Magic Holdings International Limited

美即控股國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1633

Interim Report 2010/2011

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 (for the purpose of the Listing Rules)

Mr. Tang Siu Kun Stephen
Ms. Ng Wing Yin
Mr. She Yu Yuan
(alternate to Mr. Tang Siu Kun Stephen)
Mr. Luo Yao Wen
(alternate to Ms. Ng Wing Yin)

AUTHORISED REPRESENTATIVES (for the purpose of Part XI of the Companies Ordinance)

Ms. Ng Wing Yin

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Cayman Islands

HEADQUARTERS IN THE PRC

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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28 Queen's Road East
Wanchai
Hong Kong

AUDITORS

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

LEGAL ADVISER AS TO HONG KONG LAWS

Chiu & Partners
40th Floor, Jardine House
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Hong Kong

LEGAL ADVISER AS TO PRC LAW

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Xicheng District
Beijing
PRC

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

Bank of China (Hong Kong) Limited
1 Garden Road
Central
Hong Kong

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

China Merchant Bank Co., Ltd.
FL 1, No.555, Renmin Zhong Road
Bank of America Plaza
Guangzhou
China

UNAUDITED INTERIM RESULTS

The board ("**Board**") of directors ("**Directors**") of Magic Holdings International Limited ("**Company**") is pleased to present the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 31 December 2010 ("**Period**") together with the comparative figures for the corresponding period in 2009 and the relevant explanatory notes as set out below. The interim results for the Period are unaudited, but have been reviewed by the audit committee ("**Audit Committee**") of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 31 December	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*5*	**384,924**	284,957
Cost of sales		**(88,052)**	(67,584)
Gross profit		**296,872**	217,373
Other income and gains	*5*	**289**	61
Selling and distribution costs		**(199,930)**	(152,990)
Administrative expenses		**(21,639)**	(11,090)
Fair value gain on derivative financial instruments		**5,100**	11,961
Finance costs	*6*	**–**	(48)
PROFIT BEFORE TAX	*7*	**80,692**	65,267
Income tax expense	*8*	**(20,297)**	(9,200)
PROFIT FOR THE PERIOD		**60,395**	56,067
Profit attributable to:			
Equity holders of the Company		**60,850**	56,713
Non-controlling interest		**(455)**	(646)
		60,395	56,067
Dividend	*9*	**–**	–
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*10*		
Basic		**HK8.41 cents**	HK9.45 cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**60,395**	56,067
Other comprehensive income:		
Exchange differences on translating foreign operations	**11,271**	255
Income tax relating to component of other comprehensive income	**–**	–
Other comprehensive income/(expenses) for the period, net of tax	**11,271**	255
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**71,666**	56,322
Total comprehensive income/(expenses) attributable to:		
Equity holders of the Company	**71,997**	57,131
Non-controlling interest	**(331)**	(809)
	71,666	56,322

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2010 (Unaudited) *HK$'000***	30 June 2010 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,323**	1,393
Goodwill		**18,194**	15,772
Intangible asset		**25,462**	26,746
Deferred tax asset		**1,438**	1,346
Prepayments and deposits		**14,043**	13,698
Total non-current assets		**63,460**	58,955
CURRENT ASSETS			
Inventories		**6,983**	8,541
Trade receivables	*11*	**123,595**	111,588
Amount due from related parties		**–**	127,331
Prepayments, deposits and other receivables		**248,794**	91,369
Cash and cash equivalents		**760,993**	49,475
Total current assets		**1,140,365**	388,304
CURRENT LIABILITIES			
Trade payables	*12*	**28,063**	29,458
Other payables and accruals		**19,337**	23,744
Derivative financial instruments		**–**	5,100
Amounts due to related parties		**–**	31,999
Tax payables		**13,933**	11,575
Total current liabilities		**61,333**	101,876
NET CURRENT ASSETS		**1,079,032**	286,428
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,142,492**	345,383
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**6,366**	6,687
Total non-current liabilities		**6,366**	6,687
Net assets		**1,136,126**	338,696
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*13*	**83,000**	170
Reserves		**1,036,999**	333,338
		1,119,999	333,508
Non-controlling interests		**16,127**	5,188
Total equity		**1,136,126**	338,696

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	From 1 July 2010 to 31 December 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 2010	170	39,122	11,269	4,757	61,149	15,315	190,301	11,425	333,508	5,188	338,696
Allotment of shares to share award trustee	9	–	(9)	–	–	–	–	–	–	–	–
Arising from Reorganisation	279	(279)	–	–	–	–	–	–	–	–	–
Capitalisation issue	59,542	(59,542)	–	–	–	–	–	–	–	–	–
Issue of shares, net of share issue expenses	23,000	687,125	–	–	–	–	–	–	710,125	–	710,125
Share award expenses	–	–	4,369	–	–	–	–	–	4,369	–	4,369
Total comprehensive income/ (expenses) for the Period	–	–	–	–	–	–	60,850	11,147	71,997	(331)	71,666
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	11,270	11,270
At 31 December 2010	83,000	666,426*	15,629*	4,757*	61,149*	15,315*	251,151*	22,572*	1,119,999	16,127	1,136,126

* *These reserve accounts comprise the consolidated reserves of HK$1,036,999,000 (30 June 2010: HK$333,338,000) in the condensed consolidated statement of financial position.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(continued)

From 1 July 2009 to 31 December 2009

	Attributable to equity holders of the Company										
	Issued capital	Share premium account	Share award reserve	Merger reserve	Capital reserve	Statutory reserve fund	Retained profits	Exchange fluctuation reserve	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (a)	*Note (a)*			*Note (b)*	*Note (c)*					
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	168	39,887	–	–	–	–	–	–	40,055	–	40,055
Share issue expenses	–	(705)	–	–	–	–	–	–	(705)	–	(705)
Share award expenses	–	–	2,817	–	–	–	–	–	2,817	–	2,817
Total comprehensive income/ (expenses) for the period	–	–	–	–	–	–	56,713	418	57,131	(809)	56,322
Transfer to statutory reserve fund	–	–	–	–	–	2,091	(2,091)	–	–	–	–
At 31 December 2009	170	39,182	2,817	4,757	61,149	12,748	130,998	10,586	262,407	5,459	267,866

Notes:

(a) Magic Holdings Group Limited ("**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 period ended 31 December 2009, 1,739 shares of US$1 each were issued. 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 31 December 2009 and as at 1 July 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	**(94,708)**	78,790
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**124,195**	(77,413)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**682,031**	43,052
NET INCREASE IN CASH AND CASH EQUIVALENTS	**711,518**	44,429
Cash and cash equivalents at beginning of the period	**49,475**	7,486
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**760,993**	51,915
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**760,993**	51,915

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REORGANISATION AND BASIS OF PRESENTATION

Magic Holdings International Limited is a limited liability company incorporated in the Cayman Islands on 9 February 2010.

Pursuant to a reorganization scheme (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 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.

The condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity of the Group for the six months ended 31 December 2009 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 period, or since their respective dates of incorporation/establishment or acquisition, whichever is the shorter period.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2010 has been prepared in accordance with the applicable disclosure provisions of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements of the Group for the year ended 30 June 2010 ("**Financial Year of 2010**"), except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**", which also include Hong Kong Accounting Standards and interpretations) in current period for the first time as disclosed in note 3 below. This interim financial statements should be read in conjunction with the 2010 annual report.

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

The following new and revised HKFRSs were adopted for the first time for the Period's financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
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
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of these new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

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

HKFRSs (Amendments)	Improvement to HKFRSs 2010[1]
HKFRS 9	Financial Instruments[3]
HKAS 12 (Amendments)	Income taxes[2]
HKAS 24 (Revised)	Related Party Disclosures[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement[1]

1 *Effective for annual periods beginning on or after 1 January 2011*

2 *Effective for annual periods beginning on or after 1 January 2012*

3 *Effective for annual periods beginning on or after 1 January 2013*

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

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

Information about major customers

	For the six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A	**57,401**	63,470
Customer B	**53,377**	53,337
Customer C	**71,510**	N/A*
	182,288	116,807

* *Sales to customer C during the period ended 31 December 2009 amounted to less than 10% of the revenue during the period. Accordingly, the sales amount was not presented in the above.*

5. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**384,924**	284,957
Other income and gains		
Bank interest income	**289**	61
	385,213	285,018

6. FINANCE COSTS

	For the six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable after five years	**–**	48

7. PROFIT BEFORE TAX

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

	For the six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold*	**88,052**	67,584
Depreciation	**206**	304
Amortisation of an intangible asset	**1,929**	1,892
Employee benefit expense (including directors' remuneration)	**15,566**	10,199
Fair value changes on derivative financial instruments	**(5,100)**	(11,961)
Loss on disposal of items of property, plant and equipment	**–**	99

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

	For the six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**40**	54
Amortisation of an intangible asset	**1,929**	1,892
Employee benefit expenses	**1,926**	1,492
	3,895	3,438

8. 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 Period.

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.

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%. 廣東群禾藥業有限公司 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%.

	For the six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Mainland China		
Charge for the period	**20,871**	9,802
Deferred	**(574)**	(602)
Total tax charge for the period	**20,297**	9,200

9. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2010 (corresponding period in 2009: Nil).

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

The calculation of basic earnings per share for the Period is based on the profit attributable to equity holders of the Company for the Period of HK$60,850,000 (corresponding period in 2009: HK$56,713,000), and the weighted average of 723,260,869 (corresponding period in 2009: 600,000,000) ordinary shares in issue during the Period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 31 December 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

11. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group generally grants credit terms of up to one year for certain amounts of products to its distributors at the beginning of each calendar year on a case-by-case basis. The Group generally requires such distributors to settle payment for these products at the end of each calendar year. No credit is provided for any further placement from these distributors and payment is required before any further delivery is made to them. The Group generally offers credit terms of up to 90 days to its retailers.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing. The Group's trade receivables mainly related to a few recognised and creditworthy customers.

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

	31 December 2010 (Unaudited) ***HK$'000***	30 June 2010 (Audited) *HK$'000*
Within 90 days	**103,543**	109,680
91 to 180 days	**16,367**	1,731
181 to 365 days	**3,685**	177
	123,595	111,588

12. TRADE PAYABLES

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

	31 December 2010 (Unaudited) HK$'000	30 June 2010 (Audited) HK$'000
Within 90 days	**28,063**	28,870
Over 90 days	**–**	588
	28,063	29,458

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

13. SHARE CAPITAL

As detailed in note (a) to the condensed consolidated 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 as at 30 June 2010 included in the condensed consolidated statement of financial position represented the share capital of Magic Holdings as at 30 June 2010.

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

	30 June 2010 (Audited)	
	US$	*HK$*
Authorised:		
50,000 ordinary shares of US$1 each	50,000	390,000
Issued:		
21,739 ordinary shares of US$1 each	21,739	170,000

13. SHARE CAPITAL *(continued)*

The details of the authorised and issued share capital of the Company as at 31 December 2010 are as follows:

	31 December 2010 (Unaudited) *HK$'000*
Authorised:	
2,000,000,000 ordinary shares of HK$0.1 each	**200,000**
Issued and fully paid:	
830,000,000 ordinary shares of HK$0.1 each	**83,000**

13. SHARE CAPITAL *(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 31 December 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
As 31 December 2010		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 31 December 2010		830,000,000	83,000

13. SHARE CAPITAL *(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 Siu Kun Stephen ("**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 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))*.

13. SHARE CAPITAL *(continued)*

(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 HK$0.1 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.

14. OPERATING LEASE COMMITMENTS

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 the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2010 (Unaudited) *HK$'000*	30 June 2010 (Audited) *HK$'000*
Within one year	**1,334**	313
In the second to fifth years, inclusive	**1,059**	15
	2,393	328

15. COMMITMENTS

As at 31 December 2010, the Group did not have any material commitments (30 June 2010: HK$11,700,000).

16. CONTINGENT LIABILITIES

As at 31 December 2010, the Group did not have any significant contingent liabilities (30 June 2010: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the past years, the Group continued to maintain rapid growth in both its revenue and profit, with its results base gradually strengthening year by year, reaching unprecedented platform every year. In the past few years, the rapid growth in business was the main driving force catalyzing our enterprise development, which was slightly faster than the development pace of its corresponding organization, team, procedures, systems. Hence, the key strategy of the Group is to strengthen the overall corporate construction, with the purpose of realizing a "Healthy, Sustainable, Rapid" development for the enterprise.

FINANCIAL REVIEW

During the Period, the Group continued to maintain a rapid growth. Turnover for the Period amounted to approximately HK$384,924,000, representing a growth of approximately 35.1% when compared with HK$284,957,000 in the corresponding period last year. Gross profit margin sustained a stable level, with a slight increase from approximately 76.3% in the corresponding period last year to approximately 77.1% in the Period, which was due to the increase in the proportion of sales of products with higher gross profit and effective cost control. Facial mask products contributed approximately HK$384,474,000 in sales during the Period, representing approximately 99.9% of total sales of the Group, an increase of approximately 35.1% when compared to the corresponding period last year. Apart from the above, approximately HK$450,000 of the Group's turnover during the Period was attributable to the sales of other skincare products.

FINANCIAL REVIEW *(continued)*

Non-operating income decreased during the Period. The fair value gain on derivative financial instruments decreased to approximately HK$5,100,000 during the Period, representing a decrease of approximately 57.4% when compared with approximately HK$11,961,000 in the corresponding period last year. As these derivative financial instruments were no longer applicable upon the listing of the Company, there was no subsequent gain thereafter. Also, non-operating expense increased during the Period. The equity-settled share award expenses, included in administrative expenses, increased to approximately HK$4,369,000, representing an increase of approximately 55.1% when compared with approximately HK$2,817,000 in the corresponding period last year. Without regard to the non-operating income and expense, the operating profit increased to approximately HK$79,961,000 during the Period, representing an increase of approximately 42.4% from approximately HK$56,171,000 in the corresponding period last year. This showed that the growth in operating profit was better than that of sales revenue and gross profit margin. It was due to the effective expense control on selling and administration. During the Period, the tax structure changed. Income tax expense increased to approximately HK$20,297,000, representing an increase of approximately 120.6% when compared with approximately HK$9,200,000 in the corresponding period last year. This was mainly due to the expiration of the grant of a two-year tax exemption to a subsidiary of the Company on 31 December 2009. Profit attributable to equity holders increased to approximately HK$60,850,000 during the Period, representing an increase of approximately 7.3% from approximately HK$56,713,000 in the corresponding period last year.

BUSINESS REVIEW

During the Period, the shares of the Company was successfully listed on the Main Board of the Stock Exchange. Its operating results continued to sustain a rapid growth trend, while the market share of our MG brand in the PRC facial masks industry increased continuously to approximately 16.8% in 2010 when compared to approximately 15.1% in 2009. The Company had further secured its first-rank leading position in facial masks market with its distribution channel network completed its preliminary strategic layout and its marketing organization mechanism established effectively. We began to change our promotion approach gradually from "shoppers-oriented" to "consumers-oriented".

BUSINESS REVIEW *(continued)*

Brand positioning

Our facial mask products in the PRC continued to develop rapidly in 2010. According to the reports ("**CTR Report**") on the facial mask industry in China commissioned by our Company and prepared by Kantar Worldpanel Limited, a subsidiary of CTR Market Research Company Limited ("**CTR**"), our market penetration of facial mask products had increased to approximately 23.1% (approximately 17.7% in 2009), whereas market size of facial mask products attained an approximately 29.0% growth when compared with that of last year. On a calendar year basis, the Group's sales in 2010 represented a growth of approximately 52.0% as compared with the annual sales of 2009, far higher than the growth in the facial mask products market. We expect the facial mask products will maintain a relatively faster growing trend in a fairly long period of time with the industry development prospect remaining to be optimistic.

The leading position of our MG brand in facial masks industry was further enhanced. The market share of our MG brand in the PRC facial masks industry had reached approximately 16.8% in 2010 and continued to secure its first-rank position, while the market share in some key markets like Beijing had reached up to an approximately 26.4% in 2010. Both our brand awareness and loyalty were also among the leading positions in the industry.

It is an advantage to own a leading brand in the industry with continuous growth in the development of the Group's business. The CTR Report states that, "approximately 82.0% of the increasing sales volume of the Group's products came from new customers of facial mask products. This had fully demonstrated that the Group was benefiting a lot from the development of facial mask products and possesses strong customers' appeal and brand competitive strengths."

On average, the quality of consumers attracted by the Group is of more distinct advantage among the facial masks products. The CTR Report states that, "consumers with high income have all along been the main force driving the demand growth and market development. Compared with consumers in facial mask products, the household income of consumers of the Group is relatively higher. On one hand, the Group will definitely facilitate the rapid growth in facial masks products. On the other hand, the Group will attract more valuable quality consumers. Young and mid-aged consumers who have certain economic foothold is the main consumer group of personal care products and they are also the refreshing reinforcement in promoting the development of new products. These consumers are also the group who cares about themselves and are aesthetics. Compared with overall facial masks consumers, the young and mid-aged consumers account for higher proportion in the Group's consumers. From the development trend perspective, these favourable factors will definitely drive the rapid growth of the Group."

BUSINESS REVIEW *(continued)*

Brand positioning *(continued)*

The unique leisure beauty brand concept of our Group's facial masks is increasingly recognized by customers. The qualitative research on Beijing consumers conducted by CTR had fully demonstrated that: "consumers use the Group's facial masks not only merely because of their quality and cost-effectiveness, but also for the physical and mental pleasure enjoyment experience while embellishing their skin."

Channel building up

During the Period, in succeeding the channel foundation that it had established in the past, the Group continued to achieve a steady growth in its distribution network and channels in terms of number. While continued to optimize our original first and second tier markets of personal care chain stores, hypermarkets and supermarkets channels, we adjusted and improved the business model of skincare specialty stores in third and fourth tier markets to further expand both the horizontal and vertical dimensions of our market coverage.

As at 31 December 2010, we had 100 distributors (98 distributors as at 30 June 2010). The number of terminal stores coverage were 4,398 (3,828 stores as at 30 June 2010), adding 570 newly increased terminal stores during the Period.

New shop openings in the established sales channels that have already been covered by the Group were accelerated within the sales channel of personal care chain stores in first and second tier markets, such as the net increase of 131 new stores in Watsons during the Period (increased from 673 stores to 804 stores).

The increase was also partly due to the accelerated new shop openings in the established channels that are already covered within the sales channel of hypermarkets and supermarkets, such as the net increase of 97 new stores in Walmart during the Period (increased from 221 stores to 318 stores). Besides, the above increase was also partly due to the further supplementing and optimization of supermarket sales channel, thereby resulted a net increase of 57 new stores during the Period (increased from 1,432 stores to 1,489 stores).

BUSINESS REVIEW *(continued)*

Channel building up *(continued)*

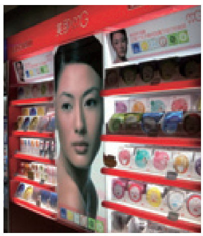
We implemented an optimization adjustment to the skincare specialty store channels in third and fourth tier markets and had a net increase of 285 new stores during the Period (increased from 1,502 stores to 1,787 stores). Sales performance of such channels continued to improve, resulting in a proportion of sales in the first and second tier markets to the third and fourth tier markets of 84.9% to 15.1% (Financial Year of 2010: 89.0% to 11.0%).

Based on the judgment that the most important element in the surge growing stage of facial masks products is rapid development, we adopted the strategy of acting swiftly in selecting shop locations and had achieved immaculate results. As at 31 December 2010, our network had covered 28 provinces/municipalities and 573 cities (including 5 first-tier cities, 26 second-tier cities, 230 third-tier cities and 312 fourth-tier cities) in Mainland China.

The types of channels were also more extensive and diversified, not only have they covered the professional skin care stores, but also the department stores in shopping malls, hypermarkets, small to medium sized supermarkets, OTC drug stores and extensive cosmetic specialty stores. The extensiveness and diversification of our channels also fully demonstrates the accelerated development trend of facilitating facial masks products to become increasingly popular and fast consuming.

We also further strengthened the setting of terminal stores with significant improvement in the displays of special counters, built-in counters, standing cabinets and shelves and temporary displays. We strengthened the advantages of terminal display resources and terminal brand image.






In order to enhance our control on channels and terminal stores, we had further strengthened the sales organization and team system build up. As at 31 December 2010, the Group had set up in aggregate 6 major sales regions, 24 sales sub-regions, 10 offices and 9 liaison offices in Mainland China, with a total of 1,899 in-store sales staff (as at 30 June 2010: 1,209) serving each key sales store.

BUSINESS REVIEW *(continued)*

Channel building up *(continued)*

The strong advancement of distribution channels, covering regions, terminal stores, sales organization and team building had laid a good foundation for achieving the strategy of sustainable and rapid development of the Group.

Product

During the Period, we continued to maintain a sound sales momentum with the three major facial masks product series that were being launched in the Financial Year of 2010 and of which, "泉 (**Spring**)" accounted for approximately 4.6%, "漢草理膚 (**Chinese Herbal Skincare**)" accounted for approximately 9.8% and "流金絲語 (**Forever Silky**)" accounted for approximately 5.0% of the total sales income respectively. The satisfactory sales results of our facial mask products confirmed that they have been one of our stable main sales products.

During the Period, in enriching its core products – Basic series（基礎系列）products, the Company launched five new products, including the **White Tea Ultra Lightening Mask（白茶煥白亮采面膜）, Hyaluronic Acid Extremely Moisturizing Mask（透明質酸極潤保濕面膜）, Deep Sea Collagen Nourishing Mask（深海膠原滋養保濕面膜）, Vitamin E Whitening and Moisturizing Mask（維他命E淨白補濕面膜）and Peach Moisturizing and Whitening Mask（香蜜桃水凝嫩白面膜）** and have achieved sound consumers and sales responses, contributing approximately 3.7% of total sales revenue for the Period.

BUSINESS REVIEW *(continued)*

Marketing

It is the Group's determined strategy to achieve a "Healthy, Sustainable, Rapid" development. Brand building and the change of promotion approach from "shoppers-oriented" to "consumers-oriented" is the key in achieving this strategy. During the Period, using Beijing as the pilot region, we began to place comprehensive media coverage on television, subway, public buses, terminal stores, office buildings and fashionable magazines and had received positive feedback. According to the CTR Report, our Group's facial mask products reached approximately 26.4% market share in Beijing's facial masks market in 2010. With the success of the pilot advertising in Beijing market, we gained the experience and had enhanced our confidence in facilitating the change of promotion approach in other regions in the PRC.

During the Period, we had prepared ourselves for the change in promotion approach: apart from continuing the cooperation with Ogilvy & Mather, based on the increasing emphasis on network communication, we had also reached a mutual cooperation understanding with Ogilvy & Mather and expanded our future comprehensive cooperation by turning to group level development and integration of marketing communication. We also conducted in-depth discussions and have established good relationships with various media in the PRC.

Multi-brand and multi-category development

During the Period, the joint venture (its 51% interests is controlled by the Group) between the Group and Hanbul Cosmetics Co. Ltd. ("**Hanbul**"), a reputable cosmetic company in Korea, carried out the operation as scheduled. The management of the Group and Hanbul had reached common understanding on certain important issues such as the composition of the board of directors, the PRC development strategy for "It's Skin" and "ICS" brands and the composition of the management team. Both parties had decided to unveil and open up the Eastern China market as a pilot region to explore the market of skincare products other than facial masks.

Furthermore, Hanbul had completed the preliminary development works of labeling and processing our "Keep Up" branded skincare products produced in Korea and are expected to be launched within the year.

FUTURE PROSPECTS

Looking forward, the Group will continue the implementation of our "Healthy, Sustainable, Rapid" development strategy. We will increase our efforts in brand construction, facilitate the change of promotion approach from "shoppers-oriented" to "consumers-oriented", continue to optimize our existing channels, sales network outlets and distributors, accelerate the development of skincare speciality stores in third and fourth tier markets, expand the distribution channels for recognized products, and thus further the enlargement and strength of the core principal business of facial masks industry.

The Group will also increase its efforts in product research and development, focus on wash-off facial masks, facial masks for men and facial masks for younger generation, and equip itself with the new products ready to be launched into the market as and when appropriate.

At the same time, we will actively and comfortably promote the multi-brand, multi-category and multi-channels development strategy to lay a foundation for the diversified development in future, open up a new perspective and pave our ways to create a better return for our investors.

LIQUIDITY AND FINANCIAL RESOURCES

With the successful listing of the Company's shares on the Main Board of the Stock Exchange in September 2010 ("**IPO**") and the raised net proceeds of approximately HK$703.7 million, the Group generally finances its operations with internally generated cash flows and the net proceeds raised from the IPO. As at 31 December 2010, the Group had unpledged cash and bank balances of approximately HK$760,993,000 (30 June 2010: approximately HK$49,475,000). There was no outstanding bank borrowing as at 31 December 2010 (30 June 2010: Nil). Net current assets was approximately HK$1,079,032,000 (30 June 2010: approximately HK$286,428,000) and current ratio was maintained at a healthy level of approximately 18.6 (30 June 2010: approximately 3.8) as at 31 December 2010.

No finance costs of the Group were incurred for the Period (corresponding period in 2009: approximately HK$48,000, representing approximately 0.02% of the Group's total turnover in the corresponding period last year). The decrease in finance costs was principally as a result of the release of the bank mortgage loan for staff quarters during the Period.

COMMITMENTS

As at 31 December 2010, the Group had no material contracted commitments (30 June 2010: HK$11,700,000).

CONTINGENT LIABILITIES

As at 31 December 2010, the Group did not have any significant contingent liabilities (30 June 2010: Nil).

BANK BORROWINGS

As at 31 December 2010, the Group had no outstanding bank loans (30 June 2010: Nil).

SEASONAL OR CYCLICAL FACTORS

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

FOREIGN EXCHANGE EXPOSURE

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

TREASURY POLICIES

During the Period, the Group generally financed its operations with internally generated resources and the net proceeds from the IPO. The Group mainly 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 31 December 2010, the Group had a total of 2,237 employees (31 December 2009: 1,166), of whom 2,233 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 Period, staff costs (including Directors' remunerations) amounted to approximately HK$15,566,000 (corresponding period in 2009: approximately HK$10,199,000). Staff costs accounted for approximately 4.0% of the Group's turnover (corresponding period in 2009: approximately 3.6%) during the Period. 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 Period.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (corresponding period in 2009: Nil).

ADDITIONAL INFORMATION

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

As at 31 December 2010, 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, to be notified to the Company and the Stock Exchange 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%
	The Company	Grantee under the share award plan *(Note 3)*	4,011,712 Ordinary shares (L)	0.48%
Mr. She Yu Yuan ("Mr. She")	The Company	Beneficial owner	97,329,896 Ordinary shares (L)	11.73%
	The Company	Grantee under the share award plan *(Note 3)*	5,191,627 Ordinary shares (L)	0.63%
	The Company	Interest of spouse	839,051 Ordinary shares (L)	0.10%
Mr. Luo Yao Wen	The Company	Beneficial owner	29,943,626 Ordinary shares (L)	3.61%
	The Company	Grantee under the share award plan *(Note 3)*	1,599,441 Ordinary shares (L)	0.19%
	The Company	Interest of spouse	943,932 Ordinary shares (L)	0.11%
Mr. Tang and Mr. She	The Company	Trustee *(Note 4)*	28,789,931 Ordinary shares (L)	3.47%

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

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 represent the shares of the Company which will be vested in and transferred to him from the trustee of the share award plan of Magic Holdings adopted on 30 October 2009 ("**Share Award Plan**") upon vesting of the awarded shares in accordance with the terms and conditions of the awards made to him and the rules of the Share Award Plan.

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

Save as disclosed above, as at 31 December 2010, 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, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2010, 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	131,311,454 (L)	Interest of spouse *(Note 3)*	15.82%
	839,051 (L)	Grantee under the share award plan *(Note 4)*	0.10%
MG Company Limited *(Note 5)*	52,440,676 (L)	Beneficial owner	6.32%
Ho Ching Han *(Note 6)*	107,686,929 (L)	Interest of spouse	12.97%
Atlantis Investment Management Limited	89,265,777 (L)	Investment Manager	10.75%
Liu Yang *(Note 7)*	89,265,777 (L)	Interest of controlled corporation	10.75%
JP Morgan Chase & Co.	3,272,000 (L) *(Note 8)*	Investment Manager	0.39%
	38,394,000 (L) and (P) *(Note 9)*	Custodian corporation/ approved lending agent	4.63%

Notes:

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

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

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 Mr. She is interested under the SF Ordinance.

4. These shares represent the shares of the Company which will be vested in and transferred to her from the trustee of the share award plan of Magic Holdings adopted on 30 October 2009 ("**Share Award Plan**") upon vesting of the awarded shares in accordance with the terms and conditions of the awards made to her and the rules of the Share Award Plan.

5. MG Company Limited is a company wholly-owned by Mr. Tang.

6. 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.

7. 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.

8. These shares were held by JF Asset Management Limited, which is held as to 100% by JP Morgan Asset Management (Asia) Inc., a company which is in turn wholly-owned by JP Morgan Asset Management Holdings Inc.. JP Morgan Asset Management Holdings Inc. is a wholly-owned subsidiary of JP Morgan Chase & Co..

9. These shares were held by JP Morgan Chase Bank, N.A., a direct wholly-owned subsidiary of JP Morgan Chase & Co..

Save as disclosed above, as at 31 December 2010, 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.

ADDITIONAL INFORMATION *(continued)*

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.

ADDITIONAL INFORMATION *(continued)*

SHARE OPTION SCHEME *(continued)*

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 9.58% 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.

SHARE OPTION SCHEME *(continued)*

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules since the date of listing of the shares of the Company on the Stock Exchange and up to the date of this report.

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 have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by Directors and senior management of the Group since the date of listing and up to the date of this report.

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

Hong Kong, 16 February 2011