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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$821.4 million, representing an increase of approximately 30.8% from approximately HK$627.9 million for the corresponding period last year
- Gross profit was approximately HK$628.5 million, representing an increase of approximately 30.7% from approximately HK$480.9 million for the corresponding period last year
- Without regard to the non-operating expense on equity-settled share award expenses under administrative expenses, the operating profit after tax was approximately HK$105.0 million
- Net profit was approximately HK$96.5 million, representing an increase of approximately 19.6% from approximately HK$80.7 million for the corresponding period last year
- The Directors recommend the payment of an interim dividend of approximately HK1.2 cents per share for the six months ended 31 December 2012 (corresponding period in 2011: Nil)

UNAUDITED INTERIM RESULTS

The board ("**Board**") of directors ("**Directors**") of Magic Holdings International Limited ("**Company**") is pleased to present the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 31 December 2012 ("**Period**") together with the comparative figures for the corresponding period in 2011 and the relevant explanatory notes as set out below. The interim results for the Period are unaudited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 31 December	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*5*	**821,372**	627,907
Cost of sales		**(192,857)**	(147,048)
Gross profit		**628,515**	480,859
Other income and gains	*5*	**5,056**	2,992
Selling and distribution costs		**(458,989)**	(324,373)
Administrative expenses		**(48,072)**	(49,830)
PROFIT BEFORE TAX	*6*	**126,510**	109,648
Income tax expense	*7*	**(30,050)**	(28,949)
PROFIT FOR THE PERIOD		**96,460**	80,699
Attributable to:			
Equity holders of the Company		**100,037**	82,579
Non-controlling interests		**(3,577)**	(1,880)
		96,460	80,699
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**HK9.88 cents**	HK9.89 cents
Diluted		**HK9.80 cents**	HK9.71 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**96,460**	80,699
Other comprehensive income:		
Exchange differences on translating foreign operations	**8,096**	31,548
Income tax effect	**–**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**8,096**	31,548
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**104,556**	112,247
Attributable to:		
Equity holders of the Company	**108,076**	113,714
Non-controlling interests	**(3,520)**	(1,467)
	104,556	112,247

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2012 (Unaudited) *HK$'000*	30 June 2012 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**34,595**	32,344
Prepaid land lease payments		**62,627**	61,564
Goodwill		**14,549**	14,549
Intangible asset		**18,498**	20,445
Deferred tax asset		**540**	415
Prepayments and deposits		**2,480**	2,467
Total non-current assets		**133,289**	131,784
CURRENT ASSETS			
Inventories		**32,657**	26,967
Trade receivables	*10*	**272,295**	250,497
Prepayments, deposits and other receivables		**166,385**	109,010
Tax recoverable		**283**	895
Cash and cash equivalents		**1,145,430**	1,104,202
Total current assets		**1,617,050**	1,491,571
CURRENT LIABILITIES			
Trade payables	*11*	**48,559**	63,825
Other payables and accruals		**46,277**	37,797
Dividend payables		**36,194**	–
Tax payable		**23,739**	23,998
Total current liabilities		**154,769**	125,620
NET CURRENT ASSETS		**1,462,281**	1,365,951
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,595,570**	1,497,735
NON-CURRENT LIABILITY			
Deferred tax liabilities		**4,625**	5,111
Net assets		**1,590,945**	1,492,624
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*12*	**101,972**	100,890
Reserves		**1,480,215**	1,379,456
		1,582,187	1,480,346
Non-controlling interests		**8,758**	12,278
Total equity		**1,590,945**	1,492,624

NOTES TO CONDENSED CONSOLIDATED INTERIM 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 in Hong Kong 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 China.

Certain comparative figures for prior accounting period have been restated to conform with the current Period's presentation.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2012 has been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules ("**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements of the Group for the year ended 30 June 2012. This interim financial statements should be read in conjunction with the 2011/2012 annual report.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

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. Details of the related party transactions, including the related comparative information, are included in note 33 to the consolidated financial statements.

(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 nonreplaced 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.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government loan*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[1]
HKFRS 9	*Financial Instruments*[3]
HKFRS 10	*Consolidated Financial Statement*[1]
HKFRS 11	*Joint Arrangements*[1]
HKFRS 12	*Disclosure of Interests in Other Entities*[1]
HKFRS 13	*Fair Value Measurement*[1]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12: *Transition Guidance*[1]
HKAS 19 (2011)	*Employee Benefit*[1]
HKAS 27 (2011)	*Separate Financial Statements*[1]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[1]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[2]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[1]
Annual Improvements Project	*Annual Improvements to IFRSs 2009–2011 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015

The Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application and not yet in a position to state whether these new and revised HKFRSs would have any significant impact on the Company's results of operations and financial position.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products. Since the Group has mainly one single product line during the Period, which is the manufacture, sales and marketing of facial masks and other skincare products, accordingly 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 thereof is presented.

Information about major customers

	For the six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A	**99,985**	138,170
Customer B	**78,972**	77,851
Customer C*	**N/A**	74,746
	178,957	290,767

* Sales to Customer C during the Period amounted to less than 10% of the revenue. Accordingly, the sales amount was not presented in the above.

5. 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:

	For the six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**821,372**	627,907
Other income and gains		
Bank interest income	**5,056**	2,992
	826,428	630,899

6. PROFIT BEFORE TAX

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

	For the six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**192,857**	147,048
Depreciation*	**3,665**	1,505
Amortisation of an intangible asset*	**2,046**	2,040
Equity-settled share award expenses and share-based payment expenses	**8,535**	18,958

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

	For the six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**726**	738
Amortisation of an intangible asset	**2,046**	2,040
	2,772	2,778

7. 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 Period.

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 rate 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 rate of 15%.

	For the six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Mainland China		
Charge for the Period	**30,687**	30,775
Deferred	**(637)**	(1,826)
Total tax charge for the Period	**30,050**	28,949

8. DIVIDEND

The Directors recommend the payment of an interim dividend of approximately HK1.2 cents per share for the six months ended 31 December 2012 (corresponding period in 2011: Nil). These financial statements do not reflect the interim dividend payable.

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

(a) Basic

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

	For the six months ended 31 December	
	2012	2011
Profit for the Period attributable to equity owners of the Company *(in HK$'000)*	**100,037**	82,579
Weighted average number of ordinary shares in issue for basic earnings per share	**1,012,179,149**	834,910,614
Basic earnings per share *(in HK cents)*	**9.88**	9.89

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	For the six months ended 31 December	
	2012	2011
Profit for the Period attributable to equity owners of the Company *(in HK$'000)*	**100,037**	82,579
Weighted average number of ordinary shares in issue for basic earnings per share	**1,012,179,149**	834,910,614
Adjustment for share options granted on 27 September 2011 and exercised during the Period	**8,258,315**	15,652,174
Weighted average number of ordinary shares for diluted earnings per share	**1,020,437,464**	850,562,788
Diluted earnings per share *(in HK cents)*	**9.80**	9.71

10. 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. 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. Trade receivables are non-interest-bearing. The Group's trade receivables mainly related to a few recognised and creditworthy customers.

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

	31 December 2012 (Unaudited)	30 June 2012 (Audited)
	HK$'000	*HK$'000*
Within 180 days	**244,159**	250,497
181 to 365 days	**28,136**	–
	272,295	250,497

11. TRADE PAYABLES

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

	31 December 2012 (Unaudited)	30 June 2012 (Audited)
	HK$'000	*HK$'000*
Within 90 days	**48,559**	63,825
Over 90 days	**–**	–
	48,559	63,825

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

12. SHARE CAPITAL

The details of the authorised and issued share capital of the Company as at 31 December 2012 are as follows:

	31 December 2012 (Unaudited)
	HK$'000
Authorised:	
2,000,000,000 ordinary shares of HK$0.1 each	**200,000**
Issued:	
1,019,722,736 ordinary shares of HK$0.1 each	**101,972**

The movement of the Company's authorised and issued share capital during the period from 30 June 2012 to 31 December 2012 are as follows:

	Number of ordinary shares	Nominal value of ordinary shares
		HK$'000
Authorised:		
At 31 December 2012	2,000,000,000	200,000
Issued:		
At 30 June 2012	1,008,902,736	100,890
Exercise of share options on September 2012	500,000	50
Exercise of share options on October 2012	1,260,000	126
Exercise of share options on November 2012	8,810,000	881
Exercise of share options on December 2012	250,000	25
At 31 December 2012	1,019,722,736	101,972

13. COMMITMENTS

As at 31 December 2012, the Group had contracted commitments of approximately HK$780,000 (30 June 2012: HK$1,834,000).

14. CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any significant contingent liabilities (30 June 2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

The record date for entitlement to the proposed interim dividend is Friday, 5 April 2013. For determining the entitlement to the proposed interim dividend, the register of members of the Company will be closed from Tuesday, 2 April 2013 to Friday, 5 April 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim 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 Thursday, 28 March 2013. The payment of interim dividend will be made on Friday, 26 April 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the research and development, manufacture, sales and marketing of facial masks and other skincare products, including MG brand facial masks products ("**MG Brand**") and Keep Up brand skincare products ("**Keep Up Brand**") in China. During the Period under review, the Group continued to achieve a positive return through well established distribution channels, a successful MG Brand marketing promotion strategy as well as a continuous effort in enhancing the MG Brand positioning in the facial mask industry in China.

FINANCIAL REVIEW

The Group maintained a healthy rapid growth during the Period under review. Sales revenue for the Period amounted to approximately HK$821,372,000, representing a growth of approximately 30.8% as compared with approximately HK$627,907,000 in the corresponding period last year. The gross profit margin maintained at a relatively high level of approximately 76.5% during the Period. Profit attributable to equity holders increased to approximately HK$100,037,000 during the Period, representing an increase of approximately 21.1% from approximately HK$82,579,000 in the corresponding period last year.

The total selling, general and administrative expenses incurred by the Group during the Period under review was approximately HK$507,061,000, representing in aggregate approximately 61.7% of the total sales revenue, of which, total selling and distribution expenses were approximately HK$458,989,000, representing approximately 55.9% of total sales revenue in aggregate. Administrative expenses were approximately HK$48,072,000, out of which approximately HK$8,535,000 were incurred as equity-settled share award expenses.

INDUSTRY REVIEW

The Industry Trend

Facial mask product is under the skincare industry and the development of the industry is closely dependent on the size of population and the income level of the population. The plans for "Urbanization Development" and "Income Doubling Program" during the 18th National Congress of the Communist Party of China will benefit the long term development on facial mask and skincare industry. Given the relatively low penetration rate and frequency of use of facial mask when compare to other skincare products in China, we strongly believe that, the increase in both the population and their income level will provide a high growth potential for facial mask industry.

Brand Building and Marketing

Year 2013 is an important year to our MG Brand, since it is the 10th anniversary of the establishment of MG Brand. Over the past ten years, not only our MG Brand successfully established a strong brand image but also a strong connection with the consumers in China. The success of MG Brand is proven by its market share in China. According to the ACNielsen Report, the market share of MG Brand in China for the year 2012 is 26.4%, which means MG Brand is still the leading facial mask brand in China. The brand awareness of our MG Brand has also been the highest in the facial mask industry in China. Consumers often consider our MG Brand as a professional facial which is 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 understand to establish a well-known brand is a long term process especially for products like facial masks which is in a fast changing environment where the market shares are not concentrated with a few brands and the consumers' loyalty are not apparently high. We strongly believe that building up brand awareness and good reputation for our MG Brand is an important and necessary move, therefore, we will continue to allocate more time and resources on both above-the-line and below-the-line marketing strategies. To further enhance our MG Brand image, our advertising partner, Ogilvy & Mather, had prepared a whole new advertising campaign for our MG Brand in 2013, which included but not limited to the advertisement on television, metro, magazines, mini film over the internet, and other promotional channels. In respect of the below-the-line marketing strategy, we further enhance our MG Brand image by commissioning 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. Both of the above-the-line and below-the-line marketing strategies have been successful and effective which is best by referencing to our MG Brand's market share, brand awareness and also the response of the consumers.

The above-mentioned 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 have enabled MG Brand to move further ahead from a market share leading brand to a comprehensive leading brand.

Optimization and Expansion of Distribution Networks

During the Period, we continued our predetermined strategies on optimization and expansion of distribution networks through negotiation with the headquarter of retail stores in higher tier cities on the design of our MG Brand products display, the area of display and the size of shelf spaces, and also increased the number of point of sales with high quality shop management and location in the lower tier cities. 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 continual change of the 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 retail stores. As mentioned 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.

As at 31 December 2012, we had 288 distributors (261 distributors as at 30 June 2012) and the number of terminal stores coverage was 12,471 (10,184 stores as at 30 June 2012), representing a net increase of 2,287 new stores for the Period. 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 Period, personal healthcare product chain stores increased from 1,190 to 1,434 stores, and new stores in supermarket and hypermarkets increased from 3,855 to 4,781 stores. The number of our skincare specialty stores in the third and fourth tier cities increased from 3,575 stores to 4,197 stores. The number of convenience stores mainly located in Beijing and Shanghai increased from 1,564 stores to 2,059 stores.

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 51.3% of the overall growth of sales revenue during the Period. 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 believe 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.

Besides the expansion of the number of new terminal stores, in 2013, it is also important for us to continue to optimize the operation of the existing terminal stores. For the Period under review, the existing terminal stores recorded a sound operating results of approximately 15.0% increase in sales as compared to the same period last year. Such results represented approximately 48.7% of our overall growth of sales revenue for the Period.

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 Period, personal healthcare chain stores achieved a steady growth with a sales contribution of 33.0% of our total sales revenue. The sales contribution by supermarkets and hypermarkets (including convenience stores) was 39.1% of our total sales revenue. The sales revenue contributed by our skincare specialty stores in the lower tier cities was 18.6%. Finally our E-commerce sales channels demonstrated the strongest growth with a sales contribution of 9.3% of 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 to the frequent changes in demand of the facial mask industry. Currently our MG Brand carries over 167 types of peel-off and wash-off facial mask products within a range of 13 product series. During the Period, peel-off facial mask products (including eye masks) and wash-off facial mask products accounted for approximately 86.9% and approximately 12.0% 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 2013, we have launched four new products under the Basic Series of our MG Brand, namely Rowan Brightening and Whitening Jelly Mask, Snail Essence Firming and Nourishing Mask, Q10 Activating and Tightening Mask, Helichrysum Brightening and Repairing Mask. The two new mid to high end wash-off facial mask series, namely Password For Beauty and Mineral Mud Deep Cleansing that we launched back in January 2012 had remarkably contributed approximately 3.7% of our total sales which further proved the ability of MG Brand in introducing new products to the market. 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 Period, sales of other mid to high end peel-off facial masks series, namely, Forever Silky, Chinese Herbal Skincare, and Spring, accounted for approximately 10.4%, approximately 9.1% and approximately 3.8% of our total sales, respectively. The sales contribution by these mid to high end products maintained a stable 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 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.

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 the Group will create a synergy effect. Other than our own Keep Up Brand skincare products, we planned to launch our first brand, under our Joint Venture with Hanbul Cosmetics Company Limited ("**Hanbul**"), Individual Care System ("**ICS Brand**") in 2013. 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. During the Period, Keep Up had contributed approximately 1.1% of our total sales revenue.

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 primary 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 are facing the market consolidation stage and the high growth of the facial mask industry in China, the multi-brand and multi-category development and the continuous improvement in quality of brands in this industry which will bring us opportunities and challenges.

We anticipate the stable and ongoing development of the Group will successfully continue to generate values and returns for our shareholders through a thorough development of our brand management and distribution networks. The Group will also increase its efforts in product research and development on new products to cater for different needs and demand of the existing and new potential customers in order to attract and widen our customer base from different segments. At the same time, the Group will actively and carefully promote the multi-brand and multi-category development strategy to lay a foundation for the diversified development in the future, open up a new perspective and pave our ways to create a better return for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group had unpledged cash and bank balances of approximately HK$1,145,430,000 (30 June 2012: approximately HK$1,104,202,000). The gearing ratio for the Group was 0% (30 June 2012: 0%) as the Group had no outstanding bank borrowing as at 31 December 2012 (30 June 2012 outstanding bank loan: Nil). Net current assets was approximately HK$1,462,281,000 (30 June 2012: approximately HK$1,365,951,000) and current ratio were maintained at a healthy level of approximately 10.4 (30 June 2012: approximately 11.9) as at 31 December 2012.

No finance costs incurred by the Group for the Period (corresponding period in 2011: Nil).

COMMITMENTS

As at 31 December 2012, the Group had the following capital commitments:

	Group	
	31 December 2012 (Unaudited)	30 June 2012 (Audited)
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Purchase of property, plant and equipment	**–**	274
Acquisition of trademarks*	**780**	1,560
	780	1,834

* Pursuant to the trademark assignment agreements entered into by the Group and Hanbul, dated 28 April 2011 and 16 August 2012 respectively, certain trademarks of Hanbul registered in the PRC, Taiwan and Hong Kong will be assigned to the Group at an aggregate consideration of approximately US$100,000 (approximately HK$780,000 which will be payable upon the completion of the assignments. As at the end of the Period and up to the date of this announcement, the trademarks assignments have not been completed.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any significant contingent liabilities (30 June 2012: Nil).

BANK BORROWINGS

As at 31 December 2012, the Group had no outstanding bank loans (30 June 2012: Nil).

SEASONAL OR CYCLICAL FACTORS

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

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 31 December 2012, the Group had a total of 4,320 workforces, including the workforces under the Group's employment and those supplied by a workforces solution provider ("**the Provider**") (2011: 3,355), of whom 4,315 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 Period, staff costs and amount paid to the Provider amounted to a total of approximately HK$94,590,000 (2011: approximately HK$70,035,000). Such costs accounted for 11.5% of the Group's sales revenue (2011: 11.2%) during the Period. The increase of such costs during the Period was mainly attributable to the increase in number of workforces and their wages and salaries, as well as the equity settled share award expenses of approximately HK$8,535,000 (2011: HK$18,958,000 including both the equity settled share award and share option expenses). 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 Period.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of approximately HK1.2 cents per share for the Period (corresponding period in 2011: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

Save as the deviation discussed below, the Company had complied throughout the Period with the code provisions ("**Code Provisions**") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

In respect of Code Provision A.6.7, two non-executive Directors and three independent non-executive Directors did not attend the annual general meeting of the Company held on 14 December 2012 due to their other business commitments.

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 the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules. Having made specific enquiries of all Directors and senior management of the Group, all Directors and senior management of the Group confirmed that they 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 since the date of listing and up to the date of this announcement.

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

Hong Kong, 25 February 2013

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.