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

Annual Report 2009/2010

美即 MG®

绿玉葡萄水凝
森林清泉补水
海洋冰泉补水
活氧温泉保湿
左旋VC嫩白
草莓乳酪嫩白
红酒亮肤焕颜
牛奶白滑润颜
玫瑰亮白滋润
燕麦蜜糖亮颜
绿茶清盈祛痘
洋甘菊舒缓调理
夏日冰凝舒缓
石榴平滑细肤
野玫瑰紧肤舒颜
流金丝语
四物
五味
六酿
七子白
八珍
十珍

Let everyone achieve beauty through the process of relaxation, freedom, and happiness.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Tang Siu Kun Stephen *(Chairman)*
Mr. She Yu Yuan
Mr. Luo Yao Wen
Mr. Zhang Kun Mou
Mr. Chen Lei

Non-executive Director
Mr. Sun Yan

Independent Non-executive Directors
Mr. Yan Kam Tong
Professor Dong Yin Mao
Professor Yang Rude

AUDIT COMMITTEE

Mr. Yan Kam Tong
(Chairman of audit committee)
Professor Dong Yin Mao
Professor Yang Rude

REMUNERATION COMMITTEE

Professor Dong Yin Mao
(Chairman of remuneration committee)
Mr. Yan Kam Tong
Mr. Tang Siu Kun Stephen

COMPANY SECRETARY

Ms. Ng Wing Yin *CPA*

AUTHORISED REPRESENTATIVES

Mr. Tang Siu Kun Stephen
Ms. Ng Wing Yin
Mr. Yan Kam Tong
(alternate to Mr. Tang Siu Kun Stephen)

REGISTERED OFFICE

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Wanchai
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
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Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

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1 Connaught Place, Central
Hong Kong

COMPLIANCE ADVISER

Haitong International Capital Limited
(formerly known as Taifook Capital Limited)
25th Floor, New World Tower
16-18 Queen's Road Central
Hong Kong

COMPANY'S WEBSITE

www.magicholdings.co

STOCK CODE

01633

PRINCIPAL BANKERS

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1 Garden Road
Central
Hong Kong

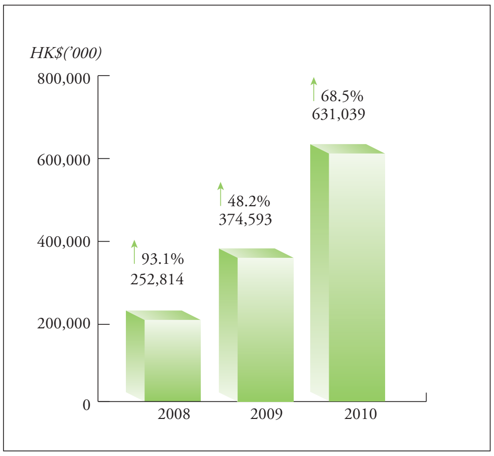
The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

FINANCIAL HIGHLIGHTS

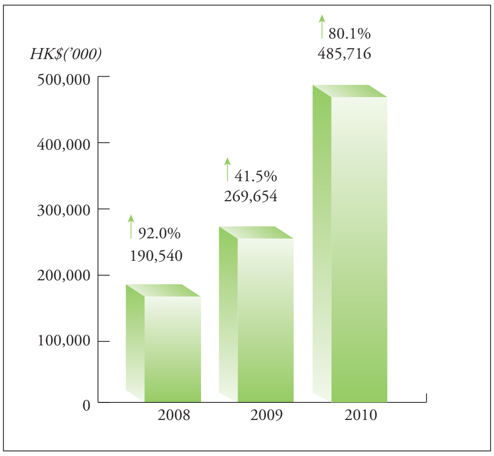
	2010 HK$'000	2009 HK$'000	Increase/ (Decrease) % Change
Turnover	**631,039**	374,593	↑ 68.5%
Gross profit	**485,716**	269,654	↑ 80.1%
Profit attributable to equity holders of the Company	**118,583**	67,618	↑ 75.4%
Basic earnings per share (HK cents)	**19.76**	11.27	↑ 75.3%
Gearing ratio (%)	**Nil** *(Note)*	1.4	↓ (100.0%)
Net Cash	**49,475**	7,486	↑ 560.9%

Note: There was no outstanding bank borrowing as at 30 June 2010.

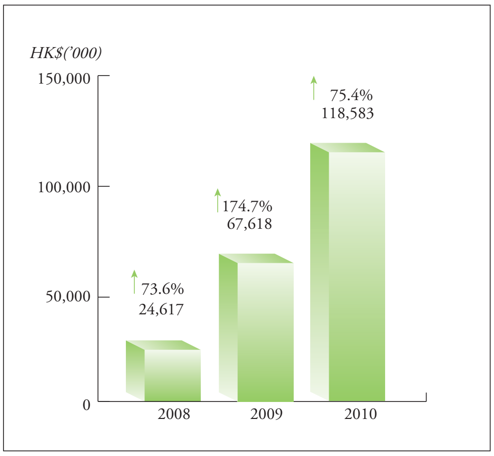
TURNOVER



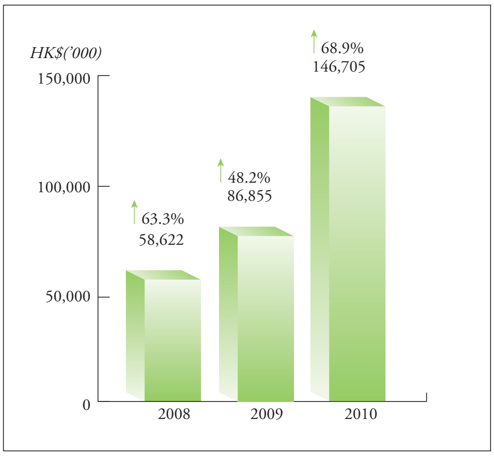
GROSS PROFIT



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY



EBITDA



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors ("**Board**") of Magic Holdings International Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), I am pleased to present the first annual report of the Group for the year ended 30 June 2010 upon completion of initial public offering.

The past year was a year of significance for the development of the Group in achieving various important results.

During the year under review, the Group continued to achieve encouraging results. Turnover for the year ended 30 June 2010 amounted to approximately HK$631,039,000, representing a growth of 68.5% as compared with HK$374,593,000 in the preceding year. Gross profit margin increased from 72.0% in financial year 2009 to 77.0% in financial year 2010. Profit attributable to equity holders of the Company increased to HK$118,583,000 in financial year 2010, representing an increase of 75.4% from HK$67,618,000 in financial year 2009.

Our growing results was due to the strong enhancement of the overall capabilities of the Group.

Firstly, our MG brand had set up its leading position in the facial masks industry preliminary. According to the CTR Reports, in 2009, the market share of Magic in the PRC facial masks industry was 15.1%, promoted to top position from its original second ranking with brand awareness and brand loyalty also in leading roles.

Secondly, its distribution network and channels, in terms of number, continued to achieve significant growth. While continued to optimize our original channels of first and second tier markets of personal healthcare products in chain stores, hypermarkets and supermarkets, we also enhanced our efforts in the development of beauty products specialty stores in third and fourth tier markets. These efforts had further expanded both the horizontal and vertical dimensions of our market coverage. As at 30 June 2010, we had 98 distributors (59 distributors as at 30 June 2009) and the number of terminal stores coverage were 3,828 (2,077 stores as at 30 June 2009), an increase of 1,751 stores.

Thirdly, development and marketing of new products was successful. During the year, we focused on the launching of three new series of facial masks products (including 漢草理膚 ("**Chinese Herbal Skincare**"), 泉 ("**Spring**") and 流金絲語 ("**Flowing Golden Words**")). Although the three new product series were launched into the market for only half a year, however, the sales of each series accounted for 15.9%, 5.6% and 6.5% of total sales for the year respectively, fully demonstrating the success of launching the three products series.

While sustaining rapid growth of our core businesses, the Group has also facilitated the strategic setting up of new growing points other than the facial masks business aggressively. In March 2010, the Group entered into a joint venture agreement with Hanbul Cosmetics Co. Ltd. ("**Hanbul**"), a reputable cosmetic company in Korea, planning to promote and sell the whole product line of the Korean made "It's Skin" and "ICS" branded cosmetic and skincare products. Moreover, Hanbul will label and process the production of "Keep Up" branded products in Korea for distribution and sales in PRC through the sales channels of the Group.

Looking forward, the Group will continue to be committed in expanding and strengthening its facial masks core business.

The Group will leverage on our various leading strengths in facial masks industry to promote its favourable growth. While expanding the market size of facial masks industry, we will continue to enhance the MG brand’s leading position in the PRC facial masks industry in attaining the sustained development of the Group’s results.

The Group intends to continue investing additional resources in marketing and promoting existing and new brands and products (including on-line media and off-line terminal promotion), as well as increasing consumer awareness of the functionalities of facial masks in individuals’ skincare routines aggressively.

We will continue to update our products and develop new and innovative products to cater for consumer needs and market demand.

The Group will continue to strengthen the development and expansion of terminal channels, achieve the dual intrinsic growth in sales by improving the sales of existing stores as well as external growth by increasing the number of new stores, especially the cosmetic and beauty product specialty stores in third and fourth line markets.

The Group will continue to enhance its existing production facilities and production capabilities to cater for market changes, which includes the planned construction of the approximately 20,000 square metres new production facility in Guangzhou High-tech Industrial Development Zone.

At the same time, the Group will continue the stable development of strategic setting up of new growing points other than the facial masks business, preparing and equipping well for the implementation of our multi-category and multi-brand strategy.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our management, staff, customers, suppliers, business partners, professional parties and shareholders for their continuous commitment and support.

Tang Siu Kun Stephen
Chairman

Hong Kong
27 October 2010

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in manufacture and sales and marketing of facial masks and other skincare products including MG brand in the PRC. During the year, the Group continued to achieve a positive return through its established distribution channels as well as its extensive marketing network.

FINANCIAL REVIEW

During the year, the Group continued to maintain a rapid growth. Turnover for the year ended 30 June 2010 amounted to approximately HK$631,039,000, representing a growth of 68.5% as compared with HK$374,593,000 in the preceding year. Gross profit margin increased from 72.0% in financial year 2009 to 77.0% in financial year 2010. Facial mask products contributed to approximately HK$630,001,000 in sales during the year, representing approximately 99.8% of total sales of the Group, and an increase of approximately 68.6% as compared to last year. Apart from the above, approximately HK$1,038,000 of the Group's turnover during the year was attributable to the sales of other skincare products. Profit attributable to equity holders increased to HK$118,583,000 in financial year 2010, representing an increase of 75.4% from HK$67,618,000 in financial year 2009.

Rapid growth in sales income was firstly attributable to the improvement in the positioning and influence of MG brand.

According to the CTR Reports, in 2009, the market share of Magic in the PRC facial masks industry was 15.1%, promoted to top position from its original second ranking with brand awareness and brand loyalty also in leading roles.

Rapid growth in income was also attributable to our concrete distribution, channel construction and expansion efforts.

In the past year, we achieved a successful dual intrinsic and external growth.

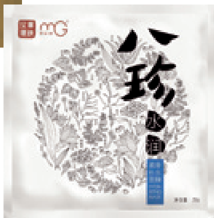
The intrinsic growth refers to the sales increase of our original channel stores, representing a growth of approximately 32.2% as compared with previous financial year, and its growth contributed to approximately 47.1% of the Group's overall growth in sales revenue for the year.

The external growth refers to the new sales income from the newly added channels and terminal stores. As at 30 June 2010, we had 98 distributors (59 distributors as at 30 June 2009, which was mainly due to the increase in channel distributors of beauty specialty stores in third and fourth line markets) and the number of terminal stores coverage were 3,828 (2,077 stores as at 30 June 2009), which was increased by 1,751 stores for the year. All newly added stores contributed approximately 52.9% of our overall growth in sales revenue for the year.

Delighted sales revenue growth from a product perspective.

The existing products had demonstrated the strong product vitality for the year and continued to maintain a sound growing momentum, representing an increase of 21.2% as compared with that in the previous year, with sales presenting 72.0% of the total sales for the year and contributed 31.0% to the overall growth in sales revenue.

During the year, we have successfully introduced three new series of facial masks products (including 漢草理膚 ("**Chinese Herbal Skincare**"), 泉 ("**Spring**") and 流金絲語 ("**Flowing Golden Words**")). Although the three new product series were launched into the market for only half a year, however, they had attributed 15.9%, 5.6% and 6.5% of the total sales revenue for the year respectively, representing in aggregate 28.0% of the total sales revenue for the year, contributing in aggregate 69.0% of the overall growth in sales revenue for the year.



The growth in gross profit margin was mainly attributable to the increase in overall average selling price from the successful introduction of the three new series as well as their attributed shares.

The growth in net profit was mainly attributable to the increase in gross margin, the preliminary demonstration of economies of scale effect due to significant increase in overall in sales revenue and our effective control on expenses.

BUSINESS REVIEW

The financial year of 2010 was a fruitful year for the Group. Operating results continued to maintain a sound momentum of rapid growth. We became the leader of the facial masks industry, achieving the top position from pursuing in the second position in terms of the market share. We also achieved encouraging results in the research and development and promotion as well as distribution network expansion.

Operating results

Turnover for the year ended 30 June 2010 amounted to approximately HK$631,039,000, representing a growth of 68.5% as compared with HK$374,593,000 in the preceding year. Gross margin increased from 72.0% in financial year 2009 to 77.0% in financial year 2010. Profit attributable to equity holders of the Company increased to HK$118,583,000 in financial year 2010, representing an increase of 75.4% from HK$67,618,000 in financial year 2009.

Brand positioning

In the past year, the leading position of MG brand had been initially established in the facial mask industry. According to the CTR Reports, in 2009, the market share of Magic in the PRC facial masks industry was 15.1%, promoted to top position from its original second ranking with brand awareness and brand loyalty also in leading roles.

MANAGEMENT DISCUSSION AND ANALYSIS

Under the general tendency of PRC consumers are increasingly improving their branding consumption mentality and habit, brands with leading positions is of utmost importance in core competitive advantage. With the growing in-depth recognition and acknowledgement by consumers in respect of the facial masks skincare functionalities and their leisure beauty enjoyment values, consumers tends to treat facial masks as independent skincare products. Although a large number of skincare brands have separate facial masks products in their product lines, however, Magic has already successfully established a professional and leading brand image. Therefore, vast consumers will choose Magic as their first choice when consuming facial masks products.

In a fast-growing industry, it is essential for Magic to grow from a pursuer to a leader, as it will exert a continuous and significant impact to the development of future facial masks industry as well as Magic.

Channel building up

In the past year, the distribution network and channels, in terms of number, of the Group continued to achieve sound growth. While continued to optimize our original first and second tier markets of personal healthcare products in chain stores, hypermarkets and supermarkets, we also enhanced our efforts in the development of beauty products specialty stores in third and fourth tier markets. These efforts had further expanded both the horizontal and vertical dimensions of our market coverage.

As at 30 June 2010, we had 98 distributors (59 distributors as at 30 June 2009, which was mainly due to the increase in channel distributors of beauty specialty stores in third and fourth line markets). The number of terminal stores coverage were 3,828 (2,077 stores as at 30 June 2009), which was increased by 1,751 stores for the year. Of which: the increase was partly due to the accelerated new shop openings by the established sales channels, such as the 216 new stores in Watsons during the year (increased to 673 stores from 457 stores), and the 64 new stores in Walmart (increased to 221 stores from 157 stores).

Besides, the above increase was also partly due to the further increase of our efforts in developing the supermarket sales channel, thereby adding 259 new stores (increased to 1,432 stores from 1,173 stores) to our network.

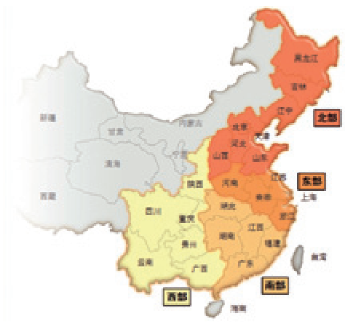
The fastest-growing number of stores was from our specialty store channels for beauty products in third and fourth tier markets, for which we opened 1,212 new stores (increased to 1,502 stores from 290 stores) for the year. The increase of such channel stores made a breakthrough in our past of solely relying on the set up of the first and second tier markets, resulted the proportion of sales of the Group in the first and second tier markets to the third and fourth tier markets of 89.0% and 11.0% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

On one hand, the new stores contributed considerable sales revenue for the Group, which represented approximately 52.9% of the overall growth of sales revenue the Group. On the other hand, with the expansion of our distribution networks and terminal stores, we were able to access and thus cater for their needs of wider population, enabling consumers to purchase Magic's product more conveniently. It is believed that these moves had facilitated in promoting the growth of facial mask products and improved the influence of MG brand, and lay an important foundation for the on-going increase in sales in the future. Furthermore, we believe the most important elements in the surge growing stage of facial masks products are rapid business development and continuous expansion and rationalization of network. These will enable us to grasp the early opportunities in our future competition, and build up a barrier to entry for the competition.

While having rapid increase of our terminal stores, we also enhanced the staff support efforts to its key stores. As at 30 June 2010, the Group had 1,209 sales staff in front-line stores to promote and sales our product as well as interact with consumers and providing personal high quality services to consumers on sales-points all over China. This effort had also increased our control capability in managing the sales channels and terminal stores effectively.

New product development and marketing



During the year, we focused on the launching of three new facial masks product series (including 漢草理膚 ("**Chinese Herbal Skincare**"), 泉 ("**Spring**") and 流金絲語 ("**Flowing Golden Words**")). Each of the products has its clear target groups and product features position, of which 漢草理膚 ("**Chinese Herbal Skincare**") series are to keep up with the Chinese fad-fashion trend, developed by rationing and improving the ancient traditional beauty prescription under modern biological extraction technology for people with preference of strong functional needs in Chinese medicine; 泉 ("**Spring**") series are to keep up with the safety and natural beauty trend, developed by warm spring water and pure non-woven cotton for people with highly-sensitive skin or with higher requirements on product safety and natural products.; and 流金絲語 ("**Flowing Golden Words**") series were innovatively developed for high-end consumers by using thinner, more comfortable and fully absorbable silks and adding silk protein extracts, which will enable consumers to enjoy luxurious skincare experience in facial masks products.

Although the three new product series were launched into the market for only half a year, however, the proportion of sales revenue of each series attributable to total sales for the year accounted for 15.9%, 5.6% and 6.5%, fully demonstrating the success of launching the three products series.

The significant implications of the achievement of these three product series represent the successful development of expanding into the medium and high end facial masks market for Magic. The unit retail price of 漢草理膚 ("**Chinese Herbal Skincare**") and 泉 ("**Spring**") are both RMB15/piece, and the unit retail price of 流金絲語 ("**Flowing Golden Words**") is RMB25/piece. These price levels have significantly increased when compared with the original unit retail price of RMB10/piece. The significant increase in average retail price of products had improved our gross margin, and also helped us to obtain more premier customers with higher purchasing power in recognizing MG brand, as well as the considerable improvement of the brand image of Magic and its influence.

The successful launch of the above products during the year had greatly improved and enriched the facial masks product structure of Magic, for which its facial masks products were further increased to 11 product series with a total of 141 product categories, and thereby from a product perspective, can further enhance the image and position of Magic as an expert in facial masks industry.

Multi-brand and multi-category development

While sustaining the rapid growth of our core businesses, the Group has also facilitated the new growing points strategic set up other than the facial masks business aggressively.

The skincare industry achieved a compound annual growth rate ("**CAGR**") of 20.7% from 2006 to 2009 in the PRC. Although it was less than the 32.8% CAGR of the facial mask products in the same period, however, it was much higher than the 15.6% CAGR of consumer goods retail sales in the same period. With the continuous rapid development of the PRC economy, people's income and consumption standard will further improve. With people's stressing more importance on personal appearance, hence, we expect that the skincare products will maintain a faster development pace in the PRC in future. In addition, various existing skincare brands have not formed any monopolized position due to China's vast geographical locations, sophisticated municipal standards, and extensive consumption and channel levels. The Group believes that the future skincare industry will still have ample market development dimensions and opportunities, and the Group will still focus on developing more skincare products and cosmetic businesses while further strengthens and expands the core facial masks business.

In light of MG brand's strategy is to focus on the facial masks business, the Group will adopt the multi-brand strategy to develop other skincare and cosmetic businesses apart from the facial masks products.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is thoroughly aware that the extensive skincare products sectors outside the facial masks business where we have distinct business strengths will be very competitive, therefore, the Group has all along been adopting a prudent and stable attitude and strategy. Under the demise of not weakening the development momentum of its core business, the Group will gradually develop the multi-brand and multi-category business after demonstrating the full market opportunities brainstorming and verification, and comprehensive deployment of products and brands, talents and organization and other resources.

In March 2010, the Group entered into a joint venture agreement with Hanbul Cosmetics Co. Ltd. ("**Hanbul**"), a reputable cosmetic company in Korea, planning to promote and sell the whole product line of the Korean made "It's Skin" and "ICS" branded cosmetic and skincare products.

Moreover, Hanbul will label and process the production of "Keep Up" branded products in Korea for distribution and sales in the PRC through the sales channels of the Group.

Hanbul has over 20 years of extensive experience in skincare and cosmetic products industry. By co-operating with Hanbul, the Group could enhance its capabilities in product research and development, production and quality control. By entering into the joint venture agreement, it signifies an important and solid step that the Group is moving towards the multi-brand development strategy of its skincare and cosmetic product areas.

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(產品質量法)", "Regulations Concerning the Hygiene Supervision Over Cosmetics(化妝品衛生監督條例)", "Standardization Law(標準化法)", "Regulations on the Administration of Production License for Industrial Products(工業產品生產許可證管理條例)" as production guidelines. We take proactive moves in knowing new trends and will react in a timely manner. We work from the basics to enhance our procedure administration to ensure the quality and safety of the Company's products. Consumer heath protection and safety are our priority concern as they will maintain the high creditability of consumers' confidence on our products.

FUTURE PROSPECTS

Looking forward to the financial year of 2011, the Group will make efficient use of additional financial resources arising from its successful initial public offering. Whilst further improving and strengthening the core principal business of facial masks, the Group will proactively and prudently facilitate a multi-brand and multi-category development strategy to earn better returns for its investors.

Facial Masks Business

Although the facial masks industry witnessed a rapid growth from 2006 to 2009 with a CAGR of 32.8%, however, the future development potential will remain enormous. According to the CTR Reports, the market penetration rate of facial masks in the PRC was only 17.7% in 2009. By having a relative comparison to the 83.7% penetration rate of facial skincare products, it is expected that the facial masks market will have a tremendous growth dimension and market potential, and the next three to five years will be the golden phase for the facial masks market to realize its overall incremental growth.

Although the Group has successfully occupied the leading position in the PRC facial masks market share in 2009, however, we are well aware that our current advantages still fail to achieve the absolute leading position. In 2009, the top five companies only accounted for a total of 37.9% of market share in the PRC facial masks market. Therefore, not only will the future several years be the golden phase for the development of the PRC facial mask market, it will also be the key phase for the basic shaping out of facial mask brand layout.

To conclude the above, coupled with our existing strengths, in the future, in particular the financial year of 2011, we will take continue to enlarge and strengthen the core principal business of facial masks.

It is of paramount importance to expand the facial masks industry. As shown in the CTR Reports, among our sales increase in facial mask business in 2009 as compared with 2008, the new facial masks users contributed 74.5% of the share, which had fully depicted that the core driving factor of our facial masks sales growth in the current phase was come from the incremental growth in facial masks industry. As an industry leader, we also receive the greatest benefits from the growth in facial masks industry.

The Group will leverage on the various advantages such as brand, channel, product, organization, resources to name a few that we had achieved in facial masks market to boost up the growth of facial masks industry. We will continue to promote the absolute leading position of MG brand in the PRC facial masks industry while expanding the facial masks market, thereby realizing the sustained development of our results.

The Group intends to continue investing additional resources, adjust the previous strategies in mainly relying on off-line terminal promotion, and increase consumer awareness of the role of facial masks in individuals' skincare routines through aggressive marketing and promotional campaigns (including both on-line media and off-line terminal promotion). We will strengthen the promotion and introduction efforts to consumers that facial masks should be treated as a separate beauty skincare product category and emphasize on the leisure pleasure during the skincare routines of facial masks. While boosting up the development of facial masks industry, we will highlight the professional, uniqueness and leading brand image of Magic facial masks, thus further consolidating the leading position, influence and competitive strengths of MG brand in facial masks industry.

The Group will continue to reinforce the expansion and construction of the distribution network and channel terminal to achieve the dual intrinsic growth (with increase in sales of existing stores already) and external growth (adding new stores) in sales.

The intrinsic growth is mainly achieved through the following measures: further expand and refine the product display areas and locations of existing stores; further adjust the product distribution structure of existing stores to suit the sales characteristics of such channels; further improve the organization, training and management of staff serving at terminal stores; further perfect the promotion and marketing plans to suit for the various channel characteristics and consumer needs.

The external growth is mainly achieved through the following measures: leverage on the opportunities from the new additional stores of existing channels to expand our terminal coverage in a pro-active and timely manner; further adjust and perfect the channel development strategies for beauty products specialty stores in third and fourth tier markets to escalate it to a strategic development level, formulate effective specific plans and schemes including organization, personnel, business and marketing, and act swiftly in selecting shop locations to speed up the exploration and construction of the channel.

The Group will continue to refine its existing products and develop innovative products to cater for the needs of different consumers and market demand. These mainly include: distribute the proven successful series of new products including 漢草理膚 (“**Chinese Herbal Skincare**”), 泉 (“**Spring**”) and 流金絲語 (“**Flowing Golden Words**”) to more sales channels (stores); research and develop new basic series of facial masks categories to enrich and strength the product functionalities of this series; timely launch the updated and upgraded versions of the original basic series of facial masks; intensify our efforts in the development and research of daubing facial mask categories to improve our market share in that category. Research of new products will still adopt our constant strategy of “consumer needs as lead, product planning as focus and converging internal and external scientific research capabilities as means” to ensure the success of research and development and marketing of new products.

The Group will continue to enhance its existing production facilities to cater for market changes, which includes the planned construction of the approximately 20,000 square metres new production facility in Guangzhou High-tech Industrial Development Zone. The project has currently entered into its planning and design phase, with a plan to construct a global advanced peel-off facial mask automation production line and is expected to put into operation in 2012. By then, the Group’s facial mask production capacity is expected to triple its current production capacity.

Multi-brand and Multi-category Development Business

While maintaining the healthy and rapid development of the core business, the Group will continue to implement the strategy of stable advancement of multi-brand and multi-category development other than facial masks products.

The Group will pro-actively promote the business operation of the joint venture with Hanbul, perfect its organization, personnel and marketing plans, select appropriate regions to commence the trial operation of its brands and expand the business step by step after proving its success.

The Group will also commence the business operation of “Keep Up” brand according to the aforesaid strategies.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows. As at 30 June 2010, the Group had unpledged cash and bank balances of approximately HK$49,475,000 (2009: approximately HK$7,486,000). Its gearing ratio calculated as a ratio of total interest-bearing bank loan to equity attributable to equity holders of the Company was 0% (2009: approximately 1.4%). There was no outstanding bank borrowing as at 30 June 2010. Net current assets was approximately HK$286,428,000 (2009: approximately HK$126,209,000) and current ratio was maintained at a healthy level of approximately 3.8 (2009: approximately 2.4) as at 30 June 2010.

The finance costs of the Group for the year amounted to approximately HK$48,000 (2009: approximately HK$142,000), representing approximately 0.01% (2009: approximately 0.04%) of the Group's total turnover. The decrease in finance costs was principally as a result of the release of the bank mortgage loan for staff quarters during the year.

COMMITMENTS

As at 30 June 2010, the Group had contracted commitments of approximately HK$11,700,000 (30 June 2009: Nil) in respect of the capital contribution to Magic-Hanbul Joint Venture.

CONTINGENT LIABILITIES

As at 30 June 2010, the Group did not have any significant contingent liabilities (30 June 2009: Nil).

BANK BORROWINGS

As at 30 June 2010, the Group had no outstanding bank loans (2009: approximately HK$2,326,000), of which 0% (2009: approximately 5.6%) were short term bank loans with maturity within one year. The bank loans of the Group were denominated in Renminbi.

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 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 PRC and Hong Kong banks and earned interests in accordance with the PRC and Hong Kong bank rates. Bank deposits were mainly denominated in Renminbi and Hong Kong Dollar.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 30 June 2010, the Group had a total of 1,328 employees (2009: 1,140), of whom 1,326 were based in the PRC, 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 (including Directors' remunerations) amounted to approximately HK$31,229,000 (2009: approximately HK$14,671,000). Staff costs accounted for 4.9% of the Group's turnover (2009: 3.9%) during the year. The increase of staff costs in the financial year was mainly attributable to the share award expense of approximately HK$11,269,000. The Group participated in retirement benefit schemes for its staff both in Hong Kong and the PRC.

The Group has developed its training programmes in a structured and systematic manner for its management and employees. The Group provided regular management and technical related courses to its employees during the year.

DIVIDEND

At a meeting of the Board held on 27 October 2010, the Directors recommended the payment of a special dividend of an aggregate amount of HK$30,000,000 for the year ended 30 June 2010 by way of scrip Shares without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment ("**Scrip Dividend Scheme**") to the shareholders ("**Qualifying Shareholders**") whose registered address is in Hong Kong as shown on the register of members of the Company on 17 December 2010 ("**Record Date**") and also recommended the Scrip Dividend Scheme to the Qualifying Shareholders, subject to the approval of the shareholders on the payment of special dividend by way of the Scrip Dividend Scheme at the forthcoming annual general meeting of the Company to be held on 17 December 2010 ("**Annual General Meeting**"), and the grant by the Stock Exchange of the listing of, and permission to deal in, the scrip Shares to be allotted and issued pursuant thereto. For illustration purposes only, based on the number of issued shares of the Company as at the date of this report and assuming no further shares would be issued or repurchased before the Record Date and all shareholders would be Qualifying Shareholders, the special dividend would be approximately HK3.6 cents per share.

Further details of the Scrip Dividend Scheme is set out in a circular to shareholders of the Company despatched on or about 30 October 2010 together with this report. Subject to the relevant resolution being passed at the Annual General Meeting, an announcement in relation to the basis of allotment of the scrip Shares will be published as soon as possible after the Annual General Meeting and a circular containing details of the Scrip Dividend Scheme will be despatched to the shareholders shortly after the Annual General Meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

***Mr. Tang Siu Kun, Stephen*（鄧紹坤）**, aged 45, a co-founder of the Group, is the Chairman and an executive Director of the Company appointed on 9 February 2010. He is responsible for the overall strategic planning, financial planning and corporate management of the Group. Mr. Tang graduated from the Curtin University of Technology in Australia with a bachelor's degree in Commerce in 1995. Mr. Tang obtained a master's degree in International Business Management from the City University of Hong Kong（香港城市大學）in 1999. He is also a member of the CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tang joined the Hua Han Group in 2000 and has over 10 years experience in corporate management and strategic planning. Since joining the Hua Han Group, Mr. Tang had held various senior positions with the Hua Han Group, including vice president, company secretary and qualified accountant. He is a director and the chairman of Magic Holdings, a director of each of the subsidiaries of the Group.

Mr. She Yu Yuan*（佘雨原）*(formerly known as She Dan Dan*（佘丹丹）*and She Jing Yang*（佘勁楊）*), aged 39, a co-founder of the Group, is the general manager and an executive Director of the Company appointed on 6 September 2010. He is responsible for overseeing the operations of the business of the Group. Mr. She graduated from South China University of Technology（華南理工大學）in 1994 with a diploma in food engineering. Prior to joining the Group, he was the founder and general manager of 廣州原禾健康科技有限公司 (unofficial translation being Guangzhou Yuan He Health Technology Company Limited (for identification purpose only)), a company engaged in the sales and marketing of skincare products in the PRC, in 2000. He has over 10 years market and corporate management experience and possesses a strong market sense, strategic sight and innovative mind. Mr. She joined the Group in 2005 when the Group was founded. He is a director of each of the subsidiaries of the Group.

***Mr. Luo Yao Wen*（駱耀文）**, aged 52, a co-founder of the Group, is the deputy general manager and an executive Director of the Company appointed on 6 September 2010. He is responsible for overseeing the production and research and development of the Group. Prior to joining the Group, he was the general manager of 廣州夏娃化妝品有限公司 (Guangzhou Eve Cosmetics Company Limited) and 廣州奧柏化妝品廠 (Guangzhou Oubo Cosmetics Laboratory) from 1993 to 1997 and from 1997 to 2003 respectively. Mr. Luo has over 10 years experience in production and research and development of the cosmetics industry. He joined the Group in 2005 when the Group was founded and is the deputy general manager of Magic Holdings. He is also a director of MG Cosmetics and MG Bio-tech. He is the spouse of Ms. Wen Yan Juan, the head of the production department of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Kun Mou *(張昆謀)*, aged 47, was appointed as an executive Director of the Company on 6 September 2010. He is the General Manager of Guizhou Factorr Bio-Technology Co., Ltd (貴州泛特爾生物技術有限公司) ("**Guizhou Factorr**"), a company established in the PRC indirectly owned as to 75% by Hua Han. Mr. Zhang graduated from Harbin Engineering University (哈爾濱工程大學) (formerly known as Harbin Vessel Engineering College, (哈爾濱船舶工程學院) and obtained a bachelor degree in Engineering in 1984. In 1989, he graduated from Shanghai Donghua University (上海東華大學) (formerly known as China Textile University (中國紡織大學), with a master degree in engineering and served as a senior engineer. Mr. Zhang joined the Hua Han Group in 2000 and is responsible for managing the production facilities of Guizhou Factorr, a subsidiary of Hua Han.

Mr. Chen Lei *(陳磊)*, aged 39, was appointed as an executive Director of the Company on 6 September 2010. He is the assistant to General Manager of the Hua Han Group. Mr. Chen graduated from the Jiangxi University of Finance and Economics (江西財經大學) in 1997. He was awarded the Master of Business Administration in Executive Management by Royal Roads University of Canada in 2009. He joined the Hua Han Group in 2002 and is currently responsible for assisting the Hua Han Group's General Manager in financial management of operations in Mainland China. Mr. Chen had been a supervisor of Guangdong Qunhe for the period from May 2005 to June 2009.

Non-executive Director

Mr. Sun Yan *(孫燚)*, aged 46, was appointed as a non-executive director of the Company on 27 October 2010. He obtained a Bachelor degree in Economics and Business Administration from 上海財經大學 (Shanghai University of Finance and Economics). He has over 20 years of experience in financing and investing in real estate projects. He worked for 中華人民共和國國家建設與環境保護部 (the Ministry of Housing and Urban-Rural Development of the People's Republic of China) and 中國農村信託投資公司 (China Rural Trust and Investment Corporation) respectively. Mr. Sun has various experience in finance industry. From January to September 2009, Mr. Sun served as an executive director of China Grand Forestry Green Resources Group Limited (stock code: 00910) whose shares were listed on the Main Board of the Stock Exchange. Currently, Mr. Sun is a director of Atlantis China Star Fund Limited, a Shareholder of the Company.

Independent non-executive Directors

Professor Dong Yin Mao *(董銀卯)*, aged 46, is an independent non-executive Director of the Company appointed on 6 September 2010. He graduated from Beijing Institute of Light Industry (北京輕工業學院) in 1986 with a bachelor's degree in environmental conservation, and later obtained a master's degree in fine chemistry in 1993 with the same institute. He is currently a professor of The Beijing Technology and Business University (北京工商大學). He has published numerous articles concerning the research and development, manufacture and design of cosmetic with publishers specialised in the field, and he has obtained the qualification of researcher (研究師) accredited by the Senior Vocational Title Inspecting Committee of Beijing Municipality (北京市高級專業技術職務評審委員會) in 2002.

Professor Yang Rude（楊汝德）, aged 64, is an independent non-executive Director of the Company appointed on 6 September 2010. Prof. Yang graduated from the then South China Institute of Technology（華南工業學院, currently known as South China University of Technology（華南理工大學））with a bachelor's degree in food engineering in 1970, where he has held a teaching position for about 40 years. He furthered his study at The University of Science of Technology of China（中國科技大學）in 1981. He was promoted as a professor in 2000 at South China University of Technology（華南理工大學）. He was a standing executive of the Chinese Medicine Society of Guangdong Province（廣東省醫藥行業協會）and the Vice-President of the Association of Microbiology of Guangdong Province（廣東省微生物學會）.

Mr. Yan Kam Tong（甄錦棠）, aged 46, is an independent non-executive Director of the Company appointed on 6 September 2010. Mr. Yan earned a Master of Arts degree in International Accounting from The City University of Hong Kong, and is a member of CPA Australia, the Hong Kong Institute of Certified Public Accountants and a CFA charterholder of the CFA Institute. He has over twenty years of experience in the financial and general management fields. He is the Chief Financial Officer and Responsible Officer of Quantsmile (HK) Limited, a licensed corporation under the SFO for type 9 (asset management) regulated activities under the SFO. He has also held mid-ranking and senior positions in asset management companies, namely, Hamon Asset Management Limited from 2006 to 2009, and Winnington Capital Limited from 2001 to 2006 for over eight years in the areas of finance, operation and compliance.

Senior Management

Mr. Feng Hong（馮洪）, aged 50, is the deputy general manager of the Group. In 2001, Mr. Feng was awarded the postgraduate certificate from the Guangdong Academy of Social Science（廣東省社會科學院）majoring in economic management. Mr. Feng has over seven years experience in human resources and administration management. He joined the Group in 2005 when the Group was founded and is responsible for overseeing human resources and administration of the Group.

Ms. Lu Min（盧敏）, aged 45, is the chief accountant of the Group. She joined us in 2005 when the Group was founded. In 2005, she graduated from China Central Radio and Television University（中央廣播電視大學）and obtained a bachelor's degree in financial accounting. She has over seven years experience in the financial field and is familiar with the financial operational process of the Group.

Mr. Liu Liang Zhe（劉良哲）, aged 34, is the assistant to the general manager of the Group. Mr. Liu joined the Group in 2010. He graduated from Hunan Commerce College（湖南商學院）in sales and marketing in 1995. Mr. Liu has over ten years experience in strategic work with an advertising company and is now responsible for assisting the general manager in the planning of management strategy and sales management strategy of the Group.

***Mr. Zhao Xin Fa*（*趙新發*）**, aged 34, is the head of the marketing department of the Group. Mr. Zhao joined the Group in 2005 when the Group was founded. Mr. Zhao obtained a bachelor's degree in public relations from the Hua Nan Tropical Agricultural University（華南熱帶農業大學）in 1997. He has over eight years experience in sales and marketing.

***Mr. Zeng Hui*（*曾暉*）**, aged 40, is the head of the sales department of the Group. Mr. Zeng joined the Group in 2005 when the Group was founded. Mr. Zeng obtained a bachelor's degree in mechanical technology and equipment from the Yuzhou University（渝州大學）in 2004, and has extensive experience in sales and marketing.

***Ms. Wen Yan Juan*（*溫燕娟*）**, aged 49, is the head of the production department of the Group. Ms. Wen joined the Group in 2005 when the Group was founded, and is the spouse of Mr. Luo Yao Wen, an executive Director. She is well-versed in the operational aspect of the cosmetic industry and is now working with the Group's Production Department.

***Mr. Piao Ying Zhe*（*朴英哲*）**, aged 37, is the head of the market research department of the Group. Mr. Piao joined the Group in 2006. Mr. Piao obtained a bachelor's degree in Laws from The Song Hua Jiang University（松花江大學）in 1993. He was engaged in the sales management of several enterprises in the PRC of the industry. He has been working in the Company for over three years, his past positions held with the Company includes the manager of the communication department and head of the sales department.

***Mr. Ho Cheung Ping Dawnie*（*何掌平*）**, aged 44, is the head of the corporate development department of the Group. Mr. Ho joined the Group in 2005 when the Group was founded. He has over 10 years experience in the planning and production of commercial advertisement. His directed works has won the Outstanding Award of the Ninth Session of Outstanding Advertisement of Guangdong Province (Video)（廣東省第九屆廣告優秀作品（影視類））.

***Ms. Ng Wing Yin*（*吳詠妍*）**, aged 26, is the finance manager of the Group and Company Secretary of the Company. She joined the Group in March 2010 and is responsible for the Group's financial management. She graduated from The Hong Kong Polytechnic University with a bachelor's degree in Accountancy, and is currently a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, she worked in two accounting firms and has accumulated over 5 years of experience in auditing and accounting.

***Mr. Yu Bin*（*于彬*）**, aged 28, is the manager of the customer services department of the Group. Mr. Yu joined the Group in 2006. He received a diploma in financial accounting from Liaoning Taxation College（遼寧稅務高等專科學校）in 2003.

REPORT OF THE DIRECTORS

The directors ("**Directors**") of Magic Holdings International Limited (the "**Company**") are pleased to present their first report and the audited financial statements of the Company for the period from 9 February 2010 (date of incorporation) to 30 June 2010 and the audited combined financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 30 June 2010 ("**Year**").

CORPORATE INFORMATION AND REORGANISATION

The Company was incorporated in the Cayman Islands as a limited liability company on 9 February 2010.

Pursuant to a corporate reorganisation scheme in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of the companies now comprising the Group (the "**Reorganisation**").

Details of the Reorganisation are set out in note 1 to the combined financial statements.

The shares of the Company were listed on the Main Board of the Stock Exchange on 24 September 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group include the research and development, manufacture and sales and marketing of facial masks and other skincare products including the MG brand in China. Details of the principal activities of the principal subsidiaries of the Company are set out in note 18 to the combined financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the Year and its state of affairs as at 30 June 2010 are set out in the combined financial statements on pages 56 to 119.

At a meeting of the Board held on 27 October 2010, the Directors recommended the payment of a special dividend of an aggregate amount of HK$30,000,000 for the year ended 30 June 2010 by way of scrip Shares without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment ("**Scrip Dividend Scheme**") to the shareholders ("**Qualifying Shareholders**") whose registered address is in Hong Kong as shown on the register of members of the Company on 17 December 2010 ("**Record Date**") and also recommended the Scrip Dividend Scheme to the Qualifying Shareholders, subject to the approval of the shareholders on the payment of special dividend by way of the Scrip Dividend Scheme at the forthcoming annual general meeting of the Company to be held on 17 December 2010 ("**Annual General Meeting**"), and the grant by the Stock Exchange of the listing of, and permission to deal in, the scrip shares to be allotted and issued pursuant thereto. For illustration purposes only, based on the number of issued Shares as at the date of this report and assuming no further Shares would be issued or repurchased before the Record Date and all shareholders would be Qualifying Shareholders, the special dividend would be approximately HK3.6 cents per Share.

Further details of the Scrip Dividend Scheme is set out in a circular to shareholders of the Company despatched on 30 October 2010 together with this report. Subject to the relevant resolution being passed at the Annual General Meeting, an announcement in relation to the basis of allotment of the scrip Shares will be published as soon as possible after the Annual General Meeting and a circular containing details of the Scrip Dividend Scheme will be despatched to the shareholders shortly after the Annual General Meeting.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 24 September 2010 and after the exercise of the over-allotment option on 27 September 2010 amounted to approximately HK$703.7 million. Details of the plan for the use of proceeds from the Company's initial public offering are set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 10 September 2010 ("**Prospectus**"). As at the date of this report, the net proceeds have not yet been used.

SUMMARY COMBINED FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the Company's published audited combined financial statements prepared on the basis set out therein, is set out on page 120 of this annual report. This summary does not form part of the audited combined financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 14 to the combined financial statements.

SHARE CAPITAL AND SHARE AWARD

Details of the Company's share capital and share award are set out in notes 26 and 27 to the combined financial statements.

Prior to the listing of the Company, the Company conditionally adopted a share option scheme on 6 September 2010 which became effective and unconditional upon listing of the shares of the Company on 24 September 2010 (the "**Share Option Scheme**"). As of the date of this report, the Company has not granted any options pursuant to the Share Option Scheme.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "**Articles of Association**") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company ("**Shareholders**") unless otherwise required by the Stock Exchange.

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 Year.

RESERVES

Details of movements in the reserves of the Group during the Year are set out in the combined statement of changes in equity.

DISTRIBUTABLE RESERVES

The reserves available for distribution to the shareholders of the Company amounted to HK$229.4 million as at 30 June 2010 (2009: HK$76.4 million)

DONATIONS

During the Year, there were no charitable and other donations made by the Group (2009: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's largest and five largest customers accounted for approximately 19.8% and 52.9% of the total sales for the Year respectively. Purchases from the Group's largest and five largest suppliers accounted for approximately 13.7% and 49.8% of the total purchases for the Year respectively.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers or customers.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the Year and up to the date of this report are:

Executive Directors:

Mr. Tang Siu Kun Stephen (appointed on 9 February 2010)
Mr. She Yu Yuan (appointed on 6 September 2010)
Mr. Luo Yao Wen (appointed on 6 September 2010)
Mr. Zhang Kun Mou (appointed on 6 September 2010)
Mr. Chen Lei (appointed on 6 September 2010)

Non-executive Director:

Mr. Sun Yan (appointed on 27 October 2010)

Independent non-executive Directors:

Mr. Yan Kam Tong (appointed on 6 September 2010)
Professor Dong Yin Mao (appointed on 6 September 2010)
Professor Yang Rude (appointed on 6 September 2010)

In accordance with Article 105(A) of the Articles of Association, Mr. Tang Siu Kun Stephen, Mr. She Yu Yuan and Mr. Luo Yao Wen will retire from the office of directorship by rotation at the forthcoming Annual General Meeting. Each of Mr. Tang Siu Kun Stephen, Mr. She Yu Yuan and Mr. Luo Yao Wen, being eligible, will offer himself for re-election as Director at the Annual General Meeting. All remaining Directors shall continue in office.

Mr. Sun Yan was appointed by the Board as an additional Director pursuant to Article 109 of the Articles of Association on 27 October 2010. In accordance with Article 109 of the Articles of Association, Mr. Sun Yan will hold office only until the next following general meeting and shall then be eligible and will offer himself for re-election as Director at the Annual General Meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors a written confirmation of his independence from the Group. Based on such confirmations, the Company considers that each of such Directors to be independent from the Group for the purpose of Rule 3.13 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 17 to 20 of this report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Tang Siu Kun Stephen, Mr. She Yu Yuan and Mr. Luo Yao Wen has entered into a service contract with the Company for an initial term of three years commencing from 1 September 2010, which is automatically renewable for successive terms of one year upon expiry of the then current term, until terminated by not less than three months' notice in writing served by either party on the other. Each of Mr. Zhang Kun Mou and Mr. Chen Lei has been appointed for an initial term of two years commencing from 1 September 2010, which is automatically renewable for successive terms of one year upon expiry of the then current term, unless terminated by not less than three months' notice in writing served by either party on the other.

The independent non-executive Directors and non-executive Director are appointed for specific terms and are subject to retirement by rotation in accordance with the Articles of Association.

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors are subject to retirement by rotation at least once every three years as required by the Articles of Association.

DIRECTORS' REMUNERATION

The board of Directors has the general power of determining the Directors' remuneration, subject to the authorisation of the Shareholders given at the Annual General Meeting of the Company each year. The remuneration of the executive Directors is subject to the review of the Company's remuneration committee, and their remuneration is determined with reference to Directors' qualifications, experience, duties, responsibilities and performance and results of the Group. As for the non-executive Directors and the independent non-executive Directors, their remuneration is determined by the board of Directors, upon recommendation of the Company's remuneration committee, with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the transactions disclosed in notes 33(a)(i), (d) and (e) to the combined financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party, subsisted at the end of the year or at any time during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Dealings in the shares of the Company commenced on the Stock Exchange on 24 September 2010, which was later than the end of the reporting period. As at the date of this report, the interests and short positions of the Directors and chief executives of the Company in the shares or underlying shares or, as the case may be, the equity interest and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SF Ordinance**")) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SF Ordinance (including interests and short positions which he was taken or deemed to have under such provisions of the SF Ordinance), or which were required, pursuant to section 352 of the SF Ordinance, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Name of Director	Name of Group member/associated corporation	Capacity	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Mr. Tang Siu Kun Stephen ("**Mr. Tang**")	The Company	Interest of controlled corporations *(Note 2)*	74,885,286 Ordinary shares (L)	9.02%
Mr. She Yu Yuan ("**Mr. She**")	The Company	Beneficial owner	97,329,896 Ordinary shares (L)	11.73%
Mr. Luo Yao Wen	The Company	Beneficial owner	29,943,626 Ordinary shares (L)	3.61%
Mr. Tang and Mr. She	The Company	Trustee *(Note 3)*	28,789,931 Ordinary shares (L)	3.47%

Notes:

1. The letter "L" denotes long position in the shares of the Company or the relevant associated corporation.

2. Among these shares, 52,440,676 Shares were held through MG Company Limited, a company wholly-owned by Mr. Tang, and 22,444,610 Shares were held through Charm Magna Limited, a company wholly-owned by an independent third party on trust in favour of Mr. Tang.

3. These shares are held by Mr. Tang and Mr. She as trustee of the share award plan adopted by Magic Holdings Group Limited on 30 October 2009.

Save as disclosed above, as at the date of this report, none of the Directors and the chief executives of the Company had any interest and short positions in the shares, underlying shares or, as the case may be, the equity interests and debentures of the Company or its associated corporations (within the meaning of the SF Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SF Ordinance (including interests and short positions which he was taken or deemed to have under such provisions of the SF Ordinance), or which were required, pursuant to section 352 of the SF Ordinance, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

SHARE OPTION SCHEME

The Company has a share option scheme ("**Scheme**") which was adopted pursuant to a resolution in writing passed by all the shareholders on 6 September 2010, for the purpose of providing incentives or rewards to selected eligible participants for their contributions to the Group. The Scheme became effective on 24 September 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from such date.

Eligible participants of the Scheme include the following:

(i) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which the Group holds an equity interest;

(ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group,

and for the purpose of the Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

As at the date of this report, the total number of shares of the Company available for issue under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue on the day on which trading of the shares commenced on the Stock Exchange, i.e. 80,000,000, representing 10% of the issued share capital of the Company as at the date of listing and approximately 9.64% of the issued share capital of the Company as at the date of this report.

No option has been granted under the Scheme as at the date of this report.

The maximum number of shares issuable upon exercise of the options which may be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant (other than a substantial shareholder, chief executive or Director as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding any independent non-executive director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, in the 12-month period up to and including the date of grant, are subject to Shareholders' approval in general meeting.

The offer of a grant of share options may be accepted by a participant within 21 days from the date of offer upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the board of Directors, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the options subject to the provisions for early termination under the Scheme.

The subscription price for Shares under the Scheme shall be a price determined by the board of Directors, but shall not be less than the highest of:

(i) the closing price of shares of the Company as stated in the daily quotation sheets of the Stock Exchange on the date of the offer of the grant, which must be a business day;

(ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant; and

(iii) the nominal value of the shares of the Company.

Subject to the earlier termination of the Scheme in accordance with the Scheme rules, the Scheme will expire on 24 September 2020.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SF ORDINANCE

Dealings in the shares of the Company commenced on the Stock Exchange on 24 September 2010, which was later than the balance sheet date. As of the date of this report, so far as was known to the Directors, the following persons or entities, other than a Director or chief executive of the Company, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SF Ordinance:

Name of shareholder	**Number of shares** *(Note 1)*	**Nature of interest**	**Approximate percentage of interest of the Company**
Queenherb Enterprises Limited	207,481,537 (L)	Beneficial owner	25.00%
Hua Han Bio-Pharmaceutical Holdings Limited *(Note 2)*	207,481,537 (L)	Interest in controlled corporation	25.00%
Wu Xiao Qing *(Note 3)*	126,119,827 (L)	Interest of spouse	15.20%
MG Company Limited	52,440,676 (L)	Beneficial owner	6.32%
Ho Ching Han *(Note 4)*	103,675,217 (L)	Interest of spouse	12.49%
Atlantis Investment Management Limited	89,265,777 (L)	Investment Manager	10.75%
Liu Yang *(Note 5)*	89,265,777 (L)	Interest of controlled corporation	10.75%

Notes:

1. The letter "L" denotes long position in the shares of the Company or the relevant associated corporation.

2. Queenherb Enterprises Limited is a direct wholly-owned subsidiary of Hua Han Bio-Pharmaceutical Holdings Limited. Therefore, Hua Han Bio-Pharmaceutical Holdings Limited is deemed to be interested in the shares held by Queenherb Enterprises Limited under the SF Ordinance.

3. Wu Xiao Qing is the spouse of Mr. She, an executive Director, and she is therefore deemed to be interested in the shares in which She Yu Yuan is interested under the SF Ordinance.

4. Ho Ching Han is the spouse of Mr. Tang, an executive Director, and she is therefore deemed to be interested in the shares in which Mr. Tang is deemed to be interested under the SF Ordinance.

5. Liu Yang is the owner of Atlantis Investment Management Limited. Therefore, Liu Yang is deemed to be interested in the shares held by Atlantis Investment Management Limited under the SF Ordinance.

Save as disclosed above, as at the date of this report, no person, or entity, other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SF Ordinance.

CONNECTED TRANSACTIONS

The companies now comprising the Group had entered into a number of transactions with parties which, upon the listing of the Company's shares on the Stock Exchange, became connected persons of the Company under the Listing Rules. Details of such transactions are set out in the section headed "Connected Transactions" in the Prospectus and as follows:

Exclusive Distribution Agreement

Date: 3 September 2010

Parties: (1) Hanbul Cosmetics Co., Ltd. ("**Hanbul**") as supplier (Hanbul, a substantial shareholder of Magic-Hanbul Holdings Limited and a joint venture partner of the Group under MG JV Group (as defined in the Prospectus)), which comprised of certain indirect 51%-owned subsidiaries of the Company, is a connected person of the Company); and

(2) Magic-Hanbul Holdings Limited, an indirect 51%-owned subsidiary of the Company, as distributor

Terms: Members of the MG JV Group shall act as the exclusive distributor of Hanbul for certain skincare and cosmetics products in stipulated territories

Price: FOB product prices (inclusive of packaging costs), which shall be determined prior to the beginning of each financial year on arm's length basis and with reference to the prevailing market prices of such products or products of the same or substantially similar nature and quality

Caps: HK$0, HK$10.9 million and HK$54.5 million for the three years ending 30 June 2012

OEM Manufacturing Agreement

Date: 29 April 2010

Parties: (1) Hanbul as producer; and

(2) 北京東麗盛化妝品有限公司 (Beijing Donglisheng Cosmetics Company Limited), an indirect 70%-owned subsidiary of the Company, as purchaser

Terms: the Group agreed to engage Hanbul to produce and manufacture certain skincare and cosmetics products in Korea

Price: Determined from time to time on arm's length basis and with reference to the type of product and the prevailing market rates for the production of such products of the same or substantially similar nature and quality

Caps: HK$0, HK$9.9 million and HK$14.4 million for the three years ending 30 June 2012

For the year ended 30 June 2010, there was no transaction under either the Exclusive Distribution Agreement or the OEM Manufacturing Agreement.

The related party transactions disclosed in notes 33 (a), (d) and (e) to combined financial statements constitute connected transactions under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by public as at the date of this report.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 to the Listing Rules since the listing of the shares of the Company on the Stock Exchange. Please refer to the Corporate Governance Report on pages 34 to 37 of this Annual Report.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Committee**") in accordance with the requirements of the Code. 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, all being independent non-executive Directors. The Company's financial statements and the Group's combined financial statements for the year have been reviewed by the Committee, which is of the opinion that such financial statements have complied with the applicable accounting standards, and the requirements of the Listing Rules and the applicable laws, and that adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period are set out in note 38 to the combined financial statements.

AUDITORS

Ernst & Young were appointed by the directors as the first auditor of the Company. Ernst & Young retire, and a resolution for their re-appointment as auditors of the Company will be proposed, at the forthcoming Annual General Meeting.

On behalf of the Board

Tang Siu Kun Stephen
Chairman

Hong Kong
27 October 2010

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board ("**Board**") of directors (each a "**Director**") of the Company is committed to achieving high standards of corporate governance and to leading the Group to grow in an efficient manner in light of the Group's vision and mission to improve its corporate operations and procedures.

The Shares of the Company commenced trading on the Stock Exchange on 24 September 2010. Since the listing of the Company, the Company had complied with the principles and code provisions ("**Code Provisions**") of the Code as set out in Appendix 14 to the Listing Rules.

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 confirmed that they had 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 from the date of listing to the date of this report.

BOARD OF DIRECTORS

The Board is currently composed of five executive Directors comprising Mr. Tang Siu Kun Stephen as the chairman, Mr. She Yu Yuan, Mr. Luo Yao Wen, Mr. Zhang Kun Mou and Mr. Chen Lei; one non-executive Director comprising Mr. Sun Yan; and three independent non-executive Directors comprising Mr. Yan Kam Tong, Professor Dong Yin Mao and Professor Yang Rude. The biographical details of the Directors are set out on pages 17 to 20 of this report. All Directors are subject to retirement from office by rotation and may offer themselves for re-election at the annual general meeting of the Company in accordance with the provisions of the articles of association of the Company. Each of Mr. Tang Siu Kun Stephen, Mr. She Yu Yuan and Mr. Luo Yao Wen is appointed as executive Director for an initial term of three years renewable automatically for successive terms of one year. Each of Mr. Zhang Kun Mou and Mr. Chen Lei is appointed as executive Director for an initial term of two years renewable automatically for successive terms of one year. The non-executive Director is appointed for an initial term of two years renewable automatically for successive terms of one year. Each independent non-executive Director is appointed for an initial term of two years renewable automatically for successive terms of one year.

CORPORATE GOVERNANCE REPORT

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performances. The Board is delegated with the authority and responsibility for the management of the Group. In addition, the Board has also established various Board committees, including the audit committee (the "**Audit Committee**") and the remuneration committee (the "**Remuneration Committee**") (together, the "**Board Committees**"), on 6 September 2010 and has delegated various responsibilities to it. Since the establishment of the Board Committees was in September 2010, there was no meeting held during the Year.

The Company has adopted the practice of holding regular Board meetings at least four times a year. Apart from regular board meetings, the Board will meet on other occasions when a board level decision on a particular matter is required. Each of the members of the Board has full access to relevant information at the meetings.

The executive Directors and senior management of the Company, as delegated by the Board, are responsible for implementing the determined strategies and policies and the day-to-day management of the Group's business.

The Company has received from each of the independent non-executive Directors a written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company thus considers all the independent non-executive Directors to be independent.

NOMINATION OF DIRECTORS

The Board has not set up a nomination committee. The nomination of new Directors will be decided by the Board. They review regularly the need to appoint additional Directors with appropriate professional knowledge and industry experience. The Board will then consider the candidates nominated by them for appointment as Directors.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 6 September 2010 with specific written terms of reference in accordance with the requirements of the Code and is currently composed of three members, comprising two independent non-executive Directors, namely Professor Dong Yin Mao (Chairman) and Mr. Yan Kam Tong and one executive Director, Mr. Tang Siu Kun Stephen.

The primary role of the Remuneration Committee is to make recommendations on the remuneration policies and packages for the Directors and senior management of the Company. No Director takes part in any discussions about his own remuneration.

Generally, the employees of the Group (including the Directors) are remunerated based on their experience and qualifications, the Group's performance as well as market conditions.

Since the establishment of the Remuneration Committee was in September 2010, which was subsequent to the end of the reporting period, there was no meeting held during the Year.

AUDIT COMMITTEE

The Audit Committee was established in September 2010 with specific written terms of reference which have been prepared and adopted according to the Code Provisions.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Yan Kam Tong (Chairman), Professor Dong Yin Mao and Professor Yang Rude. The chairman of the Audit Committee possesses the appropriate professional and accounting qualifications, and is therefore in compliance with Rule 3.21 of the Listing Rules.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the annual and interim reports of the Company prior to their approval by the Board, the effectiveness of the external and internal audit and of internal controls and risk evaluation.

Since the establishment of the Audit Committee was in September 2010, which was subsequent to the end of the reporting period, there was no meeting held during the Year.

AUDITORS' REMUNERATIONS

During the Year, the remunerations paid or to be payable to Ernst & Young in respect of statutory audit services and services rendered for the listing of the Company were HK$1,400,000 and HK$4,100,000, respectively.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 30 June 2010, the Directors have selected appropriate accounting policies and applied them consistently, and have prepared the financial statements on a going concern basis.

During the Year, the Company did not announce its annual and interim results respectively as required under Rules 13.49(1) and (6) of the Listing Rules since the Company has not yet been listed. As such, Code C1 is not applicable to the Company. The Company has announced its annual results for the financial year ended 30 June 2010 on 27 October 2010. A statement by the external auditors on its reporting responsibility is included in this report.

INTERNAL CONTROL

The Board and the management of the Group maintain a sound and effective system of internal control of the Group so as to ensure the effectiveness and efficiency of operations of the Group. The Board is also responsible for making appropriate assertions on the adequacy of internal control and procedures. The Board reviews the effectiveness of these systems on a regular basis through the Audit Committee.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company has established the following communication channels with shareholders and investors: (i) despatching printed copies of corporate communication documents to shareholders; (ii) the opportunity for shareholders to raise comments and exchange views with the Board during each annual general meeting; (iii) providing the latest and key information of the Group through the website of the Company; and (iv) the Company's Registrar serves the shareholders in respect of all share registration matters.

COMPLIANCE ADVISER

For the purpose of and in compliance with Rule 3A.19 of the Listing Rules, the Company has appointed Haitong International Capital Limited (formerly known as Taifook Capital Limited) as its compliance adviser for the period from 24 September 2010, being the date on which the Shares first commenced trading on the Stock Exchange and to the date on which the Company dispatched its annual report in respect of its financial results for the first full financial year after the date of listing of the shares of the Company on the Stock Exchange.

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

To the shareholders of Magic Holdings International Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Magic Holdings International Limited set out on pages 40 to 53, which comprise the statement of financial position as at 30 June 2010 and the statement of changes in equity for the period from 9 February 2010 (date of incorporation) to 30 June 2010, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 30 June 2010 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
27 October 2010

STATEMENT OF FINANCIAL POSITION

30 June 2010

	Notes	***HK$'000***
CURRENT ASSETS		
Prepayments	*5*	**2,496**
Other receivables	*5*	**4,701**
Total current assets		**7,197**
CURRENT LIABILITIES		
Other payables	*5*	**(7,197)**
Net assets		**–**
EQUITY		
Issued capital	*6*	**–**
Total equity		**–**

Tang Siu Kun Stephen
Director

She Yu Yuan
Director

STATEMENT OF CHANGES IN EQUITY

Period from 9 February 2010 (date of incorporation) to 30 June 2010

	Issued capital *HK$*
Issue of shares upon incorporation and at 30 June 2010 *(note 6)*	–

1. CORPORATE INFORMATION AND REORGANISATION

Magic Holdings International Limited is a limited liability company incorporated in the Cayman Islands on 9 February 2010. The principal place of business of the Company is Unit 3405, 34th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong.

The Company has not carried out any business since its date of incorporation on 9 February 2010 except the acquisition of interests in subsidiaries pursuant to a reorganisation scheme (the "**Reorganisation**") as set out below.

Pursuant to the Reorganisation to rationalise the structure of the Company and its subsidiaries in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of Magic Holdings Group Limited ("**Magic Holdings**") and its subsidiaries *(note 8)* on 6 September 2010.

Hua Han Bio-Pharmaceutical Holdings Limited ("**HHBP**"), a company incorporated in the Cayman Islands and listed on the Stock Exchange, had equity interests of 49% and 36.4% in Magic Holdings as at 30 June 2009 and 2010, respectively. Upon the completion of the Reorganisation on 6 September 2010, HHBP had a 34.58% equity interest in the Company. Pursuant to two voting-in-concert undertakings (the "**Voting-in-concert Undertakings**") provided by two shareholders of Magic Holdings to HHBP, these two shareholders will vote in accordance with HHBP's decision. Taking into consideration of the Voting-in-concert Undertakings, the directors of the Company considered that the Company has been a subsidiary of HHBP since 6 September 2010. Upon the listing of the Company on the Stock Exchange on 24 September 2010, the Voting-in-concert Undertakings were cancelled and HHBP was only able to secure control of 26% of the voting power of the Company, and thus the Company became an associate of HHBP thereafter.

Further details of the Reorganisation are set out in the Company's listing prospectus dated 10 September 2010 (the "**Prospectus**").

The shares of the Company were listed on the Stock Exchange on 24 September 2010.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include 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. These 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.

An income statement, a statement of comprehensive income and a statement of cash flows have not been presented as the Company does not have any profit or loss or other comprehensive income or expenses for the period from 9 February 2010 (date of incorporation) to 30 June 2010 nor does it operate a bank or cash account or hold any cash equivalents and has had no cash transactions during the current period. Accordingly, in the opinion of the directors, the presentation of an income statement, a statement of comprehensive income and a statement of cash flows would provide no additional useful information to the users of the financial statements.

Comparative amounts have not been presented because the Company was not in existence on 30 June 2009.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company 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 – Additional Exemptions for First-time Adopters* [1]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for Frist-time Adopters* [3]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [1]
HKFRS 9	*Financial Instruments* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [4]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [4]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [3]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [1]

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

In addition, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out a collection of amendments to HKFRSs in response to the International Accounting Standards Board's accounting improvements project.

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

[1] *Effective for annual periods beginning on or after 1 January 2010*
[2] *Effective for annual periods beginning on or after 1 February 2010*
[3] *Effective for annual periods beginning on or after 1 July 2010*
[4] *Effective for annual periods beginning on or after 1 January 2011*
[5] *Effective for annual periods beginning on or after 1 January 2013*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

Investments and other financial assets

The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

The Company's financial assets are other receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or

- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities are other payables.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

4. INCOME TAX

No Hong Kong profits tax has been provided as the Company did not generate any assessable profits arising in Hong Kong during the period from 9 February 2010 (date of incorporation) to 30 June 2010.

5. PREPAYMENTS, OTHER RECEIVABLES AND OTHER PAYABLES

Prepayments represented the expenditures (the "**Expenditures**") (excluding the expenses to be borne by the five shareholders of the Company (the "**Shareholders**") as described below) incurred and recharged by Magic Holdings as at 30 June 2010 for the purpose of the Company's initial public offering. Upon the listing of the Company's shares on the Stock Exchange on 24 September 2010, the whole amount was set off against the Company's share premium account.

Pursuant to five undertakings (the "**Undertakings**") dated 6 September 2010 received from the Shareholders, namely HHBP, Mr. Tang Siu Kun, Stephen ("**Mr. Tang**"), Mr. She Yu Yuan ("**Mr. She**"), Mr. Luo Yao Wen ("**Mr. Luo**") and Mr. Ho Cheung Ping, Dawnie ("**Mr. Ho**"), they agreed to bear their respective proportionate amounts of the Expenditures relating to the listing of the shares of the Company.

Other receivables represented the portion of the Expenditures to be recovered from the Shareholders pursuant to the Undertakings.

Other payables represented the Expenditures recharged by Magic Holdings.

6. SHARE CAPITAL

Shares

	HK$'000
Authorised:	
1,000,000 ordinary shares of HK$0.1 each	100
Issued and fully paid:	
One ordinary share of HK$0.1	–

6. **SHARE CAPITAL** (continued)

Shares (continued)

The following changes in the Company's authorised and issued share capital took place during the period from 9 February 2010 (date of incorporation) to 30 June 2010, and subsequent to the reporting period up to 27 September 2010:

	Notes	**Number of ordinary shares**	**Nominal value of ordinary shares** *HK$'000*
Authorised:			
Upon incorporation (1,000,000 shares of HK$0.1 each) and as at 30 June 2010	*(a)*	1,000,000	100
Increase in authorised capital on 5 September 2010	*(b)*	1,999,000,000	199,900
		2,000,000,000	200,000
Issued:			
Upon incorporation (one share of HK$0.1 allotted as nil-paid) and as at 30 June 2010	*(c)*	1	–
Allotment and issuance of 2,288,299 nil-paid shares on 5 September 2010	*(d)*	2,288,299	–
On acquisition of Magic Holdings on 6 September 2010			
– allotment and issuance of 2,288,300 shares credited as fully-paid	*(e)(i)*	2,288,300	229
– 2,288,300 nil-paid shares credited as fully-paid *(note (d))*	*(e)(ii)*	–	229
Capitalisation issue credited as fully-paid conditional on the share premium account of the Company, being credited as a result of the issuance of new shares to the public	*(f)*	595,423,400	59,542
Issuance of new shares on 24 September 2010	*(g)*	200,000,000	20,000
At 24 September 2010, upon completion of initial public offering		800,000,000	80,000
Issuance of new shares on 27 September 2010 upon exercise of an over-allotment option	*(h)*	30,000,000	3,000
At 27 September 2010		830,000,000	83,000

6. **SHARE CAPITAL** (continued)

Shares (continued)

Notes:

(a) Pursuant to an ordinary resolution passed on 9 February 2010, the authorised share capital of the Company was divided into 1,000,000 shares of HK$0.1 each.

(b) Pursuant to a special resolution passed on 5 September 2010, the authorised share capital of the Company was increased from HK$100,000 to HK$200,000,000 by the creation of 1,999,000,000 additional new shares of HK$0.1 each.

(c) On 9 February 2010, one nil-paid share was allotted and issued to Codan Trust Company (Cayman) Limited, which was transferred to Mr. Tang, on the same date.

(d) On 5 September 2010, a further 2,288,299 nil-paid shares were allotted and issued to the shareholders of Magic Holdings in proportion to their shareholdings in the Company and the one nil-paid share (as described in (c) above) was transferred by Mr. Tang to MG Company Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Tang. The shares were subsequently credited as fully-paid as described in (e)(ii) below.

(e) (i) On 6 September 2010, a further 2,288,300 nil-paid shares were allotted and issued, credited as fully-paid, to the then shareholders of Magic Holdings.

(ii) 2,288,300 nil-paid shares held by the then shareholders of Magic Holdings were credited as fully-paid at par *(note (d))*.

(f) 595,423,400 new shares of HK$0.1 each were further allotted and issued, credited as fully paid at par by the Company, by way of capitalisation of the sum of approximately HK$59,542,000 from the share premium account, to the then existing shareholders of the Company, whose names appeared on the register of the Company on 6 September 2010, in proportion to their respective shareholdings. Such allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in (g) below.

(g) In connection with the Company's initial public offering, 200,000,000 shares of HK$0.1 each were issued at a price of HK$3.3 per share for a total cash consideration, before expenses, of approximately HK$660,000,000. Dealings in these shares on the Stock Exchange commenced on 24 September 2010.

(h) In connection with the Company's initial public offering, an over-allotment option was granted to BOCI Asia Limited, the sole global coordinator (the "**Sole Global Coordinator**") whereby the Sole Global Coordinator has the right to request the Company to issue and allot up to an aggregate of 30,000,000 additional shares of HK0.1 each to subscribers under the initial public offering. On 27 September 2010, the Sole Global Coordinator exercised the over-allotment option and accordingly, 30,000,000 shares of HK$0.1 each were issued by the Company at a price of HK$3.3 per share for a total cash consideration, before expenses, of approximately HK$99,000,000. Dealings of these shares on the Stock Exchange commenced on 28 September 2010.

7. RELATED PARTY TRANSACTIONS

As detailed in note 5 above, pursuant to the Undertakings, HHBP, Mr Tang, Mr. She, Mr. Luo, and Mr. Ho agreed to bear their respective proportionate amounts of the Expenditures relating to the listing of the shares of the Company.

8. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at the date of approval of the financial statements are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Magic Holdings	The British Virgin Islands (the "**BVI**")	US$21,883	100	–	Investment holding
廣東群禾藥業有限公司 ("**Guangdong Qunhe**") [2]	People's Republic of China ("**PRC**")/ Mainland China	RMB10,000,000	–	100	Trading of facial masks and other skincare products
廣州美即化妝品有限公司 ("**Guangzhou Magic**") [1]	PRC/ Mainland China	HK$40,000,000	–	100	Manufacture and sale of facial masks and other skincare products
北京東麗盛化妝品有限公司 ("**Donglisheng**") [2]	PRC/ Mainland China	RMB5,000,000	–	70	Sale of skincare products
廣州美即生物科技有限公司 ("**MG Bio-tech**") [2, 3]	PRC/ Mainland China	HK$46,800,000	–	100	Investment holding
Magic-Hanbul Holdings Limited ("**MG JV BVI**") [4]	The BVI	US$2,950,000	–	51	Investment holding
Magic-Hanbul International Limited ("**MG JV HK**") [4]	Hong Kong	HK$23,000,000	–	51	Investment holding

8. PARTICULARS OF SUBSIDIARIES (continued)

Notes:

1 Registered as a wholly-foreign-owned enterprise under the laws of the PRC.

2 Registered as domestic enterprises under the laws of the PRC.

3 The registered capital of MG Bio-tech is HK$78,000,000. Magic Holdings has injected capital of HK$46,800,000 to MG Bio-tech up to the date of approval of the financial statements. The unpaid registered capital of MG Bio-tech amounted to HK$31,200,000 at the date of approval of the financial statements.

4 Pursuant to a joint venture agreement dated 2 March 2010 entered between Magic Holdings and Hanbul Cosmetics Company Limited ("**Hanbul**"), a company incorporated in Korea, MG JV BVI and its subsidiary MG JV HK (the "**Magic JV Group**") were incorporated on 7 May 2010 and 1 September 2010, respectively. Besides, a subsidiary of MG JV HK will be established in the PRC. MG JV BVI was incorporated with an authorised share capital of US$5,000,000 divided into 5,000,000 ordinary shares of US$1 each. On 16 June 2010, one ordinary share of US$1 was issued at par to Magic Holdings. On 16 August 2010, 1,504,499 and 1,445,000 ordinary shares of US$1 each were issued to Magic Holdings and Hanbul, respectively, at US$1 per share.

The statutory financial statements of the subsidiaries listed above are not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

9. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in these financial statements, the Company had the following events after the reporting period:

(a) On 6 September 2010, the companies now comprising the Group completed the Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange.

(b) On 6 September 2010, a share option scheme (the "**Scheme**") was adopted for the purpose of providing incentives or rewards to selected eligible participants for their contributions to the Group. The Scheme became effective on 24 September 2010. No share options have been granted under the Scheme up to the date of approval of the financial statements. Further details of the Scheme are set out in the Prospectus.

(c) On 24 September 2010, the shares of the Company were listed on the Stock Exchange.

(d) On 27 September 2010, an over-allotment option was exercised in full by the Sole Global Coordinator, in respect of an aggregate of 30,000,000 shares, representing 15% of the offer shares initially available under the Global Offering (as defined in the Prospectus), to cover over-allocations in the International Offering (as defined in the Prospectus).

10. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 October 2010.

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

To the shareholders of Magic Holdings International Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the combined financial statements of Magic Holdings International Limited set out on pages 56 to 119, which comprise the combined statement of financial position as at 30 June 2010, the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The combined financial statements have been prepared in accordance with the basis of presentation and the accounting policies set out in notes 2.1 and 3 to the combined financial statements.

DIRECTORS' RESPONSIBILITY FOR THE COMBINED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the combined financial statements in accordance with the basis of presentation and the accounting policies set out in notes 2.1 and 3 to the combined financial statements, and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these combined financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the combined financial statements for the year ended 30 June 2010 have been properly prepared in accordance with the basis of presentation and the accounting policies set out in notes 2.1 and 3 to the combined financial statements and the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
27 October 2010

COMBINED INCOME STATEMENT

Year ended 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	6	**631,039**	374,593
Cost of sales		**(145,323)**	(104,939)
Gross profit		**485,716**	269,654
Other income and gains	6	**1,851**	1,704
Selling and distribution costs		**(332,621)**	(175,321)
Administrative expenses		**(29,767)**	(13,584)
Fair value gain on derivative financial instruments	34	**17,245**	–
Finance costs	7	**(48)**	(142)
PROFIT BEFORE TAX	8	**142,376**	82,311
Income tax expense	11	**(24,930)**	(16,083)
PROFIT FOR THE YEAR		**117,446**	66,228
Profit attributable to:			
Equity holders of the Company		**118,583**	67,618
Non-controlling interest		**(1,137)**	(1,390)
		117,446	66,228
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK19.8 cents**	HK11.3 cents
Diluted		**N/A**	N/A

Details of the dividends are disclosed in note 12 to the combined financial statements.

COMBINED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2010

	2010 *HK$'000*	2009 *HK$'000*
PROFIT FOR THE YEAR	**117,446**	66,228
Other comprehensive income/(expenses):		
Exchange differences on translating foreign operations	**1,314**	(488)
Income tax relating to component of other comprehensive income	**–**	–
Other comprehensive income/(expenses) for the year, net of tax	**1,314**	(488)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**118,760**	65,740
Total comprehensive income/(expenses) attributable to:		
Equity holders of the Company	**119,840**	67,151
Non-controlling interest	**(1,080)**	(1,411)
	118,760	65,740

COMBINED STATEMENT OF FINANCIAL POSITION

30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**1,393**	6,060
Goodwill	*15*	**15,772**	15,772
Intangible asset	*16*	**26,746**	30,250
Deferred tax asset	*17*	**1,346**	845
Prepayments and deposits	*21*	**13,698**	–
Total non-current assets		**58,955**	52,927
CURRENT ASSETS			
Inventories	*19*	**8,541**	4,537
Trade receivables	*20*	**111,588**	94,864
Amount due from related parties	*33*	**127,331**	49,238
Prepayments, deposits and other receivables	*21*	**91,369**	57,864
Cash and cash equivalents	*22*	**49,475**	7,486
Total current assets		**388,304**	213,989
CURRENT LIABILITIES			
Trade payables	*23*	**29,458**	22,605
Other payables and accruals	*25*	**23,744**	7,505
Derivative financial instruments	*34*	**5,100**	–
Interest-bearing bank loan	*24*	**–**	130
Amounts due to related parties	*33*	**31,999**	44,424
Tax payables		**11,575**	13,116
Total current liabilities		**101,876**	87,780
NET CURRENT ASSETS		**286,428**	126,209
TOTAL ASSETS LESS CURRENT LIABILITIES		**345,383**	179,136
NON-CURRENT LIABILITIES			
Interest-bearing bank loan	*24*	**–**	2,196
Deferred tax liabilities	*17*	**6,687**	7,563
Total non-current liabilities		**6,687**	9,759
Net assets		**338,696**	169,377

COMBINED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2010

	Notes	**2010**	2009
		HK$'000	*HK$'000*
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*26*	**170**	2
Reserves	*28*	**333,338**	163,107
		333,508	163,109
Non-controlling interest		**5,188**	6,268
Total equity		**338,696**	169,377

Tang Siu Kun Stephen
Director

She Yu Yuan
Director

COMBINED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2010

	Attributable to equity holders of the Company										
	Issued capital HK$'000 Note (a)	**Share premium account** HK$'000 Note (a)	**Share award reserve** HK$'000	**Merger reserve** HK$'000	**Capital reserve** HK$'000 Note (b)	**Statutory reserve fund** HK$'000 Note (c)	**Retained profits** HK$'000	**Exchange fluctuation reserve** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 July 2008	2	–	–	8,278*	61,149*	7,999*	44,607*	10,635*	132,670	29,706	162,376
Total comprehensive income for the year	–	–	–	–	–	–	67,618	(467)	67,151	(1,411)	65,740
Dividend declared	–	–	–	–	–	–	(33,191)	–	(33,191)	(14,204)	(47,395)
Transfer to statutory reserve fund	–	–	–	–	–	2,658	(2,658)	–	–	–	–
Acquisition of a non-controlling interest in 廣東群禾藥業有限公司 ("**Guangdong Qunhe**") and its then subsidiary	–	–	–	4,420	–	–	–	–	4,420	(4,420)	–
Consideration paid for the acquisition of a non-controlling interest in Guangdong Qunhe and its then subsidiary	–	–	–	(7,941)	–	–	–	–	(7,941)	(3,403)	(11,344)
At 30 June 2009	2	–*	–*	4,757*	61,149*	10,657*	76,376*	10,168*	163,109	6,268	169,377
At 1 July 2009	2	–	–	4,757*	61,149*	10,657*	76,376*	10,168*	163,109	6,268	169,377
Issue of shares of Magic Holdings Group Limited ("**Magic Holdings**") *(Note 34)*	168	39,887	–	–	–	–	–	–	40,055	–	40,055
Share issue expenses	–	(765)	–	–	–	–	–	–	(765)	–	(765)
Share award expenses *(Note 27)*	–	–	11,269	–	–	–	–	–	11,269	–	11,269
Total comprehensive income for the year	–	–	–	–	–	–	118,583	1,257	119,840	(1,080)	118,760
Transfer to statutory reserve fund	–	–	–	–	–	4,658	(4,658)	–	–	–	–
At 30 June 2010	170	39,122*	11,269*	4,757*	61,149*	15,315*	190,301*	11,425*	333,508	5,188	338,696

* *These reserve accounts comprise the combined reserves of HK$333,338,000 (2009: HK$163,107,000) in the combined statement of financial position.*

Notes:

(a) Magic Holdings was incorporated with an authorised share capital of US$50,000 of 50,000 shares of US$1 each and 200 shares of US$1 each were issued prior to 1 July 2009. On 1 July 2009, 19,800 additional shares of US$1 each were issued at par. During the year ended 30 June 2010, 1,739 shares of US$1 each were issued at an aggregate subscription price of HK$62,400,000. Since the pre-listing share swap between the Company and the then equity holders of Magic Holdings was completed on 6 September 2010, the share capital represented the share capital of Magic Holdings as at 30 June 2010.

(b) Capital reserve represents the excess capital paid over the issued capital of Magic Holdings by the then shareholders in prior years.

(c) In accordance with the Company Law of the People's Republic of China (the "**PRC**"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

COMBINED STATEMENT OF CASH FLOWS

Year ended 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**142,376**	82,311
Adjustments for:			
Finance costs	*7*	**48**	142
Bank interest income	*6*	**(77)**	(11)
Depreciation	*8*	**490**	615
Amortisation of an intangible asset	*8*	**3,791**	3,787
Equity-settled share award expenses	*27*	**11,269**	–
Loss on disposal of items of property, plant and equipment	*8*	**101**	–
Gain on disposal of a subsidiary	*29*	**(1,369)**	–
Fair value gain on derivative financial instruments	*34*	**(17,245)**	–
		139,384	86,844
Increase in inventories		**(4,004)**	(1,589)
Increase in trade receivables		**(16,724)**	(43,262)
Increase/(decrease) in prepayments, deposits and other receivables		**(33,505)**	12,824
Increase in trade payables		**6,853**	13,893
Increase/(decrease) in other payables and accruals		**16,239**	(877)
Exchange realignment		**2,322**	1,258
Cash generated from operations		**110,565**	69,091
Bank interest received		**77**	11
Interest paid		**(48)**	(142)
Overseas tax paid		**(27,998)**	(18,610)
Net cash flows from operating activities		**82,596**	50,350
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in amounts due from related parties, net		**(78,093)**	(44,213)
Purchases of items of property, plant and equipment	*14*	**(578)**	(338)
Deposits paid for purchase of a land use right		**(13,594)**	–
Proceeds from disposal of items of property, plant and equipment		**–**	342
Disposal of a subsidiary	*29*	**1,136**	–
Repayment to a former subsidiary		**(1,136)**	–
Net cash flows used in investing activities		**(92,265)**	(44,209)

COMBINED STATEMENT OF CASH FLOWS (continued)

Year ended 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in amounts due to related parties, net		**(9,977)**	(2,697)
Repayment of bank loans		**–**	(131)
Proceeds from issuance of shares of Magic Holdings, net	*34*	**61,635**	–
Net cash flows from/(used in) financing activities		**51,658**	(2,828)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**41,989**	3,313
Cash and cash equivalents at beginning of year		**7,486**	4,179
Exchange realignment		**–**	(6)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**49,475**	7,486
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated on the combined statement of financial position	*22*	**49,475**	7,486

1. CORPORATE INFORMATION AND REORGANISATION

Magic Holdings International Limited is a limited liability company incorporated in the Cayman Islands on 9 February 2010. The principal place of business of the Company is Unit 3405, 34th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong.

The Company has not carried out any business since its date of incorporation on 9 February 2010 except the acquisition of interests in subsidiaries pursuant to a reorganisation scheme (the "**Reorganisation**") as set out below.

During the year, the Group was principally engaged in manufacture and sale of facial masks and other skincare products in China.

Pursuant to the Reorganisation to rationalise the structure of the Company and its subsidiaries in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of Magic Holdings Group Limited ("**Magic Holdings**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") on 6 September 2010.

Further details of the Reorganisation are set out in the Company's listing prospectus dated 10 September 2010 (the "**Prospectus**").

The shares of the Company were listed on the Stock Exchange on 24 September 2010.

Hua Han Bio-Pharmaceutical Holdings Limited ("**HHBP**"), a company incorporated in the Cayman Islands and listed on the Stock Exchange, has equity interests of 49% and 36.4% in Magic Holdings as at 30 June 2009 and 2010, respectively.

Pursuant to two voting-in-concert undertakings (the "**Voting-in-concert Undertakings**") provided by two shareholders of Magic Holdings to HHBP, these two shareholders will vote in accordance with HHBP's decision. Taking into consideration of the Voting-in-concert Undertakings, the directors of the Company considered that Magic Holdings and its subsidiaries are the subsidiaries of HHBP throughout the years ended 30 June 2009 and 2010, and HHBP is the ultimate holding Company of Magic Holdings at 30 June 2010. Upon the listing of the Company on the Stock Exchange on 24 September 2010, the Voting-in-concert Undertakings were cancelled and HHBP was only able to secure control of 26% of the voting power of the Company, and thus the Company became an associate of HHBP thereafter.

2.1 BASIS OF PRESENTATION

The combined income statements, combined statements of comprehensive income, combined statements of cash flows and combined statements of changes in equity of the Group for the year ended 30 June 2009 and 2010 have been prepared on a combined basis and include the financial statements of the companies now comprising the Group as if the current group structure had been in existence throughout the years, or since their respective dates of incorporation/establishment or acquisition, whichever is the shorter period.

The combined statements of financial position of the Group as at 30 June 2009 and 2010 have been prepared to present the assets and liabilities of the Group as at those dates as if the current group structure had been in existence at those dates or since their respective dates of incorporation/establishment or acquisition where they did not exist at those dates.

During the year ended 30 June 2009, there were changes in HHBP's ownership interest in 廣東群禾藥業有限公司 ("**Guangdong Qunhe**") and its then subsidiary that did not result in a loss of control. The transaction was accounted for as an equity transaction (i.e. a transaction with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests were adjusted to reflect the changes in their relative interests in these subsidiaries and the difference between the amount by which the non-controlling interests were adjusted and the fair value of the consideration paid had been recognised directly in the merger reserves and attributed to the equity holders of the Company.

2.2 BASIS OF PREPARATION

The combined financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include 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. They have been prepared under the historical cost convention, except for certain derivative financial instruments, which have been measured at fair value. These combined financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand ("**HK$'000**") except when otherwise indicated.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on combination in full.

2.2 BASIS OF PREPARATION (continued)

The HKICPA has issued a number of new or revised HKFRSs which are generally effective for accounting periods beginning on or after 1 July 2009.

For the purpose of preparing and presenting the combined financial statements, the Group has early adopted all these new and revised HKFRSs that are relevant to the Group's operations as at 1 July 2009.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*[1]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparartive HKFRS 7 Disclosure for First-time Adopters*[3]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[1]
HKFRS 9	*Financial Instruments*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[4]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[4]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[3]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

In addition, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out a collection of amendments to HKFRSs in response to the International Accounting Standards Board's accounting improvements project.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

[1] *Effective for annual periods beginning on or after 1 January 2010*
[2] *Effective for annual periods beginning on or after 1 February 2010*
[3] *Effective for annual periods beginning on or after 1 July 2010*
[4] *Effective for annual periods beginning on or after 1 January 2011*
[5] *Effective for annual periods beginning on or after 1 January 2013*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the combined statement of financial position as an asset, initially measured at cost and subsequently at cost less any impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the combined income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a jointly-controlled entity;

(c) the party is a member of the key management personnel of the Group or any of its holding companies;

(d) the party is a close member of the family of any individual referred to in (a) or (d);

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(f) the party is a post-employment benefit plan for the benefits of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold building	Over the lease terms
Plant and machinery	Over the lease terms or 2% to 10%, whichever is shorter
Furniture, fixtures, equipment and motor vehicles	20% to 33%
Leasehold improvement	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the combined income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trade name

The cost of acquiring the trade name for skincare products is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated economic life of nine years.

Research and development costs

All research costs are charged to the combined income statement as incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the combined income statement on the straight-line basis over the lease terms.

Investments and other financial assets

The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include trade receivables, amounts due from related parties, other receivables and cash and cash equivalents.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the combined income statement. The loss arising from impairment is recognised in the combined income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties and an interest-bearing bank loans.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the combined income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the combined income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payment transactions

The Group operates a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a discounted cash flow method, further details of which are given in note 27 to the combined financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the combined income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the combined income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

The combined financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the combined income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statement are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the combined income statement.

For the purpose of the combined statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's combined financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustments to the carrying amounts of the assets or liabilities affected in the future.

4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of trade receivables

Impairment of trade receivables is made based on assessment of the recoverability of trade receivables. The identification of impairment requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables as well as impairment or write-back of impairment in the period in which such estimate has been changed.

4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2010 was HK$15,772,000 (2009: HK$15,772,000). More details are given in note 15 to the combined financial statements.

Impairment of an intangible asset

The Group performs annual assessments on whether there has been impairment of intangible assets. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the businesses, pre-tax discount rates and other assumptions underlying the value-in-use calculations. The carrying amount of the Group's intangible asset at 30 June 2010 was HK$26,746,000 (2009: HK$30,250,000). More details are given in note 16 to the combined financial statements.

Valuation of derivative financial instruments

As further detailed in note 34, the Group entered into the Subscription Agreement (as defined in note 34 to the combined financial statements) with the Subscribers (as defined in note 34 to the combined financial statements) during the year ended 30 June 2010. The Group's management has assessed the terms of the Subscription Agreement and the facts and circumstances, and concluded that in respect of the funds contributed by the Subscribers, an equity and a derivative components shall be recognised as at the date of completion of the subscription. After initial recognition, the derivative component is measured at fair value as at the end of the reporting period. Significant inputs used to determine the fair value include risk-free rate, volatility, dividend yield, probability of listing, revenue growth, gross profit margin and discount rate.

Valuation of share awards

As further detailed in note 27 to the combined financial statements, the fair value of share awards granted under the share award plan is determined using the discounted cash flow model. The significant inputs into the model are revenue growth, gross profit margin and discount rate.

5. 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 research and development, manufacture and sale of facial masks and other skincare products, accordingly no further analysis thereof is presented.

Besides, 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

	2010	2009
	HK$'000	*HK$'000*
Customer A	**124,850**	93,098
Customer B	**99,554**	59,151
Customer C	**N/A***	45,383
	224,404	197,632

* *Sales to customer C during the year ended 30 June 2010 amounted to less than 10% of the revenue during the year. Accordingly, the sales amount was not presented in the above.*

6. 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:

		2010	2009
	Note	***HK$'000***	*HK$'000*
Revenue			
Sale of goods		**631,039**	374,593
Other income and gains			
Bank interest income		**77**	11
Government subsidies*		**–**	1,690
Gain on disposal of a subsidiary	*29*	**1,369**	–
Others		**405**	3
		1,851	1,704
		632,890	376,297

* *There are no unfulfilled conditions or contingencies relating to these subsidies.*

7. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on bank loans wholly repayable after five years	**48**	142

8. PROFIT BEFORE TAX

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

	Notes	2010 HK$'000	2009 HK$'000
Cost of inventories sold		**145,323**	104,939
Depreciation*	*14*	**490**	615
Amortisation of an intangible asset*	*16*	**3,791**	3,787
Minimum lease payments under operating leases on land and buildings		**1,612**	1,517
Auditors' remuneration		**1,400**	–
Employee benefit expense* (including directors' remuneration *(note 9)*):			
Wages and salaries		**16,238**	12,508
Retirement benefit scheme contributions		**3,722**	2,163
Equity-settled share award expenses		**11,269**	–
		31,229	14,671
Fair value changes on derivative financial instruments	*34*	**(17,245)**	–
Loss on disposal of items of property, plant and equipment		**101**	–
Gain on disposal of a subsidiary		**(1,369)**	–

The auditors' remuneration of the Group for the year ended 30 June 2009 was borne by a fellow subsidiary of the Company.

8. PROFIT BEFORE TAX (continued)

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

	2010 HK$'000	2009 HK$'000
Depreciation	**101**	105
Amortisation of an intangible asset	**3,791**	3,787
Employee benefit expenses	**4,923**	2,420
	8,815	6,312

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2010 HK$'000	2009 HK$'000
Fees	**–**	–
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**2,335**	1,155
Retirement benefit scheme contributions	**30**	16
Equity-settled share award expenses	**8,348**	–
	10,713	1,171

9. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

Prof. Yang Rude, Mr. Yan Kam Tong and Prof. Dong Yin Mao were appointed as the independent non-executive directors of the Company on 6 September 2010. There were no fees or other emoluments payable to the independent non-executive directors during the year (2009: Nil).

(b) Executive directors and non-executive directors

	Fees	Salaries, bonuses, allowances and benefits in kind	Retirement benefit scheme contributions	Equity-settled share award expenses	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
30 June 2010					
Executive directors:					
Mr. Tang	–	966	12	3,100	4,078
Mr. She	–	763	10	4,012	4,785
Mr. Luo Yao Wen ("**Mr. Luo**")	–	606	8	1,236	1,850
Mr. Zhang Kun Mou ("**Mr. Zhang**")	–	–	–	–	–
Mr. Chen Lei ("**Mr. Chen**")	–	–	–	–	–
	–	2,335	30	8,348	10,713
30 June 2009					
Executive directors:					
Mr. Tang	–	249	–	–	249
Mr. She	–	620	8	–	628
Mr. Luo	–	286	8	–	294
Mr. Zhang	–	–	–	–	–
Mr. Chen	–	–	–	–	–
	–	1,155	16	–	1,171

9. DIRECTORS' REMUNERATION (continued)

The directors' remuneration shown above includes the estimated monetary value of the Company's owned premises provided rent-free to Mr. She during the year until its disposal in December 2009 *(note 14)*. The estimated rental value of such accommodation was approximately HK$68,000 (2009: HK$136,000) for the year.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2009: three) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining two (2009: two), non-director, highest paid employees during the year are set out as follows:

	2010	2009
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**3,076**	723
Retirement benefit scheme contributions	**14**	14
Equity-settled share award expenses	**128**	–
	3,218	737

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2010	2009
	HK$'000	*HK$'000*
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	–
	2	2

During the year, no emoluments were paid by the Group to the directors, or the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2009: Nil). None of the persons, who were directors, waived or agreed to waive any emoluments during the year.

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. 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.

Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. On 25 April 2007, 廣州美即化妝品有限公司, a subsidiary of the Company, changed its business type from a domestic owned enterprise to a wholly foreign owned enterprise and was granted a two-year tax exemption followed by three-year 50% reduction with effect from 1 January 2008.

Pursuant to the preferential policy in the economic zone in Yangpu, Hainan Province, assessable profits of Hainan Yangpu Zhenghan Trading Company Limited, a subsidiary of the Company being disposed on 18 January 2010, were subjected to a lower applicable tax rate of 15%, 18% and 20% for the calendar years ended 31 December 2007, 2008 and 2009, respectively.

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%. Guangdong Qunhe and 北京東麗盛化妝品有限公司, subsidiaries of the Company being domestic-invested enterprises operating in the PRC, were immediately transited to the applicable tax rate of 25%.

	2010	2009
	HK$'000	*HK$'000*
Current – Mainland China		
Charge for the year	**25,144**	17,875
Underprovision in prior years	**1,234**	–
Deferred *(note 17)*	**(1,448)**	(1,792)
Total tax charge for the year	**24,930**	16,083

11. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates to the tax expense at the Group's effective tax rate is as follows:

	2010	2009
	HK\$'000	*HK\$'000*
Profit before tax	**142,376**	82,311
Tax at the applicable tax rates	**35,353**	20,644
Lower tax rate for specific provinces or enacted by local authority	**(9,018)**	(5,857)
Adjustment in respect of current tax of previous periods	**1,234**	–
Income not subject to tax	**(6,178)**	(5,938)
Expenses not deductible for tax	**3,539**	7,234
Tax charge at the Group's effective tax rate	**24,930**	16,083

12. DIVIDENDS

The directors recommend the payment of a special dividend of HK\$30,000,000 (approximately HK3.6 cents per share of the Company) for the year. The special dividend will be satisfied by way of script shares in lieu of cash payment. During the year ended 30 June 2009, a dividend of HK\$47,395,000 was paid by a subsidiary of the Company to its then shareholders during the year ended 30 June 2009.

The special dividend for the year is based on the number of shares in issue as at the reporting date, and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be held on 17 December 2010. These financial statements do not reflect the dividend payable.

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

The calculation of basic earnings per share for the year is based on the combined profit attributable to equity holders of the Company for the year of HK\$118,583,000 (2009: HK\$67,618,000), and on the assumption that 600,000,000 (2009: 600,000,000) shares have been in issue throughout the year.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 30 June 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold building *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, equipment and motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
30 June 2010					
Cost:					
At 1 July 2009	5,356	987	1,861	114	8,318
Additions	–	197	381	–	578
Disposals	(5,362)	–	–	–	(5,362)
Write-off	–	–	–	(114)	(114)
Exchange realignment	6	12	92	–	110
At 30 June 2010	**–**	**1,196**	**2,334**	**–**	**3,530**
Accumulated depreciation:					
At 1 July 2009	518	527	1,203	10	2,258
Depreciation charge for the year	130	175	182	3	490
Write-back on disposals	(649)	–	–	–	(649)
Write-off	–	–	–	(13)	(13)
Exchange realignment	1	7	43	–	51
At 30 June 2010	**–**	**709**	**1,428**	**–**	**2,137**
Net book value:					
At 30 June 2010	**–**	**487**	**906**	**–**	**1,393**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold building HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
30 June 2009					
Cost:					
At 1 July 2008	5,371	827	2,091	114	8,403
Additions	–	163	175	–	338
Disposals	–	–	(394)	–	(394)
Exchange realignment	(15)	(3)	(11)	–	(29)
At 30 June 2009	5,356	987	1,861	114	8,318
Accumulated depreciation:					
At 1 July 2008	246	367	1,085	5	1,703
Depreciation charge for the year	272	160	178	5	615
Write-back on disposals	–	–	(52)	–	(52)
Exchange realignment	–	–	(8)	–	(8)
At 30 June 2009	518	527	1,203	10	2,258
Net book value:					
At 30 June 2009	4,838	460	658	104	6,060

The Group's building is located in Mainland China and is held under a medium term lease.

The Group's building with carrying values of approximately HK$4,838,000 at 30 June 2009 was pledged to secure the banking facilities granted to the Group *(note 24)*.

Such property was provided as a rent-free accommodation to an executive director of the Company. During the year, the property was disposed of to a director of the Company and his spouse for a consideration of approximately HK$4,713,000, which is determined based on the carrying amount of the property at the date of transfer. No material gain or loss was resulted.

15. GOODWILL

	HK$'000
At 1 July 2008, 30 June 2009 and 30 June 2010	
Cost	15,772
Accumulated impairment	–
Net carrying amount	15,772

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

- Guangdong Qunhe cash-generating unit; and
- Donglisheng cash-generating unit.

Guangdong Qunhe cash-generating unit

The directors consider that the goodwill of HK$1,223,000 arising from the acquisition of Guangdong Qunhe is insignificant to the Group.

Donglisheng cash-generating unit

The recoverable amount of this cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The key assumptions for the cash flow projections are the budgeted gross margin which is the average gross profit margin achieved in the year immediately before budget years. The discount rate applied to cash flow projections was 6.13% for the year ended 30 June 2010 (2009: 6.13%), which is before tax and reflects specific risks relating to the cash-generating unit.

The directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of the cash-generating units to exceed the recoverable amount. Since the recoverable amounts of the cash-generating units are higher than their carrying amounts, the directors consider that the carrying value of the goodwill at each of the reporting dates is not impaired.

16. INTANGIBLE ASSET

	Trade name
	HK$'000
Cost:	
At 1 July 2008	34,131
Exchange realignment	(99)
At 30 June 2009 and 1 July 2009	34,032
Exchange realignment	357
At 30 June 2010	**34,389**
Accumulated amortisation:	
At 1 July 2008	–
Provided during the year	3,787
Exchange realignment	(5)
At 30 June 2009 and 1 July 2009	3,782
Provided during the year	3,791
Exchange realignment	70
At 30 June 2010	**7,643**
Net carrying amount:	
At 30 June 2010	**26,746**
At 30 June 2009	30,250

17. DEFERRED TAX

The following are the major deferred tax liabilities recognised and their movements:

	Fair value adjustments arising from acquisition of subsidiaries *HK$'000*
At 1 July 2008	8,533
Deferred tax credited to the combined income statement *(note 11)*	(947)
Exchange realignment	(23)
At 30 June 2009 and 1 July 2009	7,563
Deferred tax credited to the combined income statement *(note 11)*	(947)
Exchange realignment	71
At 30 June 2010	**6,687**

The following are the major deferred tax asset recognised and their movements:

	Deductible temporary difference *HK$'000*
At 1 July 2008	–
Deferred tax credited to the combined income statement *(note 11)*	845
At 30 June 2009 and 1 July 2009	845
Deferred tax credited to the combined income statement *(note 11)*	501
At 30 June 2010	**1,346**

17. DEFERRED TAX (continued)

The Group has no tax losses available for offsetting against future taxable profits.

During the year ended 30 June 2010, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute their earnings accrued after 1 January 2008 in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$21,920,000 (2009: HK$10,290,000) at 30 June 2010.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at the date of approval of the combined financial statements are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/paid-up share/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Magic Holdings	The British Virgin Islands (the "**BVI**")	US$21,883	100	–	Investment holding
Guangdong Qunhe [2]	PRC/Mainland China	RMB10,000,000	–	100	Trading of facial masks and other skincare products
Guangzhou Magic [1]	PRC/Mainland China	HK$40,000,000	–	100	Manufacture and sale of facial masks and other skincare products
Donglisheng [2]	PRC/Mainland China	RMB5,000,000	–	70	Sale of skincare products
廣州美即生物科技有限公司 ("**MG Bio-tech**") [2, 3]	PRC/Mainland China	HK$46,800,000	–	100	Investment holding
Magic-Hanbul Holdings Limited ("**MG JV BVI**") [4]	The BVI	US$2,950,000	–	51	Investment holding
Magic-Hanbul International Limited ("**MG JV HK**") [4]	Hong Kong	HK$23,000,000	–	51	Investment holding

18. PARTICULARS OF SUBSIDIARIES (continued)

Notes:

1 Registered as a wholly-foreign-owned enterprise under the laws of the PRC.

2 Registered as domestic enterprises under the laws of the PRC.

3 The registered capital of MG Bio-tech is HK$78,000,000. The Group has injected capital of HK$46,800,000 to MG Bio-tech up to the date of approval of these combined financial statements. The unpaid registered capital of MG Bio-tech amounted to HK$31,200,000 at the date of approval of these combined financial statements.

4 Pursuant to a joint venture agreement dated 2 March 2010 entered between the Group and Hanbul Cosmetics Company Limited ("**Hanbul**"), a company incorporated in Korea, MG JV BVI and its subsidiary MG JV HK (the "**Magic JV Group**") were incorporated on 7 May 2010 and 1 September 2010, respectively. Besides, a subsidiary of MG JV HK will be established in the PRC. MG JV BVI was incorporated with an authorised share capital of US$5,000,000 divided into 5,000,000 ordinary shares of US$1 each. On 16 June 2010, one ordinary share of US$1 was issued at par to Magic Holdings. On 16 August 2010, 1,504,499 and 1,445,000 ordinary shares of US$1 each were issued to the Group and Hanbul, respectively, at US$1 per share.

The statutory financial statements of the subsidiaries listed above are not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INVENTORIES

	2010	2009
	HK$'000	*HK$'000*
Raw materials	**3,455**	711
Finished goods	**5,086**	3,826
	8,541	4,537

20. 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 2010 were amounts of HK$110,113,000 (2009: HK$79,497,000), 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. 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 reporting period, based on the invoice date, is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 90 days	**109,680**	37,384
91 to 180 days	**1,731**	57,213
181 to 365 days	**177**	267
	111,588	94,864

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

	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**111,412**	91,428
1 to 180 days	**176**	3,169
181 to 365 days past due	**–**	267
	111,588	94,864

20. TRADE RECEIVABLES (continued)

The Group's neither past due nor impaired trade receivables mainly represent 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 number of independent customers that have 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 these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Prepayments	**2,524**	147
Prepaid sales and promotional expenses	**78,424**	56,468
Deposits and other receivables	**24,119**	1,249
	105,067	57,864
Less: Non-current portion	**(13,698)**	–
	91,369	57,864

Included in prepayments, an amount of HK$2,496,000 represented the expenditures (the "**Expenditures**") (excluding the expenses to be borne by the five shareholders of the Company (the "**Shareholders**") as described below) incurred and recharged by Magic Holdings as at 30 June 2010 for the purpose of the Company's initial public offering. Upon the listing of the Company's shares on the Stock Exchange on 24 September 2010, the whole amount was set off against the Company's share premium account.

Pursuant to five undertakings (the "**Undertakings**") dated 6 September 2010 received from the Shareholders, namely HHBP, Mr. Tang Siu Kun, Stephen ("**Mr. Tang**"), Mr. She Yu Yuan ("**Mr. She**"), Mr. Luo Yao Wen ("**Mr. Luo**") and Mr. Ho Cheung Ping, Dawnie ("**Mr. Ho**"), they agreed to bear their respective proportionate amounts of the Expenditures relating to the listing of the shares of the Company.

Included in other receivables, amounts of HK$4,701,000 represented the portion of the Expenditures to be recovered from the Shareholders pursuant to the Undertakings.

At 30 June 2010, the net balance of deposits and other receivables was neither past due nor impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. CASH AND CASH EQUIVALENTS

	2010	2009
	HK$'000	*HK$'000*
Cash and bank balances	**49,475**	7,486

At 30 June 2010, the Group's cash and bank balances denominated in Renminbi ("**RMB**") amounted to approximately HK$14,841,000 (2009: HK$6,522,000). RMB is not freely convertible into other currencies. Under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day to one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

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

	2010	2009
	HK$'000	*HK$'000*
Within 90 days	**28,870**	22,481
Over 90 days	**588**	124
	29,458	22,605

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

24. INTEREST-BEARING BANK LOAN

	Maturity	2010 HK$'000	2009 HK$'000
Current			
Current portion of long term bank loan – secured	June 2009 – June 2010	–	130
Non-current			
Bank loan – secured	July 2010 – April 2027	–	2,196
		–	2,326
Analysed into bank loan repayable:			
Within one year or on demand		–	130
In the second year		–	130
In the third to fifth years, inclusive		–	2,066
		–	2,326

The bank loan bore interest at interest rates announced by the People's Bank of China per annum and was denominated in RMB.

The Group's bank loan was secured by a charge over the leasehold building of the Group with a net carrying amounts of approximately HK$4,838,000 as at 30 June 2009.

During the year ended 30 June 2010, upon the disposal of the staff quarter to Mr. She and Ms. Wu Xiaoqing ("**Ms. Wu**"), who is the spouse of Mr. She, the above bank loan, being the respective mortgage loan for the property, has been assumed by Mr. She and Ms. Wu accordingly.

25. OTHER PAYABLES AND ACCRUALS

	2010	2009
	HK$'000	*HK$'000*
Other payables	**9,515**	6,560
Accruals and other liabilities	**14,229**	945
	23,744	7,505

Other payables are non-interest bearing and have an average term of two to three months.

26. SHARE CAPITAL

Shares

As detailed in note (a) to the combined statement of changes in equity, since the pre-listing share swap between the Company and the then equity holders of Magic Holdings was completed on 6 September 2010, the share capital included in the combined statement of financial position represented the share capital of Magic Holdings as at 30 June 2009 and 2010.

The details of the authorised and issued share capital of Magic Holdings as at 30 June 2010 are as follows:

	2010		2009	
	US$	***HK$***	*US$*	*HK$*
Authorised:				
50,000 ordinary shares of US$1 each	**50,000**	**390,000**	50,000	390,000
Issued:				
21,739 (2009: 200) ordinary shares of US$1 each	**21,739**	**170,000**	200	2,000

26. SHARE CAPITAL (continued)

Shares (continued)

A summary of the transactions during the year with reference to the above movements in the issued share capital of Magic Holdings is as follows:

	Number of shares in issue	Issued capital *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
At 1 July 2008 and 30 June 2009	200	2	–	2
Issue of shares of Magic Holdings *((a), (b) and note 34)*	21,539	168	39,887	40,055
Share issue expenses	–	–	(765)	(765)
At 30 June 2010	21,739	170	39,122	39,292

During the year, the movements in share capital of Magic Holdings were as follows:

(a) On 1 July 2009, 19,800 additional ordinary shares of US$1 each were issued at par in proportionate to the shareholding interests of the then shareholders of Magic Holdings.

(b) On 10 November 2010, 1,739 ordinary shares of US$1 each were issued at an aggregate subscription price of HK$62,400,000 *(note 34)*.

The details of the authorised and issued share capital of the Company as at 30 June 2010 are as follows:

	HK$'000
Authorised:	
1,000,000 ordinary shares of HK$0.1 each	**100**
Issued and fully paid:	
One ordinary share of HK$0.1	**–**

26. SHARE CAPITAL (continued)

Shares (continued)

The following changes in the Company's authorised and issued share capital took place during the period from 9 February 2010 (date of incorporation) to 30 June 2010, and subsequent to the reporting period up to 27 September 2010.

	Notes	**Number of ordinary shares**	**Nominal value of ordinary shares** *HK$'000*
Authorised:			
Upon incorporation (1,000,000 shares of HK$0.1 each) and as at 30 June 2010	*(a)*	1,000,000	100
Increase in authorised capital on 5 September 2010	*(b)*	1,999,000,000	199,900
		2,000,000,000	200,000
Issued:			
Upon incorporation (one share of HK$0.1 allotted as nil-paid) and as at 30 June 2010	*(c)*	1	–
Allotment and issuance of 2,288,299 nil-paid shares on 5 September 2010	*(d)*	2,288,299	–
On acquisition of Magic Holdings on 6 September 2010			
– allotment and issuance of 2,288,300 shares credited as fully-paid	*(e)(i)*	2,288,300	229
– 2,288,300 nil-paid shares credited as fully-paid *(note (d))*	*(e)(ii)*	–	229
Capitalisation issue credited as fully-paid conditional on the share premium account of the Company, being credited as a result of the issuance of new shares to the public	*(f)*	595,423,400	59,542
Pro forma issued capital as at 30 June 2010		600,000,000	60,000
Issuance of new shares on 24 September 2010	*(g)*	200,000,000	20,000
At 24 September 2010		800,000,000	80,000
Issuance of new shares on 27 September 2010 upon exercise of an over-allotment option	*(h)*	30,000,000	3,000
At 27 September 2010		830,000,000	83,000

26. SHARE CAPITAL (continued)

Shares (continued)

Notes:

(a) Pursuant to an ordinary resolution passed on 9 February 2010, the authorised share capital of the Company was divided into 1,000,000 shares of HK$0.1 each.

(b) Pursuant to a special resolution passed on 5 September 2010, the authorised share capital of the Company was increased from HK$100,000 to HK$200,000,000 by the creation of 1,999,000,000 additional new shares of HK$0.1 each.

(c) On 9 February 2010, one nil-paid share was allotted and issued to Codan Trust Company (Cayman) Limited, which was transferred to Mr. Tang on the same date.

(d) On 5 September 2010, a further 2,288,299 nil-paid shares were allotted and issued to the shareholders of Magic Holdings in proportion to their shareholdings in the Company and the one nil-paid share (as described in (c) above) was transferred by Mr. Tang to MGL, a company incorporated in the BVI and wholly owned by Mr. Tang. The shares were subsequently credited as fully-paid as described in (e)(ii) below.

(e) (i) On 6 September 2010, a further 2,288,300 nil-paid shares were allotted and issued, credited as fully-paid, to the then shareholders of Magic Holdings.

(ii) 2,288,300 nil-paid shares held by the then shareholders of Magic Holdings were credited as fully-paid at par *(note (d))*.

(f) 595,423,400 new shares of HK$0.1 each were further allotted and issued, credited as fully paid at par by the Company, by way of capitalisation of the sum of approximately HK$59,542,000 from the share premium account, to the then existing shareholders of the Company, whose names appeared on the register of the Company on 6 September 2010, in proportion to their respective shareholdings. Such allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in (g) below.

(g) In connection with the Company's initial public offering, 200,000,000 shares of HK$0.1 each were issued at a price of HK$3.3 per share for a total cash consideration, before expenses, of approximately HK$660,000,000. Dealings in these shares on the Stock Exchange commenced on 24 September 2010.

(h) In connection with the Company's initial public offering, an over-allotment option was granted to BOCI Asia Limited, the sole global coordinator (the "**Sole Global Coordinator**") whereby the Sole Global Coordinator has the right to request the Company to issue and allot up to an aggregate of 30,000,000 additional shares of HK0.1 each to subscribers under the initial public offering. On 27 September 2010, the Sole Global Coordinator exercised the over-allotment option and accordingly, 30,000,000 shares of HK$0.1 each were issued by the Company at a price of HK$3.3 per share for a total cash consideration, before expenses, of approximately HK$99,000,000. Dealings of these shares on the Stock Exchange commenced on 28 September 2010.

Share awards

Details of the share award plan are included in note 27 to the combined financial statements.

27. SHARE AWARD PLAN

During the year ended 30 June 2010, the then shareholders and the directors of Magic Holdings have approved the adoption of the share award plan (the "**Share Award Plan**"). The purpose of the Share Award Plan is to recognise and reward the contribution of the eligible participants to the growth and development of the Group. These eligible participants include any employee of, shareholder of, entity that provides support to and adviser or consultant of, the Group or its invested entities or any other entity who have contributed or may contribute by way of any business arrangement to the development and growth of the Group.

The Share Award Plan will be in force for a period of 10 years commencing on the date on which the Share Award Plan was adopted.

Under the rules of the Share Award Plan (the "**Plan Rules**"), the Share Award Plan will be administered by the directors of Magic Holdings, who are also the directors of the Company. Mr. She and Mr. Tang are the trustees of the Share Award Plan (the "**Trustees**"). the initial pool of shares of Magic Holdings ("**Magic Shares**") under the Share Award Plan, it is formed by the allotment and issue of Magic Shares which equals 5% of the issued shares of Magic Holdings on a fully diluted basis as enlarged by the allotment and issue of the Magic Shares under the Share Award Plan. The issue and allotment of the Magic Shares to the Trustees is conditional upon completion of the pre-listing share swap between the Company and the then equity holders of Magic Holdings (the "**Pre-Listing Share Swap**") and will be issued and allotted to the Trustees immediately prior to the completion of the Pre-listing Share Swap.

The directors of Magic Holdings will determine the eligibility of those participants to which share awards are to be made and the number of awarded shares to those selected participants pursuant to the Share Award Plan based on the selected participants' contribution to the development and growth of the Group. The Trustees will hold the awarded shares on behalf of the selected participants until they are vested in accordance with the Plan Rules.

Pursuant to share award letters issued on 30 October 2009 to those eligible participants, an aggregate of 1,144 shares were granted at nil consideration. The awards were deemed to be irrevocably accepted by those eligible participants on 30 October 2009 unless the eligible participants notify the Group to decline to accept the award within three business days in writing after the receipt of such notice. There is no other performance target required except the eligible participant remained as an employee of the Group. Among the share awards granted on 30 October 2009, 458 share awards are granted to certain directors and/or shareholders of the Company, who are also the senior management of the Group (collectively "**Management Shareholders**"), and would be vested on 6 September 2010 according to the Plan Rules. The remaining 686 share awards are granted to the senior management and employees of the Group, which are evenly divided into five tranches and would be vested (upon the latter of the date immediately prior to the Pre-listing Share Swap and the dates as detailed below) in the following manner:

27. SHARE AWARD PLAN (continued)

Maximum number of awarded shares to be vested	**Period**
20% of the total number of awarded shares	Period commencing from the first business day immediately after 30 June 2011 (but excluding 30 June 2011), and where the listing of the Company's shares has not taken place on or before 30 June 2010, the vesting period shall be postponed to the first business day immediately after 30 June 2012 (but excluding 30 June 2012)
40% of the total number of awarded shares	Period commencing from the first business day immediately after 30 June 2012 (but excluding 30 June 2012), and where the listing of the Company's shares has not taken place on or before 30 June 2010, the vesting period shall be postponed to the first business day immediately after 30 June 2013 (but excluding 30 June 2013)
60% of the total number of awarded shares	Period commencing from the first business day immediately after 30 June 2013 (but excluding 30 June 2013), and where the listing of the Company's shares has not taken place on or before 30 June 2010, the vesting period shall be postponed to the first business day immediately after 30 June 2014 (but excluding 30 June 2014)
80% of the total number of awarded shares	Period commencing from the first business day immediately after 30 June 2014 (but excluding 30 June 2014), and where the listing of the Company's shares has not taken place on or before 30 June 2010, the vesting period shall be postponed to the first business day immediately after 30 June 2015 (but excluding 30 June 2015)
100% of the total number of awarded shares	Period commencing from the first business day immediately after 30 June 2015 (but excluding 30 June 2015), and where the listing of the Company's shares has not taken place on or before 30 June 2010, the vesting period shall be postponed to the first business day immediately after 30 June 2016 (but excluding 30 June 2016)

27. SHARE AWARD PLAN (continued)

Under the Plan Rules, the employees of the Group shall not have any right to receive any shares awarded to them under the Share Award Plan and all other interest attributable thereto unless and until the Trustees have transferred the legal and beneficial ownership of such awarded shares to them and the legal and beneficial ownership of those awarded shares vested in them. When the participant ceased to be the Group's employee, the unvested shares would be retained by the Trustees.

The fair values of the above share awards granted to the Management Shareholders and employees were HK$9,280,000 and HK$12,434,000, respectively, of which the Group recognised aggregate share award expenses of HK$11,269,000 in the combined income statement during the year ended 30 June 2010. The fair values of the share awards granted have been estimated, with reference to a valuation performed by Jones Lang LaSalle Sallmanns Limited, an independent professional valuer, by applying the discounted cash flow model using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 13.67%. The cash flows beyond five-year period of the Company are extrapolated using a growth rate of 3%.

The directors of the Company believe that the estimated fair values of the above share awards resulting from the above valuation technique are reasonable and the fair values are appropriate at the end of the reporting period.

Subsequent to the end of the reporting period, on 19 August 2010, Mr. Tang, Mr. Luo, Mr. She, three of the Management Shareholders (the "**Three Management Shareholders**") and four members of senior management and employees (the "**Other grantees**") of the Group each entered into an agreement with Magic Holdings whereby each of them will not accept an aggregate number of 490 shares, divided as to 412 shares and 78 shares between the Three Management Shareholders and the Other grantees, respectively, of Magic Holdings proposed to be granted to them under the Share Award Plan. The Other grantees are Ms. Wen Yan Juan, who is the spouse of Mr. Luo, Ms. Wu, Ms. She Minghong, who is the sister of Mr. She and Mr. Zhang Quan, who is the brother of Mr. Zhang Peter Y., a director of HHBP, the ultimate holding company of the Company.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the combined statement of changes in equity of the Group.

29. DISPOSAL OF A SUBSIDIARY

During the year ended 30 June 2010, Guangdong Qunhe, a wholly-owned subsidiary, entered into a sale and purchase agreement with an independent third party to dispose of the 100% equity interest in Hainan Yangpu for a cash consideration of RMB1,000,000 (approximately HK$1,136,000).

	HK$'000
Net assets disposed of:	
Other receivable	**1,136**
Release of exchange fluctuation reserve upon disposal	**(1,369)**
	(233)
Gain on disposal of a subsidiary	**1,369**
	1,136
Satisfied by cash	**1,136**

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

	HK$'000
Cash consideration	**1,136**
Cash and bank balances disposed of	**–**
Net inflow of cash and cash equivalents	**1,136**

30. NOTES TO THE COMBINED STATEMENT OF CASH FLOWS

(a) In July 2008, Guangdong Qunhe distributed dividends of RMB29,216,000 (approximately HK$33,191,000) and RMB12,521,000 (approximately HK$14,204,000) to Guizhou Hangfang Medicine Manufacturing Co., Ltd (**"GHMM"**) and Mr. She, the then equity holder of Guangdong Qunhe, respectively, immediately before it was acquired by Guangzhou Magic. Pursuant to an agreement entered into amongst Mr. She, MGL and the Group, RMB3,000,000 (approximately HK$3,403,000) of the dividend payable to Mr. She was assigned to GHMM for compensating the loss of HHBP upon the disposal of Guangdong Qunhe to Guangzhou Magic. The dividends were included in the amounts due to related parties as at 30 June 2009.

(b) During the year ended 30 June 2009, Guangzhou Magic acquired a 100% equity interest in Guangdong Qunhe from GHMM and Mr. She, the then equity holders of Guangdong Qunhe, at cash considerations of RMB7,000,000 (approximately HK$7,941,000) and RMB3,000,000 (approximately HK$3,403,000), respectively. Such amounts were included in the amounts due to related parties as at 30 June 2009.

(c) During the year ended 30 June 2010, the leasehold building was disposed of to Mr. She, a director of the Company, and his spouse, at a consideration of HK$4,713,000, which represented the carrying value of that building at the date of transfer. The respective mortgage loan with a carrying amount of HK$2,265,000 has also been assumed by Mr. She. Pursuant to the disposal agreement entered into amongst Mr. She, MGL and the Group, the net consideration of HK$2,448,000 has been settled via the current account with MGL and included in amounts due to related parties as at 30 June 2010.

31. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its factory and office premises under operating lease arrangements. Leases for properties are negotiated for terms of one to three years with an option for renewal after that date, at which time all terms will be renegotiated.

As at 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**313**	1,036
In the second to fifth years, inclusive	**15**	114
	328	1,150

32. COMMITMENTS

Other than the operating lease commitments disclosed in note 31 above, the Group had contracted capital commitments of HK$11,692,000 (2009: Nil) in respect of the capital contribution to Magic JV BVI as at 30 June 2010.

33. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these combined financial statements, the Group had the following transactions with related parties during the year:

(a) (i) The Group disposed of the leasehold building to Mr. She, a director of the Company and his spouse at a consideration of HK$4,713,000, which represented the carrying value of that building at the date of transfer. The respective mortgage loan with a carrying amount of HK$2,265,000 has also been taken up by Mr. She. The net consideration of HK$2,448,000 has been settled via the current account with MGL. The transaction is non-recurring.

(ii) The Group has engaged Guangzhou Zhonghe Cosmetic Company Limited ("**GZCCL**"), of which the spouse of Mr. She and the daughter of Mr. Luo are two of the equity holders and directors, for the production of the Group's products. The Company has paid service fee of HK$205,000 (2009: HK$34,000) to GZCCL for the period from 1 July 2009 to 31 March 2010. GZCCL ceased to be related after the spouse of Mr. She and the daughter of Mr. Luo had resigned as the directors of GZCCL and transferred their interests in GZCCL to independent third parties in March 2010.

(b) An analysis of the balances with related parties is as follows:

Due from related parties:

	2010	2009
	HK$'000	*HK$'000*
Fellow subsidiaries	**123,258**	45,165
Ultimate holding company	**4,073**	4,073
	127,331	49,238

33. RELATED PARTY TRANSACTIONS (continued)

(b) An analysis of the balances with related parties is as follows: (continued)

Due to related parties:

	2010	2009
	HK$'000	*HK$'000*
Fellow subsidiaries	**39**	10,040
Shareholder	**11,780**	14,204
Immediate holding company	**20,180**	20,180
	31,999	44,424

The outstanding balances with related parties were interest-free and unsecured and had been fully settled prior to the listing of shares of the Company on the Stock Exchange.

(c) Compensation of key management personnel of the Group

The executive directors are the key management personnel of the Group. Details of their remuneration are disclosed in note 9 to the combined financial statements.

(d) During the year, the Group has been using certain trademarks and outlook designs in connection with its business which were registered under the name of Mr. She. On 15 March 2010, Magic Holdings, a wholly-owned subsidiary of the Company and Mr. She agreed to transfer the trademark and outlook designs to the Group at nil consideration. Prior to the signing of the transfer agreement for trademarks and outlook designs, Mr. She agreed to grant a licence to the Group to use the trademarks and outlook designs at nil consideration.

(e) Pursuant to five undertakings dated 6 September 2010 received from Mr. Tang, Mr. She, Mr. Luo, Mr. Ho Cheung Ping, Dawnie and HHBP, they agreed to bear their respective proportionate amounts of expenses relating to the listing of the shares of the Company.

34. DERIVATIVE FINANCIAL INSTRUMENTS

As mentioned in the combined statement of changes in equity, during the year ended 30 June 2010, Magic Holdings has entered into a share subscription agreement (the "**Subscription Agreement**") with three strategic investors, namely, Atlantis China Star Fund Limited ("**Atlantis**"), China Cinda (HK) Investments Management Company Limited ("**Cinda**") and Good Record Holdings Limited ("**Good Record**") (collectively the "**Subscribers**").

Pursuant to the Subscription Agreement, the Subscribers subscribed for and Magic Holdings allotted and issued an aggregate of 1,739 subscription shares (the "**Subscription Shares**") credited as fully paid to the Subscribers at an aggregate consideration of HK$62,400,000 (the "**Subscription Price**"), before deducting the respective share issue expenses of HK$765,000. The Subscribers are entitled to subscription price adjustment (the "**Subscription Price Adjustment**") if (i) the amount of audited consolidated net profit of the Group for the year ended 30 June 2010; or (ii) the forecast profit of the Group for the year ended 30 June 2010 as disclosed in the Prospectus, is less than HK$90 million.

In addition, the Subscribers are also entitled to an investment price adjustment (the "**Investment Price Adjustment**") if the unit cost of the Subscription Price exceeds 70% of the final offer price of the Company's shares upon listing.

Furthermore, if (i) proceedings have been initiated against the Group under any applicable bankruptcy, insolvency law or any such proceedings having an analogous effect and such proceedings shall not have been discharged or stayed within a period of 21 days; (ii) a default or breach is made by the Group in the performance or observance of any material covenants, conditions, warranties, representations, undertakings or other provisions contained in the Subscription Agreement and on the respective parts to be performed or observed and such default is incapable of remedy or, if capable of remedy, is not remedied within the period of 21 days next following the service by any of the Subscriber on notice specifying brief details of such default and requiring such default to be remedied; (iii) the Group ceases to carry on its principal business in relation to the production and sale of cosmetic products to a material extent; (iv) Magic Holdings or the Company failed to list on the Stock Exchange or any recognised stock exchange by 31 December 2010 or a later date as agreed in writing by the Subscribers and (v) the actual audited net earnings of the Group for the year ending 30 June 2010 are less than HK$65 million, the Subscribers are entitled to exercise a put option (the "**Put Option**") by directing the Company to purchase all or part of the Subscription Shares at the price which is the sum of the Subscription Price and a 15% premium over the Subscription Price or a pro rata amount of it. The conditions (i) to (iv) would be extinguished automatically and cease to have any effect on and after the date of listing of the shares of Magic Holdings or the Company on the relevant stock exchange (the "**Listing**"). The condition (v) would survive after the Listing if the Listing occurs before the release of the combined financial statements of the Group for the year ending 30 June 2010.

34. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Subscription Shares with embedded derivative features are split into equity and derivative components according to their fair values for measurement purposes. On issuance of the Subscription Shares, the fair value of the derivative component is determined based on valuation; and this amount is carried as a derivative component of a liability until extinguished upon the fulfilment of the conditions as detailed above. The remainder of the proceeds is allocated to the equity component and included in the share capital and share premium accounts. The derivative component is remeasured at the end of each reporting periods and any gains or losses arising from changes in fair value are recognised in the combined income statement.

The fair values of the Subscription Price Adjustment, the Investment Price Adjustment and the Put Option (the "**Derivatives**") are estimated by management with reference to a valuation performed by Asset Appraisal Limited, an independent professional valuer, by using a binomial option pricing model.

The directors have estimated the fair value of the Derivatives as HK$22,345,000 at the date of completion of the subscription, which has been deducted from the share premium arising from the issue of the Subscription Shares by the same amount. The fair value changes in Derivatives of HK$17,245,000 have been included in the combined income statement for the year ended 30 June 2010.

35. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

35. FAIR VALUE HIERARCHY (continued)

As at 30 June 2010, the Group held the following financial instruments measured at fair value:

Liabilities measured at fair value as at 30 June 2010:

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instruments	–	–	5,100	5,100

The movements in fair value measurements in Level 3 during the year ended 30 June 2010 are as follows:

	HK$'000
Derivative financial instruments:	
At 1 July 2009	**–**
At the date of initial recognition	**22,345**
Fair value gains recognised in the combined income statement	**(17,245)**
At 30 June 2010	**5,100**

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets – Loans and receivables

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**111,588**	94,864
Amounts due from related parties	**127,331**	49,238
Financial assets included in prepayments, deposits and other receivables *(note 21)*	**10,421**	1,249
Cash and cash equivalents	**49,475**	7,486
	298,815	152,837

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities at amortised cost

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**29,458**	22,605
Financial liabilities included in other payables and accruals	**9,515**	6,560
Interest-bearing bank loan	**–**	2,326
Amounts due to related parties	**31,999**	44,424
	70,972	75,915

Derivative financial liabilities at fair value through profit or loss

	2010	2009
	HK$'000	*HK$'000*
Derivative financial instruments	**5,100**	–

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise a bank loan and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are business risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces prudent strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Business risk

The Group conducts its operations in Mainland China, and accordingly, it is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, the influence of national authorities over pricing and the financing regulations.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loan with a floating interest rate.

The Group regularly reviews and monitors the floating interest rate borrowings in order to manage its interest rate risk. The interest-bearing loan, cash and short term deposits are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the combined income statement as earned/incurred.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net profit (through the impact on floating rate borrowings).

	Increase in interest rate (basis points)	**Decrease in net profit and equity** *HK$'000*
2010	100	–
2009	100	17

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from the substantial portion of its revenues and expenses generated and incurred by its operating units in RMB.

Management monitors the Group's currency exposure on an ongoing basis and considers entering into forward currency contracts when the need arises.

Credit risk

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amount due from related companies and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the combined financial statements.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group aims at maintaining a balance between continuity of funding and flexibility through maintaining sufficient cash and cash equivalents and available banking facilities. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the end of the reporting period. Based on this forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during that period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the above-mentioned loans financing which may impact the operations of the Group prior to the end of the next twelve months after the end of the reporting period.

The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2010			
	On demand	Less than 1 year	Over 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	–	29,458	–	29,458
Financial liabilities included in other payables and accruals	–	9,515	–	9,515
Derivative financial instruments	–	5,100	–	5,100
Amount due to related parties	31,999	–	–	31,999
	31,999	**44,073**	**–**	**76,072**

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	2009			
	On demand	Less than 1 year	Over 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	–	22,605	–	22,605
Financial liabilities included in other payables and accruals	–	6,560	–	6,560
Interest-bearing bank loan	–	213	2,571	2,784
Amount due to related parties	44,424	–	–	44,424
	44,424	29,378	2,571	76,373

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is total interest-bearing bank loan divided by equity attributable to equity holders of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	2010	2009
	HK$'000	*HK$'000*
Interest-bearing bank loan	**–**	2,326
Equity attributable to equity holders of the Company	**333,508**	163,109
Gearing ratio	**–**	1.43%

38. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the combined financial statements, the Group had the following events after the reporting period:

(a) On 3 September 2010, the Group has entered into two trademark licence agreements with Hanbul and It's Skin Co., Ltd. In addition, on the same date, the Group entered into an exclusive distribution agreement with Hanbul.

(b) On 6 September 2010, a share option scheme (the "**Scheme**") was adopted for the purpose of providing incentives or rewards to selected eligible participants for their contributions to the Group. The Scheme became effective on 24 September 2010. No share options have been granted under the Scheme up to the date of approval of the financial statements. Further details of the Scheme are set out in the Prospectus.

(c) On 24 September 2010, the shares of the Company were listed on the Stock Exchange.

(d) On 27 September 2010, an over-allotment option was exercised in full by the Sole Global Coordinator, in respect of an aggregate of 30,000,000 shares, representing 15% of the offer shares initially available under the Global Offering (as defined in the Prospectus), to cover over-allocations in the International Offering (as defined in the Prospectus).

39. APPROVAL OF THE COMBINED FINANCIAL STATEMENTS

The combined financial statements were approved and authorised for issue by the board of directors on 27 October 2010.

SUMMARY COMBINED FINANCIAL INFORMATION

The following is a summary of the published combined results and assets, liabilities and non-controlling interests of the Group for the last four financial years.

RESULTS

	Year ended 30 June			
	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**631,039**	374,593	252,814	130,913
Profit before tax	**142,376**	82,311	57,878	35,602
Income tax expense	**(24,930)**	(16,083)	(23,790)	(13,999)
Profit for the year	**117,446**	66,228	34,088	21,603
Attributable to:				
Equity holders of the Company	**118,583**	67,618	24,617	14,182
Non-controlling interests	**(1,137)**	(1,390)	9,471	7,421
	117,446	66,228	34,088	21,603

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 30 June			
	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**447,259**	266,916	235,480	117,376
Total liabilities	**(108,563)**	(97,539)	(73,104)	(70,276)
Non-controlling interests	**(5,188)**	(6,268)	(29,706)	(10,923)
	333,508	163,109	132,670	36,177

Note: The financial information for the year ended 30 June 2006 was not disclosed as combined financial statements for the Group have not been prepared for that year.

The summary of the combined results of the Group for each of the three years ended 30 June 2007, 2008 and 2009 and of the assets, liabilities and non-controlling interests as of 30 June 2007, 2008 and 2009 have been extracted from the Company's listing prospectus dated 10 September 2010. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in note 2.1 to the combined financial statements. The combined results of the Group for the year ended 30 June 2010 and the combined assets and liabilities of the Group as at 30 June 2010 are those set out in the audited combined financial statements.

The summary above does not form part of the audited combined financial statements.