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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 2013

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$891.1 million, representing an increase of approximately 8.5% from approximately HK$821.4 million for the corresponding period last year
- Gross profit was approximately HK$660.8 million, representing an increase of approximately 5.1% from approximately HK$628.5 million for the corresponding period last year
- Net profit was approximately HK$20.5 million, representing a decrease of approximately 78.8% from approximately HK$96.5 million for the corresponding period last year
- The Directors do not recommend any payment of interim dividend for the six months ended 31 December 2013 (corresponding period in 2012: HK1.2 cents per share)

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 2013 ("**Period**") together with the comparative figures for the corresponding period in 2012 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 ("**Audit Committee**") of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 31 December	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*5*	**891,050**	821,372
Cost of sales		**(230,212)**	(192,857)
Gross profit		**660,838**	628,515
Other income and gains	*5*	**13,107**	5,056
Selling and distribution costs		**(549,809)**	(458,989)
Administrative expenses		**(86,212)**	(48,072)
PROFIT BEFORE TAX	*6*	**37,924**	126,510
Income tax expense	*7*	**(17,393)**	(30,050)
PROFIT FOR THE PERIOD		**20,531**	96,460
Attributable to:			
Equity holders of the Company		**27,322**	100,037
Non-controlling interests		**(6,791)**	(3,577)
		20,531	96,460
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**HK2.63 cents**	HK9.88 cents
Diluted		**HK2.62 cents**	HK9.80 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**20,531**	96,460
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**11,506**	8,096
Realisation of exchange fluctuation reserve upon disposal of a Subsidiary	**23,778**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**55,815**	104,556
Attributable to:		
Equity holders of the Company	**62,593**	108,076
Non-controlling interests	**(6,778)**	(3,520)
	55,815	104,556

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2013 (Unaudited) *HK$'000***	30 June 2013 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**51,135**	40,788
Prepaid land lease payments		**68,285**	63,670
Goodwill		**464,546**	14,549
Intangible assets		**48,805**	16,739
Deferred tax assets		**2,804**	432
Prepayments and deposits		**4,157**	318,481
Total non-current assets		**639,732**	454,659
CURRENT ASSETS			
Inventories		**131,467**	29,656
Trade receivables	*10*	**364,258**	419,387
Prepayments, deposits and other receivables		**42,779**	32,217
Tax recoverable		**4,938**	917
Cash and cash equivalents		**891,619**	965,492
		1,435,061	1,447,669
Assets of a subsidiary classified as held for sale		**–**	1,212
Total current assets		**1,435,061**	1,448,881
CURRENT LIABILITIES			
Trade payables	*11*	**128,124**	64,766
Other payables and accruals		**134,206**	68,092
Dividend payable		**31,137**	–
Tax payable		**14,718**	26,280
		308,185	159,138
Liabilities directly associated with a subsidiary classified as held for sale		**–**	3,035
Total current liabilities		**308,185**	162,173
NET CURRENT ASSETS		**1,126,876**	1,286,708
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,766,608**	1,741,367
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**12,201**	4,185
Net assets		**1,754,407**	1,737,182
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*12*	**103,789**	103,253
Reserves		**1,653,226**	1,629,759
		1,757,015	1,733,012
Non-controlling interests		**(2,608)**	4,170
Total equity		**1,754,407**	1,737,182

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, wholesaling and retailing skincare, facial mask and other products in internet and retail shops in China.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2013 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 2013. This interim financial statements should be read in conjunction with the 2012/2013 annual report.

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

The Group has applied the following new and revised HKFRSs issued by HKICPA that are relevant for the preparation of the Company's consolidated financial statements for the first time in the current year:

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement

Other than as further described below, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

(a) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements.

(b) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("**OCI**"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group.

(c) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(d) *Annual Improvements 2009–2011 Cycle* issued in June 2012 sets out amendments to a number of standards. 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 have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9 and Transition Disclosures*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*[1]
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A*	**89,953**	N/A
Customer B**	**N/A**	138,170
Customer C**	**N/A**	77,851
	89,953	216,021

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

** Sales to Customer B, 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	
		2013	2012
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue			
Sale of goods		**891,050**	821,372
Other income and gains			
Bank interest income		**8,097**	5,056
Foreign exchange differences, net		**3,704**	–
Gain on disposal of a subsidiary	*16*	**1,306**	–
		904,157	826,428

6. PROFIT BEFORE TAX

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

	For the six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**230,212**	192,857
Depreciation*	**7,407**	3,665
Amortisation of prepaid land lease payments	**1,516**	–
Amortisation of intangible assets*	**5,204**	2,046
Minimum lease payments under operating leases on land and buildings	**7,759**	2,995
Gain on disposal of a subsidiary	**(1,306)**	–
Employee benefit expense (including directors' remuneration)*		
Wages and Salaries	**62,251**	41,221
Retirement benefit scheme contributions	**2,845**	2,389
Equity-settled share award expenses	**5,461**	8,535

* 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**4,801**	726
Amortisation of intangible assets	**2,103**	2,046
Employee benefit expenses	**13,966**	10,916
	20,870	13,688

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, 重慶朗祺化妝品有限公司 and 西藏嘉燦商貿有限公司 were qualified as a 鼓勵類產業企業 and Tax Incentives for Investment in Western Regions, respectively, and hence are subject to a preferential corporate income tax rate of 15%.

	For the six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Mainland China		
Charge for the Period	**21,066**	30,687
Deferred	**(3,673)**	(637)
Total tax charge for the Period	**17,393**	30,050

8. DIVIDEND

The Directors do not recommend any payment of interim dividend for the six months ended 31 December 2013 (corresponding period in 2012: HK1.2 cents per share). These financial statements do not reflect the interim dividend payable for the period ended 31 December 2012.

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	
	2013	2012
Profit for the Period attributable to equity owners of the Company *(in HK$'000)*	**27,322**	100,037
Weighted average number of ordinary shares in issue for basic earnings per share	**1,037,457,519**	1,012,179,149
Basic earnings per share *(in HK cents)*	**2.63**	9.88

(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	
	2013	2012
Profit for the Period attributable to equity owners of the Company *(in HK$'000)*	**27,322**	100,037
Weighted average number of ordinary shares in issue for basic earnings per share	**1,037,457,519**	1,012,179,149
Adjustment for share options granted on 27 September 2011 and exercised during the Period	**3,744,374**	8,258,315
Weighted average number of ordinary shares for diluted earnings per share	**1,041,201,893**	1,020,437,464
Diluted earnings per share *(in HK cents)*	**2.62**	9.80

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 2013 (Unaudited) ***HK$'000***	30 June 2013 (Audited) *HK$'000*
Within 180 days	**364,258**	419,387
181 to 365 days	**–**	–
	364,258	419,387

11. TRADE PAYABLES

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

	31 December 2013 (Unaudited) *HK$'000*	30 June 2013 (Audited) *HK$'000*
Within 90 days	**127,206**	64,766
Over 90 days	**918**	–
	128,124	64,766

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 2013 are as follows:

	31 December 2013 (Unaudited) *HK$'000*
Authorised:	
2,000,000,000 ordinary shares of HK$0.1 each	**200,000**
Issued:	
1,037,892,736 ordinary shares of HK$0.1 each	**103,789**

The movement of the Company's authorised and issued share capital during the period from 30 June 2013 to 31 December 2013 are as follows:

	Number of ordinary shares	**Nominal value of ordinary shares** *HK$'000*
Authorised:		
At 31 December 2013	2,000,000,000	200,000
Issued:		
At 30 June 2013	1,032,532,736	103,253
Exercise of share options in July 2013	5,360,000	536
At 31 December 2013	1,037,892,736	103,789

13. COMMITMENTS

As at 31 December 2013, the Group had no contracted commitments (30 June 2013: HK$188,879,000).

14. CONTINGENT LIABILITIES

As at 31 December 2013, the Group had an arbitration with Hanbul Beaute Co. Ltd ("**Hanbul**"), the other parent company of a joint-venture company of the Group. The potential amount claimed by Hanbul is approximately HK$15,000,000 (30 June 2013: Nil).

15. ACQUISITION OF SUBSIDIARY

On 29 July 2013, the Group acquired 100% of the issued share capital of Apex Rich Enterprises Limited and its subsidiaries (together "**Apex Group**") at a consideration of RMB400,000,000 (equivalent to approximately HK$502,939,000). Apex Group was engaged in the research and development of electronic technology, technical consultancy, transfer of technology and wholesaling and retailing in internet in China.

The fair value of the identifiable assets and liabilities of Apex Group acquired as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

	HK$'000
Property, plant and equipment	47
Intangible assets	37,068
Inventories	22,121
Trade receivables	53,401
Prepayments, deposits and other receivables	24,194
Cash and bank balances	15,242
Trade and other payables	(89,864)
Deferred tax liabilities	(9,267)
Net assets acquired	52,942
Goodwill	449,997
Total consideration satisfied by cash	502,939
Net cash outflow arising on acquisition:	
Cash consideration paid in previous periods	502,939
Cash and cash equivalents acquired	(15,242)
	487,697

The goodwill arising from the acquisition of Apex Group is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Apex Group contributed approximately profit of HK$3,301,000 to the Group's profit for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 July 2013, total Group turnover for the period would have been approximately HK$937,263,000, and profit for the reporting period would have been approximately HK$21,191,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2013, nor is it intended to be a projection of future results.

16. DISPOSAL OF A SUBSIDIARY

On 17 June 2013, the Group had entered into a sale and purchase agreement with independent third parties to dispose of a wholly-owned subsidiary, 廣東群禾藥業有限公司, at a cash consideration of RMB10,000,000 (approximately HK$12,719,000). The disposal has been completed on 12 July 2013.

	Note	**2013** *HK$'000*
Net assets disposed of:		
Cash and bank balances		**231**
Prepayments and other receivables		**14,280**
Tax payable		**(2,923)**
Other payables and accruals		**(175)**
		11,413
Gain on disposal of a subsidiary	*5*	**1,306**
		12,719
Satisfied by:		
Cash		**12,719**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2013 *HK$'000*
Cash consideration	**12,719**
Cash and bank balances disposed of	**231**
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**12,488**

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in manufacture, sales and marketing of facial mask products and wholesaling and retailing skincare and facial mask products including MG brand ("**MG Brand**"), Keep Up brand ("**Keep Up Brand**") and other products in internet in China. During the year ended 30 June 2013, 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 Period ended 31 December 2013, the Group maintained a healthy continuous growth and achieved a new height. Sales revenue for the Period ended 31 December 2013 amounted to approximately HK$891,050,000, representing a growth of approximately 8.5% as compared with approximately HK$821,372,000 for the corresponding period in 2012. Gross profit margin was approximately 74.2% for the Period ended 31 December 2013. Profit attributable to equity holders was approximately HK$27,322,000 for the Period ended 31 December 2013.

BUSINESS REVIEW

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. 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 among 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 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 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. 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.

Optimization and Expansion of Distribution Networks

During the Period under review, we continued to optimize and expand our distribution networks. 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 channels, and also increased the number of point of sales with high quality shop management. Besides optimization and expansion of our distribution networks, we are also looking for opportunities to introduce our MG Brand into different sales channels which we previously 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 channel in addition to the physical stores. We believed that 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.

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. While, the sales of our existing products were stable during the period under review, we will continue to offer new products to enrich our products portfolio under MG Brand.

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 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 to develop new facial mask products and focus on our strategies to strengthen our existing facial masks products under our MG Brand. We will continue to focus on the promotion and expansion of our distribution networks in terms of the number of terminal stores and coverage. 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.

PROPOSED ACQUISITION OF ALL ISSUED SHARES OF THE COMPANY

The Proposal

Pursuant to the joint announcement (the "**Joint Announcement**") between the Company and L'Oréal S.A. ("**the Offeror**") dated 15 August 2013, on 12 August 2013, the Offeror requested that the Board of the Company put forward the proposal to the shareholders of the Company for a proposed acquisition of all of the issued shares of the Company ("**Shares**") by way of a scheme of arrangement under Section 86 of the Companies Law (2013 Revision), as consolidated and revised, of the Cayman Islands ("**the Scheme**").

Under the Scheme, the Shares will be cancelled and in exchange, each shareholder as at the record date for determining the entitlements under the Scheme will be entitled to receive HK$6.30 in cash for each Share. On the effective date of the Scheme, the share capital of the Company will be reduced by cancelling and extinguishing the Shares and, forthwith upon such reduction, the share capital of the Company will be increased to its former amount by the issuance at par to the Offeror credited as fully paid of the same number of Shares as is equal to the number of Shares cancelled.

The making of the proposal is, and the implementation of the Scheme will be, conditional upon the satisfaction or waiver, as applicable, of the pre-conditions and conditions as described in the Joint Announcement. All such pre-conditions have been satisfied as disclosed in the announcement of the Company dated 13 January 2014.

Withdrawal of Listing of the Shares

Upon the Scheme becoming effective, it is anticipated that listing of the Shares on The Stock Exchange of Hong Kong Limited will be withdrawn and terminated.

Details of the proposal, the Scheme and the progress of the proposal are set out in the Joint Announcement and the announcements between the Company and the Offeror dated 12 November, 2 December 2013, 13 January 2014, 16 January 2014 and 20 February 2014 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had unpledged cash and bank balances of approximately HK$891,619,000 (2013: approximately HK$965,492,000). The gearing ratio for the Group was 0% (2013: 0%) as the Group had no outstanding bank borrowing as at 31 December 2013 (2013 outstanding bank loan: Nil). Net current assets were approximately HK$1,126,876,000 (2013: approximately HK$1,286,708,000) and current ratio was approximately 4.7 (30 June 2013: approximately 8.9) as at 31 December 2013.

The Group has no finance costs incurred during the year as there is no bank borrowing during the Period ended 31 December 2013 (2013: NIL).

COMMITMENTS

As at 31 December 2013, the Group had no contracted commitments (30 June 2013: HK$188,879,000).

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had an arbitration with Hanbul Beaute Co. Ltd ("**Hanbul**"), the other parent company of the joint venture company of the Group. The potential amount claimed by Hanbul is approximately HK$15,000,000 (30 June 2013: Nil).

BANK BORROWINGS

As at 31 December 2013, the Group had no outstanding bank loans (30 June 2013: Nil).

SEASONAL OR CYCLICAL FACTORS

During the Period ended 31 December 2013, the Group's business operations were not significantly affected by any seasonal or cyclical factors.

FOREIGN EXCHANGE EXPOSURE

During the Period ended 31 December 2013, 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 Period ended 31 December 2013, 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 31 December 2013, the Group had a total of 4,886 workforces, including the workforces under the Group's employment and those supplied by a workforces solution provider ("**the Provider**") (2012: 4,320), of whom 4,882 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$127,045,000 (2012: approximately HK$94,590,000). Such costs accounted for 14.3% of the Group's sales revenue (2012: 11.5%) during the Period ended 31 December 2013. The increase of such costs in the Period ended 31 December 2013 was mainly attributable to the increase in number of workforces and their wages and salaries and acquisition of Apex Group. 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 ended 31 December 2013.

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 13 December 2013 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, 21 February 2014

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.