

For illustrative purposes only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out here to illustrate the effect of the Share Offer on (i) the unaudited pro forma adjusted net tangible assets of the Group as if it had taken place on 31st July, 2005; and (ii) unaudited pro forma earnings per Share for the year ended 31st March, 2005 as if it had taken place on 1st April, 2004.

This pro forma financial information has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position and the earnings per Share of the Group following the Share Offer.

#### A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted net tangible assets of the Group which has been prepared for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31st July, 2005 and based on the audited combined net tangible assets of the Group as at 31st July, 2005, as shown in the accountants' reports set out in Appendix I to this prospectus and is adjusted as follows:

	<b>Audited combined net tangible assets of the Group as at 31st July, 2005</b>	<b>Estimated net proceeds of the Share Offer  (Note 1)</b>	<b>Unaudited pro forma adjusted net tangible assets</b>	<b>Unaudited pro forma adjusted net tangible assets per share  (Note 2)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK</i>
Based on the Offer Price of HK\$0.88 per Share	34,861	144,395	179,256	24.9 cents
Based on the Offer Price of HK\$1.08 per Share	34,861	179,495	214,356	29.8 cents

*Notes:*

1. The estimated net proceeds of the Share Offer are based on the Offer Price, after deduction of the underwriting fees and related expenses payable by the Company.
2. The unaudited pro forma adjusted net tangible assets per Share are arrived at after the adjustments referred to in this section and on the basis of 720,000,000 Shares in issue immediately after completion of the Share Offer but takes no account of any Pre-IPO Options which have been or may be granted under the Pre-IPO Share Option Scheme, referred to in the section headed "Pre-IPO Share Option Scheme" in Appendix V to this prospectus.
3. With reference to the valuation of the Group's property interests as set out in Appendix III to this prospectus, the aggregate revalued amount of the property interests of the Group was about HK\$57.1 million as at 31st October, 2005. The net book value of these properties as at 31st July 2005 was about HK\$41.5 million. Thus, the revaluation surplus is about HK\$15.6 million, which has not been included in the above adjusted net tangible

assets of the Group. Such a revaluation surplus will not be recognised in the Group's financial statements as the Group accounts for its property interests at cost. Had such revaluation surplus been recognised in the Group's financial statements for the year ended 31st March, 2005, additional depreciation charges of about HK\$320,000 per annum would be incurred.

- No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31st July, 2005.

## B. UNAUDITED PRO FORMA EARNINGS PER SHARE

The unaudited pro forma earnings per Share has been prepared, on the basis of the notes set out below, to illustrate the effect of the Share Offer on the Group's earnings per Share for the year ended 31st March, 2005 as if it had taken place on 1st April, 2004. It has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial results of the Group.

Audited combined net profit from ordinary activities attributable to Shareholders for the year ended 31st March, 2005 ( <i>Note 1</i> )	<u>HK\$105.2 million</u>
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Unaudited pro forma basic earnings per Share for the year ended 31st March, 2005 ( <i>Note 2</i> )	<u>HK14.6 cents</u>
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Unaudited pro forma diluted earnings per Share taking into account the Pre-IPO Options granted ( <i>Note 3</i> )	<u>HK14.5 cents</u>
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### Notes:

- The audited combined net profit from ordinary activities attributable to Shareholders for the year ended 31st March, 2005 is extracted from the Accountants' Report set forth in Appendix I to this prospectus.
- The unaudited pro forma basic earnings per Share is calculated by dividing the combined profit from ordinary activities attributable to Shareholders of the Group for the year ended 31st March, 2005 by a total of 720,000,000 shares assuming that the Shares in issue at the date of this Prospectus and the Share Offer had been in issue on 1st April, 2004 but without taking account for any shares which may fall to be issued upon the exercise of the Over-allotment Option or any options which have been granted or may be granted under the Pre-IPO Share Option Scheme.
- The calculation of unaudited pro forma fully diluted earnings per Share is calculated by dividing the combined profit from ordinary activities attributable to Shareholders of the Group for the year ended 31st March, 2005 by the total of 723,600,000 shares assuming that the Shares in issue at the date of this Prospectus and the Share Offer had been in issue on 1st April, 2004 and the Pre-IPO Options granted pursuant to the Pre-IPO Share Option Scheme were exercised in full on 1st April, 2004. It is also assumed that all Shares under the Pre-IPO Share Option Scheme being issued at no consideration. This has not considered the proceeds that will be received under exercise of the Pre-IPO Options granted under the Pre-IPO Share Option Scheme and hence has not considered the impact of fair value of the shares on computation of number of dilutive potential shares. The Directors consider it is impracticable to estimate the fair value of Shares prior to its listing.
- No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31st March, 2005.

**C. COMFORT LETTER ON THE UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS AND UNAUDITED PRO FORMA EARNINGS PER SHARE**

*The following is the text of a letter from PricewaterhouseCoopers, the reporting accountants of the Company, in respect of the unaudited pro forma adjusted net tangible assets and unaudited pro forma earnings per Share and prepared for the purpose of inclusion in this prospectus.*



羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22/F, Prince's Building  
Central, Hong Kong

27th January, 2006

The Directors  
Modern Beauty Salon Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Modern Beauty Salon Holdings Limited (the “Company”) together with its subsidiaries (hereinafter collectively referred to as the “Group”) set out in Section A and B under the headings of unaudited pro forma net tangible assets and the unaudited pro forma earnings per Share in Appendix II of the Company’s prospectus dated 27th January, 2006 (the “Prospectus”) in connection with the Share Offer of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The unaudited pro forma financial information has been prepared by the directors of the Company, for illustrative purposes only to provide information about how the Share Offer might have affected the relevant financial information of the Group.

**RESPONSIBILITIES**

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 21 of Appendix 1A and paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Technical Release 18/98 “Pro Forma Financial Information — Guidance for the preparers under the Listing Rules” issued by the Institute of Chartered Accountants in England and Wales.

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

## BASIS OF OPINION

We conducted our work with reference to the Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company.

Our work does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements and Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, accordingly, we do not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information have been prepared in accordance with the basis set out in Sections A and B, respectively, of Appendix II to the Prospectus for illustrative purposes only and, because of its nature, it may not give an indication of the financial position of the Group at any future dates and the earnings per share of the Group for any future periods.

## OPINION

In our opinion:

- (a) the unaudited pro forma financial information have been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,  
**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong