MAGIC HOLDINGS INTERNATIONAL LIMITED
美即控股國際有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1633)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 30 June 2012 was approximately HK$1,349 million, representing an increase of 41.0% from approximately HK$957 million for the year ended 30 June 2011.

- Gross profit for the year ended 30 June 2012 was approximately HK$1,033 million, representing an increase of 40.4% from approximately HK$736 million for the year ended 30 June 2011.

- Net profit for the year ended 30 June 2012 was approximately HK$200 million, representing an increase of 25.0% from approximately HK$160 million for the year ended 30 June 2011.

- Excluding the non-operating income and expense which are gain on derecognition of derivative financial instrument, foreign exchange differences, equity settled share option and award expenses, the adjusted net profit for the year increased by 45.5% from approximately HK$156 million for the year ended 30 June 2011 to approximately HK$227 million for the year ended 30 June 2012.

- Earnings per share attributable to equity holders of the Company for the year ended 30 June 2012 was approximately HK20.36 cents, representing an increase of 20.2% from approximately HK16.94 cents (restated) cents for the year ended 30 June 2011.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Magic Holdings International Limited (the "**Company**", or "**MG**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 30 June 2012 together with the comparative amounts for the preceding financial year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	4	**1,349,409**	957,322
Cost of sales		**(316,399)**	(221,572)
Gross profit		**1,033,010**	735,750
Other income and gains	4	**16,678**	14,507
Selling and distribution costs		**(691,984)**	(492,516)
Administrative expenses		**(92,447)**	(53,612)
Gain on derecognition of derivative financial instruments		**—**	5,100
PROFIT BEFORE TAX	5	**265,257**	209,229
Income tax expense	6	**(65,130)**	(49,075)
PROFIT FOR THE YEAR		**200,127**	160,154
Attributable to:			
Equity holders of the Company		**204,513**	160,523
Non-controlling interests		**(4,386)**	(369)
		200,127	160,154
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		(Restated)
Basic		**HK20.36 cents**	HK16.94 cents
Diluted		**HK20.23 cents**	HK16.94 cents

Details of the dividends are disclosed in note 7 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 30 June 2012

	2012	2011
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**200,127**	160,154
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**13,937**	21,626
Income tax effect	**—**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**13,937**	21,626
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**214,064**	181,780
Attributable to:		
Equity holders of the Company	**218,114**	181,910
Non-controlling interests	**(4,050)**	(130)
	214,064	181,780

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**32,344**	14,178
Prepaid land lease payments		**61,564**	—
Goodwill		**14,549**	15,772
Intangible asset		**20,445**	24,049
Deferred tax asset		**415**	1,283
Prepayments and deposits		**2,467**	41,723
Total non-current assets		**131,784**	97,005
CURRENT ASSETS			
Inventories		**26,967**	14,845
Trade receivables	*9*	**250,497**	181,248
Prepayments, deposits and other receivables		**109,010**	97,596
Tax recoverable		**895**	877
Cash and cash equivalents		**1,104,202**	975,404
Total current assets		**1,491,571**	1,269,970
CURRENT LIABILITIES			
Trade payables	*10*	**63,825**	45,401
Other payables and accruals		**37,797**	34,311
Tax payable		**23,998**	23,219
Total current liabilities		**125,620**	102,931
NET CURRENT ASSETS		**1,365,951**	1,167,039
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,497,735**	1,264,044
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**5,111**	6,012
Net assets		**1,492,624**	1,258,032

	2012	2011
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**100,890**	83,491
Reserves	**1,379,456**	1,158,213
	1,480,346	1,241,704
Non-controlling interests	**12,278**	16,328
Total equity	**1,492,624**	1,258,032

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Magic Holdings International Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is Suite 802, Sino Plaza, 255–257 Gloucester Road, Causeway Bay, Hong Kong. The Group was principally engaged in manufacture, sales and marketing of facial masks and other skincare products in Mainland China.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (**HK$'000**) except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 *Amendments*	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products. Since the Group has only one single product line during the year, which is the manufacture and sale of facial masks and other skincare products, no further analysis thereof is presented.

Besides, as the Group's customers and non-current assets are solely in the PRC, no further analysis on the geographical information is presented.

Information about major customers

	2012	2011
	HK$'000	*HK$'000*
Customer A	**241,445**	157,080
Customer B	**137,769**	138,502
Customer C*	**N/A**	122,277
	379,214	417,859

* Sales to customer C during the year ended 30 June 2012 amounted to less than 10% of the revenue. Accordingly, the sales amount was not presented in the above.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**1,349,409**	957,322
Other income and gains		
Bank interest income	**6,836**	1,875
Foreign exchange differences, net	**9,842**	12,632
	16,678	14,507
	1,366,087	971,829

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2012 *HK$'000*	2011 *HK$'000*
Cost of inventories sold	**316,399**	221,572
Depreciation*	**2,845**	845
Amortisation of an intangible asset*	**4,091**	3,915
Minimum lease payments under operating leases on land and buildings	**5,102**	4,428
Equity-settled share award expenses	**22,767**	13,316
Equity-settled share option expenses	**13,609**	—
Derecognition of derivative financial instruments	**—**	(5,100)
Impairment of goodwill**	**1,233**	—
Foreign exchange differences, net	**(9,842)**	(12,632)

* Included in the respective balances are the following amounts which are also included in the cost of inventories sold disclosed above:

	2012 *HK$'000*	2011 *HK$'000*
Depreciation	**945**	150
Amortisation of an intangible asset	**4,091**	3,915
	5,036	4,065

** Impairment of goodwill is included in the "administrative expenses" on the face of the consolidated income statement.

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

During the 5th Session of the 10th National People's Congress which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "**Corporate Income Tax Law**") was approved and became effective on 1 January 2008. The Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

重慶朗禾化妝品有限公司 was qualified as a 鼓勵類產業企業 and hence is subject to a preferential corporate income tax ("**CIT**") rate of 15%.

	2012	2011
	HK$'000	*HK$'000*
Current — Mainland China		
Charge for the year	**65,284**	51,268
Overprovision in prior years	**—**	(1,277)
Deferred	**(154)**	(916)
Total tax charge for the year	**65,130**	49,075

7. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Dividends paid:		
Final dividend in respect of the financial year ended 30 June 2011 — HK3.6 cents per ordinary share and a bonus issue of shares on the basis of 1 new ordinary share for every 5 existing ordinary shares (2011: special dividend and satisfied by way of scrip dividend of 4,910,614 shares of HK$0.1 each and deemed at HK$5.96 per share in respect of the financial year ended 30 June 2010)	**30,057**	29,267
Proposed dividend:		
Final	**36,320**	30,000

The directors recommend the payment of dividend of HK$36,320,000 (approximately HK3.6 cents per share) for the year. The dividend payable was not reflected in the financial statements for the year ended 30 June 2012.

The dividend per share is based on the number of shares in issue as at the end of the reporting period. The dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be held on 14 December 2012. These financial statements do not reflect the dividend payable.

The proposed final dividend of HK$30,000,000, representing approximately HK3.6 cents per share, and a bonus issue of shares on the basis of 1 new ordinary share for every 5 existing ordinary shares (the "Bonus Issue") for the year ended 30 June 2011 were approved by the Company's shareholders at the Company's annual general meeting on 16 December 2011. A final dividend of HK3.6 cents per share for the year ended 30 June 2011 was satisfied by cash payment. On 13 January 2012, 166,982,122 shares of HK$0.1 each were issued to satisfy the bonus issue of shares. The dividend payable was not reflected in the financial statements as at 30 June 2011.

8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings per share

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares of 1,004,240,000 (2011: 947,509,000 adjusted for the effect of the Bonus Issue) in issue during the year, as adjusted for the effect of the Bonus Issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 30 June 2011 included the 600,000,000 ordinary shares as if the shares had been in issue throughout the year ended 30 June 2011, 200,000,000 ordinary shares issued on 24 September 2010 in connection with the Listing, 30,000,000 ordinary shares issued on 27 September 2010 upon the exercise of an over-allotment option, 4,910,614 shares issued by the Company as the settlement of the special dividend by way of scrip dividend during that year, and adjusted for the effect of the Bonus Issue.

The calculations of basic and diluted earnings per share are based on:

	2012	2011
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to equity holders of the Company	**204,513**	160,523
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (2011: restated to reflect the effect of the Bonus Issue)	**1,004,240**	947,509
Weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year	**6,552**	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,010,792**	947,509

9. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group generally grants credit terms of up to one year for certain amounts of products to its distributors at the beginning of each calendar year on a case-by-case basis. The Group generally requires such distributors to settle payment for these products at the end of each calendar year. No credit is provided for any further placement from these distributors and payment is required before any further delivery is made to them. Included in the receivable balances at 30 June 2012 were amounts of HK$245,953,000 (2011: HK$180,704,000), which represented amounts granted under such terms. The Group generally offers credit terms of up to 90 days to its retailers.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The Group's trade receivables relate to a number of diversified customers and there is certain concentration of credit risk.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
1 to 180 days	**249,108**	181,248
Over 180 days	**1,389**	—
	250,497	181,248

An analysis of trade receivables that were not considered to be impaired is as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**249,108**	181,248
Over 180 days past due	**1,389**	—
	250,497	181,248

The Group's trade receivables mainly relate to sales made to recognised and creditworthy customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a customer that has a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of the balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

10. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**63,825**	45,401

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("**Annual General Meeting**") is scheduled on Friday, 14 December 2012. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 10 December 2012 to Friday, 14 December 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 7 December 2012.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is Friday, 21 December 2012. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 20 December 2012 to Friday, 21 December 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Wednesday, 19 December 2012. The payment of final dividend will be made on Monday, 28 January 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in manufacture, sales and marketing of facial mask products and other skincare products including MG brand ("**MG Brand**") and Keep Up brand ("**Keep Up Brand**") in China. During the year, the Group achieved a positive return through its intensive efforts on brand building and marketing, well-established distribution networks as well as the development of new products offerings.

FINANCIAL REVIEW

During the year, the Group maintained a healthy continuous growth and achieved a new height. Sales revenue for the year amounted to approximately HK$1,349,409,000, representing a growth of approximately 41.0% as compared with approximately HK$957,322,000 in the preceding financial year. Gross profit margin maintained at approximately 76.6% in the year as compared to approximately 76.9% in the preceding financial year as a result of sales volume increase, effective production cost control and stable growth in sale contribution by the mid to high end series with higher profit margin. Profit attributable to equity holders increased to approximately HK$204,513,000 in the year, representing an increase of approximately 27.4% from approximately HK$160,523,000 in financial year 2011. Regardless of the non-operating income, namely gain on derecognition of derivative financial instruments, foreign exchange differences, and the non-operating expenses, namely equity settled share option and award expenses, the adjusted net profit for the year increased by approximately 45.5% from approximately HK$155,738,000 in financial year 2011 to approximately HK$226,661,000 in the year.

The total selling, general and administrative expenses incurred by the Group during the year under review was approximately HK$784,431,000, representing in aggregate approximately 58.1% of the total sales revenue, of which, total selling and distribution expenses were approximately HK$691,984,000, representing in aggregate approximately 51.3% of total sales revenue. Administrative expenses were approximately HK$92,447,000, out of which approximately HK$36,376,000 was incurred as equity settled share award and share option expenses.

BUSINESS REVIEW

The growth of the facial mask industry is higher than the traditional skincare products industry over the past three years. According to a report prepared by Kantar Worldpanel Limited, a subsidiary of CTR Market Research Company Limited ("**CTR Report**"), the facial masks industry achieved an annual growth rate of 29.0% (2010: 29.0% and 2009: 28.0%) in 2011 as compared to growth rate of the skincare products industry of 19.0% (2010: 13.0% and 2009: 15.0%) in China. Given a relatively low penetration rate of 29.7% (2010: 23.1% and 2009: 17.7%) among other more matured health and personal care product categories, the growth rate of the facial mask industry in China has been consistently remain at a relatively high level which benefited the Group to achieve encouraging results through the predetermined strategies and also built up a solid foundation for long term healthy and sustainable growth in the future.

Brand Building and Marketing

According to the CTR Report, the market share of our MG Brand in the Chinese facial mask market not only maintained at a leading position but the percentage increased every year from 15.1% in 2009 to 16.8% in 2010 and to 18.5% in 2011. The brand awareness of our MG Brand is the highest in the facial mask industry since 2010. When most of the consumers see our MG Brand, they will automatically think of facial masks, evidenced by the leading position of MG Brand in the industry in China. With the consumers' growing in-depth recognition for facial masks skincare functionalities and their leisure beauty experience values, facial masks are becoming an independent skincare product category, while the professional values and leisure beauty values of MG Brand are gaining more recognition by the consumers. We always believe, in a fast-growing industry, it is very important for MG Brand to become a market leader as it is an essential factor to take the MG Brand as the leading edge in facial mask industry for future competition purposes. We will also continue to strive for strengthening brand awareness by our intensive brand marketing activities.

We recognize the importance of building brand awareness and good reputation for consumable products like facial masks in a fast moving environment where market shares are not concentrated with a few brands, and therefore we have been focusing on both above-the-line and below-the-line marketing strategies. We have commissioned Ogilvy & Mather Advertising, as our advertising partner, to build, manage and promote our MG Brand through a series of all-dimensional above-the-line marketing strategies which include advertisement on television, metro, magazines, FocusMedia Terminal Hypermarkets, displays in office buildings and VisionChina's public bus videos with significant advertising effects. The first city that we applied the above-the-line marketing strategy was Beijing back in 2010. We will replicate and apply the successful Beijing model to each of the higher tier cities or regions in China one by one in order for our MG Brand to deeply penetrate into each of these higher tier cities or regions. Increase in awareness in higher tier cities initially would benefit our MG

Brand's penetration into lower tier cities. Once a brand is highly recognized by consumers in higher tier cities, it will be easily accepted and recognized by consumers in the lower tier cities. In respect of the below-the-line marketing strategy, we have commissioned OgilvyAction to provide advice on organizing the promotion activities in retail stores, designing displays for in-store MG Brand products, and the training on selling skills of our in-store sales promoters. Besides commissioning Ogilvy & Mather Advertising and Action, we have also commenced the internet-based promotion activities, and have commissioned OgilvyInteractive as our important partner to promote our MG Brand on the internet. These marketing strategies have been successful and effective which is best evidenced by our MG Brand's market share, brand awareness and also the response of the consumers.

The aforesaid brand promotion activities resulted in encouraging enhancement in respect of popularity and reputation of MG Brand, which are of great benefits in facilitating channel expansion, promoting terminal sales and improving brand awareness of consumers. At the same time, we believe that such activities has enabled MG Brand to move further ahead from a market share leading brand to a comprehensive leading brand, and has also played an important role in promoting the overall development of facial masks products and the industry.

Optimization and Expansion of Distribution Networks

During the year, we continued our predetermined strategies on optimization and expansion of distribution networks through modification of the products mix; We negotiated the design of our MG Brand products display at the point of sales and size of shelf space with the headquarter of point of sales in different sales channel in higher tier cities, and also increased the number of point of sales with high quality shop management and location in the lower tier cities. Besides optimization of the modernized sales channels in higher tier cities, in the financial year ended 2012, we further expanded our distribution networks by developing different type of sales channels, mainly for the convenience stores in the Central Business District of Beijing and Shanghai. The development of the convenience store sales channel is to further characterize facial mask products as fast-moving consumer goods so that facial mask products can be more convenient for the consumers to purchase. In addition, we are looking for opportunities to introduce our MG Brand into different sales channels, such as maternity specialty stores and over-the-counter drug stores where previously we had limited exposure. The change of consumers' purchase habit, especially for youngsters, is important as we expect the growth of our sales from on-line retail shops would increase steadily in the coming years so that we will also focus on the development of E-commerce in addition to the physical stores. As mention earlier, we have developed and deployed a number of the skincare specialty stores with selection of high quality shop management and location in lower tier cities. The implementation of these strategies not only enables the Group to further strengthen its distribution networks, but also increases the market coverage of our MG Brand horizontally and vertically in China. More importantly, such implementation also helps to promote the brand awareness of MG Brand.

As at 30 June 2012, we had 261 distributors (174 distributors as at 30 June 2011) and the number of terminal stores coverage was 10,184 (6,264 stores as at 30 June 2011), representing a net increase of 3,920 new stores for the year. Among the total new stores, the increase was partly attributable to new shop openings through the established sales channels in higher tier cities as well as further development of certain well-qualified medium and small-sized supermarkets and hypermarkets. During the year, personal healthcare product chain stores increased from 872 to 1,190 stores, and new stores in supermarket and hypermarkets increased from 2,777 to 3,855 stores. The number of our skincare specialty stores in the third and fourth tier cities increased from 2,615 stores to 3,575 stores. We also developed 1,564 convenient stores which they are mainly located in Beijing and Shanghai.

The smooth development of sales channel expansion is of significant importance. On one hand, the new stores contributed considerable sales revenue to the Group, which represented approximately 50% of the overall growth of sales revenue during the year. On the other hand, with the expansion of our distribution networks and terminal stores, we were able to access to a wider population, enabling consumers to purchase MG Brand more conveniently, especially for the consumers in the lower tier cities. We believed, the optimization and expansion of distribution networks will make great contribution to the growth of facial mask industry as well as improving the brand awareness of MG Brand, which can also establish a solid foundation for the Group to introduce other brands and businesses in future. Furthermore, the continuous expansion of our distribution networks will enable us to capture opportunities arising from future competition as our distribution strength will build a harder entry barrier for competitors.

In line with our fast growing number of new terminal stores, as mentioned previously, we also optimized the operation of the original terminal stores, which helped to record such sound operating results as an increase of approximately 21.3% in sales as compared to the same period last year. Such results represented approximately 50% of our overall growth of sales revenue for the year.

While achieving sound results in both the development of new stores and higher sales from original terminal stores, we further optimized the structure of sales channels according to our predetermined strategies. During the year, personal healthcare chain stores achieved a steady growth in sales revenue. Sales revenue of supermarkets and hypermarkets (including convenience stores) achieved obvious and rapid growth. Our skincare specialty stores in the lower tier cities continued with robust growth in sales revenue. More obviously our E-commerce sales channels demonstrated a strong growth potential and an increasing contribution to our overall sales revenue.

New Products Offerings

Our MG Brand has consistently enriched its product portfolios by introducing new products with different characteristics in response towards frequent changes in demand of the facial mask industry. Currently our MG Brand carries over 170 types of peel-off and wash-off facial mask products within a range of 13 product series. During the year, peel-off facial mask products (including eye masks) and wash-off facial mask products accounted for approximately 90.2% and approximately 9.4% of our total sales, respectively. Our MG Brand will primarily launch mid to high end facial mask products with higher retail price and profit margin in order to stabilize the overall gross margin and broaden our customer base by capturing more upscale customers with higher purchasing power. In January 2012, we have launched two new mid to high end wash-off facial mask series under our MG Brand, namely Password For Beauty and Mineral Mud Deep Cleansing. Under the Password For Beauty series, there are eight different types of products, namely, MG Silk Protein Mask, MG Royal Jelly Mask, MG Shea Butter Mask, Blue-water Collagen Mask, MG Snow Lotus Mask, MG Snow Fungus and Bird's Nest Mask, MG Caviar Extract Mask, MG Pearl and Honey Mask. Under the Mineral Mud Deep Cleansing series, there are four types of products, namely, MG Ocean Mineral Clay Mask, MG Flower Clay Mask, MG Active Carbon Mask, and MG Volcano Clay Mask. The retail prices for Password For Beauty and Mineral Mud Deep Cleansing series are RMB63 and RMB 72 respectively. These new wash-off facial mask products are initially sold through personal healthcare chain stores. Despite a short period of sales record during the year, they have achieved sound consumers responses with contribution of approximately 1.24% of total sales revenue for the year. While the above new products had enlarged the MG Brand portfolios, they had also provided more comprehensive choices to cater for different consumers' demand.

During the year, sales of other mid to high end peel-off facial masks series, like Forever Silky, Chinese Herbal Skincare, and Spring, accounted for approximately 9.0%, approximately 9.0% and approximately 5.7% of our total sales, respectively, with approximately 23.7% in aggregate. The sales contribution by these mid to high end products maintained a stable sales growth which stabilize the overall gross profit margin and broadened our customers' base to premier customers with higher purchasing power in recognizing MG Brand as a professional brand in the facial masks industry.

Multi-Brand and Multi-Category Development

While sustaining our rapid growth of the MG Brand as our core business, we have continued our effort in developing the multi-brand and multi-category strategy in other skincare product brands over the year in order to develop a path for our future growing points other than the contribution from our MG Brand facial mask products.

The skincare products industry maintained a faster growth in recent years. With the continuing urbanization in China, the higher standard of living and the desire for beauty by the female consumers, it is expected that the skincare product industry will continue with its stable growth in the future. With the continuous rapid development of the economy of China, individual income and consumption standard will further improve. With a growing attention to personal appearance, we expect that the skincare product industry in China will maintain a faster development pace in future. In addition, the skincare product industry have not yet been monopolized by a few brands due to the vast geographical locations, sophisticated municipal standards, extensive consumption and sales channels in China so that opportunities for skincare industry still exist as the industry is not in a concentrated environment. We believe that the future skincare product industry will have ample market development dimensions and opportunities so that we will develop more skincare brands as our long term development and growing points while optimizing our core facial mask business. We are thoroughly aware that the skincare product industry requires distinct business strategies and has distinct competition environment compared to the facial mask industry. Thus, we must adopt a prudent and stable attitude towards the development of other skincare product brands, and before launching any new brands, provide evidence to potential opportunities by brainstorming, verification, products testing and marketing.

Strategically, we have considered launching brands with different kinds of skincare products to be used before and after the application of facial masks so that different brands and different products under our company will have a synergy effect. Other than our own Keep Up Brand skincare products introduced in June of 2011 that we have commissioned Hanbul Cosmetics Company Limited ("**Hanbul**"), our Korean joint venture partner, to label and process, we have planned to launch our first brand Individual Care System ("**ICS Brand**") from Hanbul under the joint venture later this year. Both Keep Up Brand and ICS Brand will also be selling through our distribution networks mainly in skincare specialty stores as well as E-commerce sales channels in China. Hanbul has over 20 years of extensive experience in the skincare and cosmetic products industry. By co-operating with Hanbul, we are able to enhance our capabilities in product research and development, production and quality control. The entry into the joint venture agreement signifies an important and solid step that we are moving towards the multi-brand and multi-category development strategies of its skincare and cosmetic product areas.

Stringent Quality Control

The Group has all along been observing and up-keeping the principles of "Safety Goes First, Priority In Quality" in engaging in the production and control of our products. We have implemented stringently the laws and regulations, such as "Product Quality Law", "Regulations Concerning the Hygiene Supervision Over Cosmetics", "Standardization Law", "Regulations on the Administration of Production License for Industrial Products" as production guidelines. We take proactive moves in knowing new trends and react in a timely manner. We work from the basics to enhance our procedural administration to ensure the quality and safety of the Company's products. Consumer health protection and safety are our priority concern as they will maintain the high creditability of the Group and consumers' confidence in our products. All raw materials delivered to our production facilities will be tested thoroughly before the production. We also have a practice of retaining samples of each batch of essence ingredients, semi-finished products and finished products for future testing. These samples are kept for at least three years, sufficiently covering the intended shelf life of the finished products.

FUTURE PROSPECTS

Looking forward, we believe the growth of the facial mask industry will continue to be driven by the increasing number of facial mask users and more frequent use of facial masks. Therefore, we will continue our commitment to develop our facial mask products and focus on our predetermined strategies to strengthen our facial masks products under our MG Brand.

Also, we have a clear mind that the facial mask industry has developed from its infant stage to its fast growing stage, attracting more market players with stronger competitive advantages which will bring about market competition more fierce and crucial than the past. We expected a market consolidation and competition reshuffle will happen in the coming two to three years, and the concentration level of the facial mask market will be further improved thereafter, and a new market landscape will be fundamentally established. With a view to completely maintain the leading position of our core business, we will consolidate the business base of our long-term development which will translate into the long-term benefits for our shareholders. We will aggressively acquire more market shares and further increase the brand awareness of our MG Brand through both above-the-line and below-the-line marketing strategies through more proactive market actions and more resources allocation.

We believe that the product brand is the core key to the future competition. By capitalizing on thorough research and study of the facial mask products over the years, we have an in-depth understanding about the special skincare values and pleasant experience provided by such products to the consumers. Thus, we have established our leading product's unique brand notion of "Relax and enjoy beauty". In future, we will allocate more resources to promote the notion of MG Brand to a wider range of consumers and deepen their understanding of our products. We will continue our close cooperation with many professional consultation firms, and methodically arrange the deployment of such traditional media advertisement as television, newspaper and magazines, and outdoor advertising in reference to previous successful experience. Meanwhile, in response towards changes of consumers' habit of media exposure, we will focus more on areas such as the internet and public relations in order to improve consumers' experience and interaction with our MG Brand. We are confident that more consumers will have a growing recognition to the effective skincare treatment of MG Brand and increase width and depth of our MG Brand promotion. By doing so, we will promote our brand awareness, reputation, and consumer loyalty of our MG Brand.

We have preliminarily established a basic distribution system that covers personal skincare chain stores, supermarkets and hypermarkets, skincare specialty stores, and E-commerce channels. Based on this, we will continue to focus on the promotion and expansion of our distribution networks in terms of the number of terminal stores and coverage under the lower tier cities. In parallel with constant expansion of terminal stores, we emphasize more on the quality development of terminal stores. We will endeavor to foster strategic cooperation with sales channel providers on the management of facial mask products in hope for better display positions, larger display areas, and more brand specialty counters in the terminal stores. Coupled with a wider coverage of shopping guides at the terminal stores and improved professionalism, we will adjust the incentive-based Key Performance Indicator to enhance the customers' loyalty of our MG Brand in their shopping experience and increase the output of a single store.

Furthermore, in view of a growing popularity of facial mask products, we will optimize the research on consumers' needs and technology development of facial mask products under our MG Brand, and launch new products on a timely basis. Finally, we will focus on the development of a successful model for our skincare business segment through brainstorming, verification, products testing and marketing in order to set a solid foundation for the long-term healthy and sustainable growth for the Group.

The Group had maintained a rapid growth with a CAGR of sales revenue of approximately 53.3% from 2009 to 2012 and a milestone for the Group achieving RMB 1 billion sales revenue for the year. To succeed in maintaining a rapid growth in sales revenue, it also means that we must concurrently improve our internal management systems (comprising our human management system, operational management and financial management systems), organization, formality, and mechanism, while enhancing our integrated competency in supporting our stable and healthy growth in the long run. We will continue to improve our internal management systems through collaboration with a team of external professional parties and advisers. Training of our staff will also enable us to improve our professional knowledge on the industry and corporate culture, and optimize the internal management systems of the Group for ongoing improvement in operational management.

Looking ahead, we anticipate the stable and ongoing development of our Group will successfully continue to generate values and returns for our shareholders through the thorough development of our brand management and distribution networks, solid experience in multi-brand and multi-category management, and ongoing optimization of group organization and operational management.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group had unpledged cash and bank balances of approximately HK$1,104,202,000 (2011: approximately HK$975,404,000). The gearing ratio for the Group was 0% (2011: 0%) as the Group had no outstanding bank borrowing as at 30 June 2012 (2011 outstanding bank loan: Nil). Net current assets were approximately HK$1,365,951,000 (2011: approximately HK$1,167,039,000) and current ratio was maintained at a healthy level of approximately 11.9 (2011: approximately 12.3) as at 30 June 2012.

The Group has no finance costs incurred during the year as there is no bank borrowing during the year (2011: approximately HK$0).

COMMITMENTS

As at 30 June 2012, the Group had contracted commitments of approximately HK$1,834,000 (30 June 2011: HK$28,856,000).

CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any significant contingent liabilities (30 June 2011: Nil).

BANK BORROWINGS

As at 30 June 2012, the Group had no outstanding bank loans (30 June 2011: Nil).

SEASONAL OR CYCLICAL FACTORS

During the year, the Group's business operations were not significantly affected by any seasonal or cyclical factors.

FOREIGN EXCHANGE EXPOSURE

During the year, the Group mainly generated sales revenue and incurred costs in Renminbi. In view of the expected appreciation of Renminbi, the Directors considered that the Group's exposure to fluctuation in foreign exchange rate was minimal, and accordingly, the Group did not employ any financial instruments for hedging purpose.

TREASURY POLICIES

During the year, the Group generally financed its operations with internally generated resources. The Group placed these resources into interest-bearing bank accounts opened with banks in China, Hong Kong, and Macau, and earned interest in accordance with the China, Hong Kong and Macau bank interest rates. Bank deposits were mainly denominated in Renminbi and Hong Kong Dollars.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 30 June 2012, the Group had a total of 3,930 workforces, including the workforces under the Group's employment and those supplied by a workforces solution provider ("the Provider") (2011: 2,364), of whom 3,925 were based in China, with the rest stationed in Hong Kong. The employees of the Group were remunerated based on their experience, qualifications, the Group's performance as well as market conditions. During the year, staff costs and amount paid to the Provider amounted to a total of approximately HK$175,373,000 (2011: approximately HK$99,277,000). Such costs accounted for 13.0% of the Group's sales revenue (2011: 10.4%) during the year. The increase of such costs in the year was mainly attributable to the increase in number of workforces and their wages and salaries, as well as the equity settled share award and share option expenses of approximately HK$36,376,000 (2011: HK$13,316,000). The Group participated in retirement benefit schemes for its staff both in Hong Kong and China.

The Group has developed its training programs in a structured and systematic manner for its directors, senior management and employees. The Group provided regular directors, senior management and employee with technical related courses during the year.

FINAL DIVIDEND

At a meeting of the Board held on 17 September 2012, the Directors recommended the payment of a final dividend of HK3.6 cents per share for the year totalling approximately HK$36,320,000 to the shareholders of the Company whose names appear on the register of members of the Company on 21 December 2012, subject to the approval of the shareholders of the Company in the Company's forthcoming Annual General Meeting. The final dividend will be paid on 28 January 2013, if the relevant resolutions have been passed at the forthcoming Annual General Meeting.

CORPORATE GOVERNANCE

During the year, the Company has complied with all the Code Provisions of the Code on Corporate Governance Practices, which was revised and renamed as Corporate Governance Code on 1 April 2012, contained in Appendix 14 to the Listing Rules for the period from 1 July 2011 to 31 March 2012 and of the Corporate Governance Code for the period from 1 April 2012 to 30 June 2012.

Detailed information of the Company's corporate governance practices as set out in the corporate governance report will be included in the Company's annual report to be despatched to the shareholders in due course.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors and senior management of the Group in September 2010 on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiries of all Directors and senior management of the Group, all Directors and senior management of the Group have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by Directors and senior management of the Group during the year and up to the date of this announcement.

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

Neither the Company, nor any of its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during the year.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Committee**") in accordance with the requirements of the Code Provisions. The primary duties of the Committee include reviewing and providing supervision over the financial reporting procedures and internal controls of the Group. The Committee currently comprises Mr. Yan Kam Tong, Professor Dong Yin Mao and Professor Yang Rude, the three independent non-executive Directors. The Group's financial statements for the year have been reviewed by the Committee, which is of the opinion that such financial statements comply with the applicable accounting standards, and the requirements of the Listing Rules and the applicable laws, and that adequate disclosures have been made.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is available for viewing on the website of the Stock Exchange and the website of the Company at http://www.magicholdings.co. The annual report of the Company will be dispatched to shareholders of the Company in due course.

By the order of the Board
Magic Holdings International Limited
Tang Siu Kun Stephen
Chairman

Hong Kong, 17 September 2012

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Tang Siu Kun Stephen (Chairman), Mr. She Yu Yuan, Mr. Luo Yao Wen and Mr. Cheng Wing Hong; two non-executive directors, namely Mr. Sun Yan and Mr. Chen Dar Cin; and three independent non-executive directors, namely Professor Dong Yin Mao, Professor Yang Rude and Mr. Yan Kam Tong.