miracle's own leading position in the intimate wear segment and further success in different products such as sports bras and sports leggings show that its core technological craftsmanship can be effectively applied to a wide range of scenarios, support a variety of functions and meet the positioning and needs of different brand partners. This will help replicate one product's success to different fields, thereby creating a sustainable and efficient growth trajectory in the long run.

Leverage VS China to expand market share in China and diversify income streams geographically

As part of its strategic deployment to expand market share in China, the Group's joint venture VS China has initially established a profitable business model since the launch of its joint venture VS China last year by leveraging its IDM capabilities and its understanding of Chinese consumers, coupled with the brand recognition of Victoria's Secret in the market and a series of strategic measures such as operation optimization and product differentiation. The gradual recovery of the overall retail market in China since this year drove the gradual restoration of offline channel business, and the rapid growth of VS China's online business have given a tremendous boost to its overall profit improvement. VS China has achieved profit from in the joint venture in the first quarter of Fiscal 2024, and with the implementation of more initiatives to improve business performance, profits are expected to increase further in the next fiscal year. Meanwhile, the business growth of VS China also drives the corresponding IDM business of the Group, which becomes a medium to long-term continuous growth engine for the Group.

In addition, the Group has gained a better grasp of domestic market trends and will continue to optimize the process to build a more adaptable and flexible supply chain mechanism, take advantage of the industry reshuffling cycle to gain shares of cooperation with domestic brands and expand revenue from the Chinese market.

Relocation of Zhaoqing base well underway to create synergy with Shenzhen base

In accordance with the plan to optimize the production layout in China, the Group will relocate its domestic production base to the Zhaoqing New District Industrial Park in the Greater Bay Area, and will complete the first phase of relocation, which involves the production of consumer electronics components, in August this year. In the next two years, apart from retaining the essential functions of the Shenzhen factories, the relocation of other related production units will be completed in phases to ensure a smooth transition of production capacity. The relocation plan will incur a one-off seniority compensation for employees, which will be paid by the Group in phases as the relocation progresses.

The new production base in Zhaoqing has highly automated and digital production facilities, which will greatly improve the overall production efficiency. With the expanded scale, the Group can better support the huge local production demand for the fast-growing domestic business, and shorten the lead time to shorten the lead time to fulfill speed orders. This will facilitate the cooperation with international brand partners in their strategy to develop the PRC market and attract more quality domestic brand partners.

Extensive recognition for the continuous ESG efforts

Recognizing the importance of environmental, social and governance ("**ESG**"), Regina Miracle has set clear sustainable development goals under the "2030 Sustainable Development Agenda" in the four areas of carbon reduction, waste management, sustainable innovation, and people and community. The Group's investment in ESG has been widely recognized. Mr. YY Hung, the Group's Chairman, Chief Executive Officer and Executive Director, was named by Forbes China as one of the "2023 Greater Bay Area Best 30 ESG Entrepreneurs", demonstrating the outstanding performance of the Group and Mr. Hung in terms of "corporate leadership", "industry foresight", "innovation" and "personal influence". In addition, the Group again received five awards – the "Best IR Company", "Grand ESG Award (Small Cap)", "Best ESG (E)", "Best ESG (S)" and "Best ESG (G)" from the Hong Kong Investor Relations Association this year. What's more, the Group was once again named as one of the "Top 100 Sustainable Business in Vietnam", and also received the "Women's Empowerment Principles" award from UN Women and the Vietnam Association of Women Entrepreneurs in 2022 and the third prize in the "Gender Equality in the Workplace" program. Going forward, the Group will continue to integrate environmental and social responsibility into management decisions, daily operations and corporate culture to promote comprehensive sustainable development and create long-term value for all stakeholders.

Conclusion

Amidst the various uncertainties in the macro environment, the industry as a whole has been impacted over the past period of time. However, the adversity has not hindered the development of Regina Miracle, and in turn has presented opportunities to reduce costs, increase efficiency, and strengthen cooperation with brand partners under their supply chain consolidation, while VS China has exceeded expectations in terms of growth and profitability. The Group expects a gradual improvement in the macro environment. Therefore, it will leverage its own IDM capabilities, outstanding quality and its robust brand partner base to further expand its product categories and accelerate its expansion into the PRC market. The Group has been able to overcome adversity and difficulties thanks to the tireless efforts of the management team and colleagues as well as the unwavering support of its brand partners, supplier partners, business partners and shareholders. Moving forward, the Group will continue to embrace new challenges and opportunities in an effort to drive its long-term development.

CORPORATE GOVERNANCE

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth, enhancing the Company's value and bringing value to the shareholders. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

The Board has established five Board committees namely, the audit committee, the nomination committee, the remuneration committee, the executive committee and the environmental, social and governance committee with written terms of reference in compliance with the Corporate Governance Code ("**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The Company has implemented and applied the principles contained within the recommended best practices of the CG Code, 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 contained in Appendix 14 of the Listing Rules for the year ended 31 March 2023.

According to code provision C.2.1 of Part 2 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.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the CG Code. The audit committee comprises three independent non-executive Directors namely, Dr. Or Ching Fai, Mrs. To Wong Wing Yue Annie and Ms. Tam Laiman.

The chairman of the audit committee is Dr. Or Ching Fai who has appropriate professional qualifications. 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 external auditor of the Company the consolidated financial statements of the Group for Fiscal 2023, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters related to the preparation of the annual results of the Group for Fiscal 2023.

The terms of reference of the audit committee were adopted on 11 September 2015 and revised on 24 March 2016 and further revised on 23 January 2019 which are available for inspection on the websites of the Company at www.reginamiracleholdings.com and The Stock Exchange of Hong Kong Limited at www.hkexnews.hk.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

COMPLIANCE WITH THE MODEL CODE

The Company has 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 its code of conduct regarding directors' securities transactions. 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 for the year ended 31 March 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2023.

FINAL DIVIDEND

The Board has resolved to propose a final dividend of HK1.8 cents per share for the year ended 31 March 2023. Together with the interim dividend of HK8.5 cents per share, the total dividend distribution represents approximately 32.9% of the Group's net profit for the year ended 31 March 2023.

The proposed final dividend payment is subject to approval by the shareholders of the Company at the forthcoming annual general meeting ("**AGM**") to be held on Wednesday, 13 September 2023. If approved by shareholders, the proposed final dividend is expected to be paid on or about Wednesday, 4 October 2023 to shareholders whose names appear on the register of members of the Company on Friday, 22 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed as follows:

(1) For the purpose of determining the shareholder's eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 7 September 2023 to Wednesday, 13 September 2023, both days inclusive. In order to qualify for attending and voting at the AGM, 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. (Hong Kong time) on Wednesday, 6 September 2023.

(2) The final dividend will be payable on or about Wednesday, 4 October 2023 to the shareholders whose names appear on the register of members of the Company on Friday, 22 September 2023. For the purpose of ascertaining shareholders' entitlement for the final dividend, the register of members of the Company will be closed from Wednesday, 20 September 2023 to Friday, 22 September 2023, both days inclusive. To qualify for the final 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. (Hong Kong time) on Tuesday, 19 September 2023.

ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 13 September 2023. Notice of the AGM will be sent to the shareholders of the Company in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.reginamiracleholdings.com. The annual report 2022/23 and the notice of the AGM will be dispatched to the shareholders of the Company and made available on the websites of The Stock Exchange of Hong Kong Limited and 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 year ended 31 March 2023.

By order of the Board
Regina Miracle International (Holdings) Limited
Hung Yau Lit (also known as YY Hung)
Chairman

Hong Kong, 29 June 2023

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.