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

Incorporated in the Cayman Islands with limited liability
(於開曼群島註冊成立的有限公司)
Stock Code 股份代號 : 1633

Interim Report 中期報告
2013/2014

CONTENTS

FINANCIAL HIGHLIGHTS

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Tang Siu Kun Stephen *(Chairman)*
Mr. She Yu Yuan
Mr. Luo Yao Wen
Mr. Cheng Wing Hong

Non-executive Directors
Mr. Sun Yan
Mr. Chen Dar Cin

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. Tang Siu Kun Stephen
Mr. She Yu Yuan
Mr. Yan Kam Tong
Professor Yang Rude

NOMINATION COMMITTEE

Mr. Tang Siu Kun Stephen
(Chairman of nomination committee)
Mr. She Yu Yuan
Mr. Yan Kam Tong
Professor Dong Yin Mao
Professor Yang Rude

COMPANY SECRETARY

Mr. Cheng Wing Hong

AUTHORISED REPRESENTATIVES

Mr. Tang Siu Kun Stephen
Mr. Cheng Wing Hong
Mr. Yan Kam Tong
(alternate to Mr. Tang Siu Kun Stephen)

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS IN CHINA

29/F, Poly International Plaza North Tower
No. 688 Yue Jiang Road M
Hai Zhu District
Guangzhou, Guangdong Province
China

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 802, Sino Plaza
255–257 Gloucester Road
Causeway Bay, Hong Kong
China

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
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong
China
(with effect from 31 March 2014, the address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, China)

AUDITORS

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
China

LEGAL ADVISER AS TO HONG KONG LAWS

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place, Central
Hong Kong
China

LEGAL ADVISER AS TO CHINA LAWS

Jiayuan Law Firm
F407–408 Ocean Plaza
158 Fuxing Men Nei Ave
Xicheng District Beijing 100031
China

COMPANY'S WEBSITE

www.magicholdings.co

STOCK CODE

01633

PRINCIPAL BANKERS

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

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

Oversea-Chinese Banking Corporation Limited
9/F Nine Queen's Road Central
Central, Hong Kong
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 2013 ("**Period**") together with the comparative figures for the corresponding period in 2012 and the relevant explanatory notes as set out below. The interim results for the Period are unaudited, but have been reviewed by the audit committee ("**Audit Committee**") of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	From 1 July 2013 to 31 December 2013 Attributable to equity holders of the Company											
	Issued capital *HK$'000*	Share premium account *HK$'000*	Share award reserve *HK$'000*	Share option reserve *HK$'000*	Merger reserve *HK$'000*	Capital reserve *HK$'000* Note (a)	Statutory reserve fund *HK$'000* Note (b)	Retained profits *HK$'000*	Exchange fluctuation reserve *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 July 2012	103,253	604,388	64,422	2,032	4,757	100,450	15,315	762,432	75,963	1,733,012	4,170	1,737,182
Share award expenses	–	–	5,460	–	–	–	–	–	–	5,460	–	5,460
Shares issued upon exercise of share options	536	12,361	–	(2,032)	–	–	–	–	–	10,865	–	10,865
2013 final dividend declared and payable	–	(31,137)	–	–	–	–	–	–	–	(31,137)	–	(31,137)
Profit for the period	–	–	–	–	–	–	–	27,322	–	27,322	(6,791)	20,531
Other comprehensive income for the period												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	11,493	11,493	13	11,506
Realisation of exchange fluctuation reserve upon disposal of a subsidiary	–	–	–	–	–	–	–	23,778	(23,778)	–	–	–
At 31 December 2013	103,789	585,612*	69,882*	–	4,757*	100,450*	15,315*	813,532*	63,678*	1,757,015	(2,608)	1,754,407

* These reserve accounts comprise the consolidated reserves of HK$1,653,226,000 (30 June 2013: HK$1,629,759,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

	From 1 July 2012 to 31 December 2012 Attributable to equity holders of the Company											
	Issued capital HK$'000	Share premium account HK$'000	Share award reserve HK$'000	Share option reserve HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Statutory reserve fund HK$'000 Note (a)	Retained profits HK$'000	Exchange fluctuation reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2012	100,890	598,873	47,352	10,959	4,757	100,450	15,315	555,337	46,413	1,480,346	12,278	1,492,624
Share award expenses	–	–	8,535	–	–	–	–	–	–	8,535	–	8,535
Shares issued upon exercise of share options	1,082	24,940	–	(4,091)	–	–	–	–	–	21,931	–	21,931
2012 final dividend declared and payable	–	(36,701)	–	–	–	–	–	–	–	(36,701)	–	(36,701)
Profit for the Period	–	–	–	–	–	–	–	100,037	–	100,037	(3,577)	96,460
Other comprehensive income for the Period: Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	8,039	8,039	57	8,096
At 31 December 2012	101,972	587,112	55,887	6,868	4,757	100,450	15,315	655,374	54,452	1,582,187	8,758	1,590,945

Note:

(a) 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH FLOWS FROM OPERATING ACTIVITIES	**91,464**	25,603
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(177,504)**	(10,232)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**12,167**	21,932
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(73,873)**	37,303
Cash and cash equivalents at beginning of the Period	**965,492**	1,108,127
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**891,619**	1,145,430
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**891,619**	1,145,430

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2013 has been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules ("**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements of the Group for the year ended 30 June 2013. This interim financial statements should be read in conjunction with the 2012/2013 annual report.

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

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

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

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

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

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

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

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

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

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

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

(d) *Annual Improvements 2009–2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

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

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

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

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:

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

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

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

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

4. SEGMENT INFORMATION

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

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

Information about major customers

	For the six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A*	**89,953**	N/A
Customer B**	**N/A**	138,170
Customer C**	**N/A**	77,851
	89,953	216,021

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

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

5. REVENUE, OTHER INCOME AND GAINS

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

		For the six months ended 31 December	
		2013	2012
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue			
Sale of goods		**891,050**	821,372
Other income and gains			
Bank interest income		**8,097**	5,056
Foreign exchange differences, net		**3,704**	–
Gain on disposal of a subsidiary	*16*	**1,306**	–
		904,157	826,428

6. PROFIT BEFORE TAX

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

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

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

	For the six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**4,801**	726
Amortisation of intangible assets	**2,103**	2,046
Employee benefit expenses	**13,966**	10,916
	20,870	13,688

7. INCOME TAX

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

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

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

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

8. DIVIDEND

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

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

(a) Basic

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

	For the six months ended 31 December	
	2013	2012
Profit for the Period attributable to equity owners of the Company *(in HK$'000)*	**27,322**	100,037
Weighted average number of ordinary shares in issue for basic earnings per share	**1,037,457,519**	1,012,179,149
Basic earnings per share *(in HK cents)*	**2.63**	9.88

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY *(continued)*

(b) Diluted

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

	For the six months ended 31 December	
	2013	2012
Profit for the Period attributable to equity owners of the Company *(in HK$'000)*	**27,322**	100,037
Weighted average number of ordinary shares in issue for basic earnings per share	**1,037,457,519**	1,012,179,149
Adjustment for share options granted on 27 September 2011 and exercised during the Period	**3,744,374**	8,258,315
Weighted average number of ordinary shares for diluted earnings per share	**1,041,201,893**	1,020,437,464
Diluted earnings per share *(in HK cents)*	**2.62**	9.80

10. TRADE RECEIVABLES

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

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

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

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

11. TRADE PAYABLES

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

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

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

12. SHARE CAPITAL

The details of the authorised and issued share capital of the Company as at 31 December 2013 are as follows:

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

12. SHARE CAPITAL *(continued)*

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

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

13. COMMITMENTS

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

14. CONTINGENT LIABILITIES

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

15. ACQUISITION OF SUBSIDIARY

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

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

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

15. ACQUISITION OF SUBSIDIARY *(continued)*

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

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

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

16. DISPOSAL OF A SUBSIDIARY

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

FINANCIAL REVIEW

During the Period, the Group maintained a healthy continuous growth and achieved a new height. Sales revenue for the Period amounted to approximately HK$891,050,000, representing a growth of approximately 8.5% as compared with approximately HK$821,372,000 for the corresponding period in 2012. Gross profit margin was approximately 74.2% for the Period. Profit attributable to equity holders was approximately HK$27,322,000 for the Period.

BUSINESS REVIEW

Brand Building and Marketing

Year 2013 is an important year to our MG Brand, since it is the 10th anniversary of the establishment of MG Brand. Over the past ten years, not only our MG Brand successfully established a strong brand image but also a strong connection with the consumers in China. With the consumers' growing in-depth recognition for facial masks skincare functionalities and their leisure beauty experience values, facial masks are becoming an independent skincare product category, while the professional values and leisure beauty values of MG Brand are gaining more recognition among the consumers.

We understand to establish a well-known brand is a long term process especially for products like facial masks which is in a fast changing environment where the market shares are not concentrated on a few brands and the consumers' loyalty is not apparently high. We strongly believe that building up brand awareness and good reputation for our MG Brand is an important and necessary move, therefore, we will continue to allocate more time and resources on both above-the-line and below-the-line marketing strategies. To further enhance our MG Brand image, our advertising partner had prepared a whole new advertising campaign for our MG Brand in 2013, which included but not limited to the advertisement on television, metro, magazines, mini film over the internet, and other promotional channels. In respect of the below-the-line marketing strategy, we further enhance our MG Brand image by organizing the promotion activities in retail stores, designing displays for in-store MG Brand products, and the training on selling skills of our in-store sales promoters. The aforesaid brand promotion activities resulted in encouraging enhancement in respect of popularity and reputation of MG Brand, which are of great benefits in facilitating channel expansion, promoting terminal sales and improving brand awareness of consumers.

BUSINESS REVIEW *(continued)*

Optimization and Expansion of Distribution Networks

During the Period under review, we continued to optimize and expand our distribution networks. We negotiated the design of our MG Brand products display at the point of sales and size of shelf space with the headquarter of point of sales in different sales channels, and also increased the number of point of sales with high quality shop management. Besides optimization and expansion of our distribution networks, we are also looking for opportunities to introduce our MG Brand into different sales channels which we previously had limited exposure. The change of consumers' purchase habit, especially for youngsters, is important as we expect the growth of our sales from on-line retail shops would increase steadily in the coming years so that we will also focus on the development of E-commerce channel in addition to the physical stores. We believed that the optimization and expansion of distribution networks will make great contribution to the growth of facial mask industry as well as improving the brand awareness of MG Brand.

New Products Offerings

Our MG Brand has consistently enriched its product portfolios by introducing new products with different characteristics in response towards frequent changes in demand of the facial mask industry. Currently our MG Brand carries over 170 types of peel-off and wash-off facial mask products within a range of 13 product series. While, the sales of our existing products were stable during the Period under review, we will continue to offer new products to enrich our products portfolio under MG Brand.

BUSINESS REVIEW *(continued)*

Stringent Quality Control

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

FUTURE PROSPECTS

Looking forward, we believe the growth of the facial mask industry will continue to be driven by the increasing number of facial mask users and more frequent use of facial masks. Therefore, we will continue to develop new facial mask products and focus on our strategies to strengthen our existing facial masks products under our MG Brand. We will continue to focus on the promotion and expansion of our distribution networks in terms of the number of terminal stores and coverage. In view of a growing popularity of facial mask products, we will optimize the research on consumers' needs and technology development of facial mask products under our MG Brand, and launch new products on a timely basis. Finally, we will focus on the development of a successful model for our skincare business segment through brainstorming, verification, products testing and marketing in order to set a solid foundation for the long-term healthy and sustainable growth for the Group.

PROPOSED ACQUISITION OF ALL ISSUED SHARES OF THE COMPANY

The Proposal

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

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

PROPOSED ACQUISITION OF ALL ISSUED SHARES OF THE COMPANY *(continued)*

The Proposal *(continued)*

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

Withdrawal of Listing of the Shares

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

Details of the proposal, the Scheme and the progress of the proposal are set out in the Joint Announcement, the announcements jointly issued by the Company and the Offeror dated 12 November 2013, 13 January 2014, 16 January 2014 and 20 February 2014 respectively and the Scheme Document dated 28 February 2014.

LIQUIDITY AND FINANCIAL RESOURCES

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

No finance costs are incurred by the Group during the Period (corresponding period in 2012: Nil).

COMMITMENTS

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

CONTINGENT LIABILITIES

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

BANK BORROWINGS

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

SEASONAL OR CYCLICAL FACTORS

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

FOREIGN EXCHANGE EXPOSURE

During the Period ended 31 December 2013, the Group mainly generated sales revenue and incurred costs in Renminbi. In view of the expected appreciation of Renminbi, the Directors considered that the Group's exposure to fluctuation in foreign exchange rate was minimal, and accordingly, the Group did not employ any financial instruments for hedging purpose.

TREASURY POLICIES

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

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 31 December 2013, the Group had a total of 4,886 workforces, including the workforces under the Group's employment and those supplied by a workforces solution provider ("**the Provider**") (2012: 4,320), of whom 4,882 were based in China, with the rest stationed in Hong Kong. The employees of the Group were remunerated based on their experience, qualifications, the Group's performance as well as market conditions. During the Period, staff costs and amount paid to the Provider amounted to a total of approximately HK$127,045,000 (2012: approximately HK$94,590,000). Such costs accounted for 14.3% of the Group's sales revenue (2012: 11.5%) during the Period. The increase of such costs in the Period was mainly attributable to the increase in number of workforces and their wages and salaries and acquisition of Apex Group. The Group participated in retirement benefit schemes for its staff both in Hong Kong and China.

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

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

As at 31 December 2013, 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	Beneficial owner	5,804,936 Ordinary shares (L)	0.56%
	The Company	Interest of controlled corporations *(Note 2)*	90,394,071 Ordinary shares (L)	8.71%
	The Company	Grantee under the share award plan *(Note 3)*	2,114,574 Ordinary shares (L)	0.20%

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

Name of Director	Name of Group member/ associated corporation	Capacity	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Mr. She Yu Yuan ("**Mr. She**")	The Company	Beneficial owner	2,736,509 Ordinary shares (L)	0.26%
	The Company	Interest of controlled corporations *(Note 5)*	121,994,079 Ordinary shares (L)	11.75%
	The Company	Grantee under the share award plan *(Note 3)*	2,736,509 Ordinary shares (L)	0.26%
	The Company	Interest of spouse	610,818 Ordinary shares (L)	0.06%
Mr. Luo Yao Wen ("**Mr. Luo**")	The Company	Beneficial owner	843,064 Ordinary shares (L)	0.08%
	The Company	Interest of controlled corporations *(Note 6)*	37,647,787 Ordinary shares (L)	3.63%
	The Company	Grantee under the share award plan *(Note 3)*	843,064 Ordinary shares (L)	0.08%
	The Company	Interest of spouse	889,417 Ordinary shares (L)	0.09%

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

Name of Director	Name of Group member/ associated corporation	Capacity	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Mr. Tang and Mr. She	The Company	Trustee *(Note 4)*	15,442,669 Ordinary shares (L)	1.49%
Professor Yang Rude ("**Professor Yang**")	The Company	Beneficial owner	130,000 Ordinary shares (L)	0.01%
Mr. Yan Kam Tong ("**Mr. Yan**")	The Company	Beneficial owner	360,000 Ordinary shares (L)	0.03%
Mr. Sun Yan ("**Mr. Sun**")	The Company	Beneficial owner	360,000 Ordinary shares (L)	0.03%

Notes:

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

2. Among these shares, 63,301,170 Shares were held through MG Company Limited and 27,092,901 Shares were held through Charm Magna Limited, both companies are wholly-owned by Mr. Tang.

3. These shares represent the shares of the Company which will be vested in and transferred to Mr. Tang, Mr. She and Mr. Luo from the trustee of the share award plan of Magic Holdings Group Limited 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 them and the rules of the Share Award Plan.

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

Notes: (continued)

4. 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.

5. All these shares were held through Uprise Smart Limited, a company wholly-owned by Mr. She.

6. All these shares were held through Multiple Gains Investments Limited, a company wholly-owned by Mr. Luo.

Save as disclosed above, as at 31 December 2013, 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.

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

As at 31 December 2013, 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
Wu Xiao Qing *(Note 2)*	140,173,257 (L)	Interest of spouse	13.51%
	610,818 (L)	Beneficial owner	0.06%
	442,264 (L)	Grantee under the share award plan *(Note 3)*	0.04%
MG Company Limited *(Note 4)*	63,301,170 (L)	Beneficial owner	6.10%
Ho Ching Han *(Note 5)*	111,641,676 (L)	Interest of spouse	10.76%
Uprise Smart Limited *(Note 8)*	121,994,079 (L)	Beneficial owner	11.75%
Atlantis Capital Holdings Limited	54,634,261 (L)	Interest of controlled corporation	5.26%
Liu Yang *(Note 6)*	54,634,261 (L)	Interest of controlled corporation	5.26%
Salata Jean Eric *(Note 7)*	217,295,000 (L)	Interest of controlled corporation	20.94%

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

Name of shareholder	Number of shares *(Note 1)*	Nature of interest	Approximate percentage of interest of the Company
Baring Private Equity Asia GP V Limited *(Note 7)*	217,295,000 (L)	Interest of controlled corporation	20.94%
Baring Private Equity Asia GP V LP *(Note 7)*	217,295,000 (L)	Interest of controlled corporation	20.94%
Baring Private Equity Asia V Holding (1) Limited *(Note 7)*	217,295,000 (L)	Beneficial owner	20.94%
The Baring Asia Private Equity Fund V LP *(Note 7)*	217,295,000 (L)	Interest of controlled corporation	20.94%
Deutsche Bank Aktiengesellschaft	2,664,932 (L)	Beneficial Owner	0.26%
	70,667,656 (L)	Person having a security interest in shares	6.81%
	2,660,099 (S)	Beneficial Owner	0.26%

Notes:

1. The letter "L" denotes long position and the letter "S" denotes short 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)*

Notes: (continued)

2. Ms. Wu Xiao Qing ("**Ms. Wu**") 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.

3. These shares represent the shares of the Company which will be vested in and transferred to Ms. Wu from the trustee of the 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.

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

5. 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.

6. Liu Yang is the owner of Atlantis Capital Holdings Limited. Therefore, Liu Yang is deemed to be interested in the shares held by Atlantis Capital Holdings Limited under the SF Ordinance.

7. Baring Private Equity Asia GP V Limited is the general partner of a limited partnership (Baring Private Equity Asia GP V LP), which is the general partner of another limited partnership (The Baring Asia Private Equity Fund V LP), which is one of the limited liability partnerships comprising The Baring Asia Private Equity Fund V and which controls more than one-third of the issued shares in Baring Private Equity Asia V Holding (1) Limited. Jean Eric Salata is the sole shareholder of Baring Private Equity Asia GP V LP. Each of Baring Private Equity Asia GP V Limited and Jean Eric Salata is therefore deemed to be interested in 217,295,000 Shares held by Baring Private Equity Asia V Holding (1) Limited. Jean Eric Salata disclaims beneficial ownership of such Shares, other than to the extent of his economic interest in such entities.

8. Uprise Smart Limited is a company wholly-owned by Mr. She.

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

Save as disclosed above, as at 31 December 2013, 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.

SHARE OPTION SCHEME

The Company has a share option scheme ("**SOS**") 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 SOS 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 SOS 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

SHARE OPTION SCHEME *(continued)*

(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 SOS, the share 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 31 December 2013, the total number of shares of the Company available for issue under the SOS 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 7.8% of the issued share capital of the Company as at 31 December 2013.

The maximum number of shares issuable upon exercise of the share options which may be granted under the SOS and any other share option scheme of the Group (including both exercised or outstanding share 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 share 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.

SHARE OPTION SCHEME *(continued)*

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 share options subject to the provisions for early termination under the SOS.

The subscription price for Shares under the SOS 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 SOS in accordance with the SOS rules, the SOS will expire on 24 September 2020.

SHARE OPTION SCHEME *(continued)*

The following table sets out the details of the share options which were granted, exercised or outstanding under the SOS during the Period:

Grantee	Number of share options					Date of grant of share options	Exercise period of share options	Adjusted exercise price of share options per share *(Note (a))*	Adjusted closing price per share before date on which the share options were granted *(Note (b))*
	As at 1 July 2013	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	As at 31 December 2013				
Directors									
Mr. Yan	360,000	–	360,000	–	–	27 September 2011	27 September 2011– 26 September 2013	HK$2.027	HK$1.69
Other employees (In aggregate)	1,400,000	–	1,400,000	–	–	27 September 2011	27 September 2011– 26 September 2013	HK$2.027	HK$1.69
Others (In aggregate)	3,600,000	–	3,600,000	–	–	27 September 2011	27 September 2011– 26 September 2013	HK$2.027	HK$1.69
Total	5,360,000	–	5,360,000	–	–				

Note (a): This refers to the adjustment made to the exercise price and number of share options granted under the SOS on 27 September 2011 as a result of the bonus Issue of shares on the basis of 1 new ordinary share for every 5 existing ordinary shares for the year ended 30 June 2011 pursuant to a resolution passed on the annual general meeting held on 16 December 2011.

Note (b): This refers to the adjusted Stock Exchange closing price on the date immediately preceding the date of the grant of the share options, i.e. 26 September 2011 as a result of the bonus issue of shares on the basis of 1 new ordinary share for every 5 existing ordinary shares for the year ended 30 June 2011 pursuant to a resolution passed on the annual general meeting held on 16 December 2011.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

In respect of Code Provision A.6.7, two non-executive Directors and three independent non-executive Directors did not attend the annual general meeting of the Company held on 13 December 2013 due to their other business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors and senior management of the Group in September 2010 on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") contained in the Listing Rules. Having made specific enquiries of all Directors and senior management of the Group, all Directors and senior management of the Group confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by Directors and senior management of the Group since the date of listing and up to the date of this report.

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

Hong Kong, 21 February 2014