MODERN BEAUTY SALON HOLDINGS LIMITED
(現代美容控股有限公司)

(incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 MARCH 2006

The board of directors (the "Board" or the "Directors") of Modern Beauty Salon Holdings Limited (the "Company") is pleased to announce the audited consolidated final results of the Company and its subsidiaries (collectively referred to as the "Group" or "Modern Beauty") for the year ended 31 March 2006 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006

	Note	**2006** *HK$'000*	**2005** *HK$'000*
Turnover	2	498,265	456,932
Other gains - net	3	20,241	9,019
Cost of inventories sold		(13,036)	(12,085)
Staff costs		(186,757)	(172,043)
Depreciation and amortisation		(22,014)	(20,569)
Occupancy costs		(47,154)	(42,069)
Other operating expenses		(106,068)	(92,442)
Profit before taxation	4	143,477	126,743
Taxation	5	(20,966)	(21,572)
Profit for the year attributable to the Company's shareholders		122,511	105,171
Dividends	6	217,360	9,400
Earnings per share (HK cents)			
- Basic	7	21.68	19.48
- Diluted	7	21.63	N/A

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2006

	Note	2006 HK$'000	As restated 2005 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		55,774	46,079
Leasehold land prepayments		27,325	10,527
Financial assets at fair value through profit or loss/ other investments		67,979	57,785
Trade and other receivables, deposits and prepayments	8	9,707	6,450
Deferred tax assets		2,854	1,582
		163,639	122,423
Current assets			
Inventories		6,689	6,596
Trade and other receivables, deposits and prepayments	8	56,550	258,329
Taxation recoverable		4,638	—
Pledged bank deposits		52,286	51,520
Cash and cash equivalents		565,655	314,322
		685,818	630,767
Total assets		849,457	753,190
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		72,000	54,000
Share premium and reserves		213,272	64,735
Total equity		285,272	118,735

	Note	2006 HK$'000	As restated 2005 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		50	103
Current liabilities			
Trade and other payables, deposits received and accrued expenses	9	29,535	62,167
Deferred revenue		526,412	549,932
Taxation payable		8,188	22,253
		564,135	634,352
Total liabilities		564,185	634,455
Total equity and liabilities		849,457	753,190
Net current assets/(liabilities)		121,683	(3,585)
Total assets less current liabilities		285,322	118,838

Notes:

(1) **Reorganisation and basis of preparation**

Reorganisation

Modern Beauty Salon Holdings Limited (the "Company") was incorporated in the Cayman Islands on 19 August 2005. The shares have been listed on the Main Board of the Stock Exchange of Hong Kong (the "Stock Exchange") since 9 February 2006. Pursuant to a group reorganisation ("Reorganisation") in preparation of the listing of the shares of the Company on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 24 January 2006. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the consolidated financial statements of the Group for the year ended 31 March 2005 have been prepared using the merger basis of accounting as if the Company had been the holding company of the Group from the beginning of the earliest period presented.

Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. These consolidated financial statements have been prepared under historical cost convention except that financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The adoption of new/revised HKFRS

For the year ended 31 March 2006, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 31 March 2005, comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income taxes
HKAS 14	Segment reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS-Int 15	Operating Leases — Incentives
HKFRS 2	Share-based payment
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 24, 27, 33, 36, HKAS-Int 15 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

— The adoption of HKAS 1 has affected the presentation of certain disclosures.

— HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 27, 33, 36, HKAS-Int 15 and HKFRS 3 do not have any impact as the Group's accounting policies already comply with the standards.

— The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

— HKAS 24 has affected some other related-party disclosures.

— The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of available-for-sale financial assets. It has also resulted in the recognition of the derivative financial instruments at fair value, the changes in the recognition and measurement of hedging activities, the change in recognition, measurement and offsetting certain financial assets and liabilities.

— The adoption of HKFRS 2 has resulted in a change in accounting policy for share-based payment. Prior to this, the provision of share options to employees did not result in a charge to the income statement. Following the adoption of HKFRS 2, the fair value of share options at grant date is amortized over the relevant vesting periods to the income statement.

The adoption of HKAS 32 and HKAS 39 resulted in:

	2006
	HK$'000
Increase in financial assets at fair value	67,979
Decrease in other investments	67,979

The adoption of HKFRS 2 resulted in:

	2006
	HK$'000
Increase in equity	444
Increase in staff costs	444

All changes in the accounting policies have been made in accordance with the respective transitional provisions of the respective standards, which require retrospective application to prior year comparatives other than:

— HKAS 39 — recognises all derivatives at fair value in the balance sheet on 1 January 2005 and adjusts the balance to retained earnings as at that date.

— HKAS-Int 15 — does not require recognition of incentives for leases commencing before 1 January 2005.

— HKFRS 3 — prospective from 1 January 2005.

(2) **Segment information**

The Group was operated into two main business segments during the year:

(a) Provision of beauty and healthcare services; and

(b) Sale of beauty products and equipment.

No analysis of the Group's segment information by geographical segments is presented as the Group solely provides beauty and healthcare services in Hong Kong and over 90% of its sales were made to customers located in Hong Kong. The inter-segment sales were transacted on a cost basis.

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Turnover:		
Total gross sales for provision of beauty and healthcare services	478,075	436,197
Total gross sales for sale of beauty products and equipment	20,190	20,735
Total turnover	498,265	456,932
Segment results:		
Provision of beauty and healthcare services	184,874	152,933
Sale of beauty products and equipment	4,871	12,951
	189,745	165,884
Other gains - net	20,241	9,019
Unallocated costs	(66,509)	(48,160)
Profit before taxation	143,477	126,743
Taxation	(20,966)	(21,572)
Profit for the year	122,511	105,171

	Group 2006	Group 2005
	HK$'000	*HK$'000*
Segment assets:		
Provision of beauty and healthcare services	586,792	103,189
Sale of beauty products and equipment	6,946	9,404
	593,738	112,593
Unallocated assets	255,719	640,597
Total assets	849,457	753,190
Segment liabilities:		
Provision of beauty and healthcare services	(554,342)	(568,164)
Sale of beauty products and equipment	(1,605)	(1,262)
	(555,947)	(569,426)
Unallocated liabilities	(8,238)	(65,029)
Total liabilities	(564,185)	(634,455)
Other information:		
Capital expenditure		
Provision of beauty and healthcare services	46,298	21,850
Unallocated	2,281	—
	48,579	21,850
Depreciation and amortisation		
Provision of beauty and healthcare services	21,458	20,242
Sale of beauty products and equipment	115	149
Unallocated	441	178
	22,014	20,569

(3) **Other gains - net**

	2006	**2005**
	HK$'000	*HK$'000*
Financial assets at fair value through profit or loss/other investments:		
- fair value losses (realised and unrealised)	(615)	(71)
- fair value gains (realised and unrealised)	5,477	1,003
Interest income	13,589	6,631
Dividend income	255	180
Investment income	18,706	7,743
Gross rental income	490	724
Other income	1,045	552
	20,241	9,019

(4) **Profit before taxation**

The following items have been included in arriving at profit from operations:

	2006	**2005**
	HK$'000	*HK$'000*
Crediting:		
Gain on disposal of leasehold land prepayments	—	2,620
Net exchange gains	1	40
Charging:		
Auditors' remuneration		
- current year	1,380	850
- under/(over)provision in previous year	147	(50)
Loss on disposal of property, plant and equipment	—	2,488

(5) **Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

The amount of taxation charged to the consolidated income statement represents:

	2006	**2005**
	HK$'000	*HK$'000*
Current income taxation:		
- Hong Kong profits tax	23,178	21,953
- (Over)/under provision in prior years	(887)	538
	22,291	22,491
Deferred taxation	(1,325)	(919)
	20,966	21,572

(6) **Dividends**

	2006	2005
	HK$'000	*HK$'000*
Dividends paid to the then shareholders *(note a)*	118,000	9,400
Proposed final dividend of HK$0.138 per ordinary share *(note b)*	99,360	—
	217,360	9,400

(a) Dividends of HK$118,000,000 were declared and paid by the Company's subsidiaries to their then shareholders during the year ended 31 March 2006.

(b) A dividend in respect of 2006 of HK$0.138 per share, amounting to a total dividend of HK$99,360,000 is to be proposed at the Annual General Meeting on 15 August 2006. These financial statements do not reflect this dividend payable.

(7) **Earnings per share**

The calculation of basic earnings per share is based on the Group's net profit attributable to shareholders for the year ended 31 March 2006 of HK$ 122,511,000 (2005: HK$ 105,171,000) and the weighted average of 565,150,685 (2005: 540,000,000) shares in issue during the year. The weighted average number of shares for 2005 was based on the assumption that the Reorganisation has been completed on 1 April 2004.

The calculation of diluted earnings per share for the year ended 31 March 2006 is based on the Group's net profit attributable to shareholders for the year of HK$122,511,000 and the weighted average of 566,517,087 shares. The weighted average number of shares used in the calculation comprises the 565,150,685 shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 1,366,402 shares assumed to have been issued at no consideration on the deemed exercise of options granted under the Company's share option scheme during the year.

No diluted earnings per share has been presented for the year ended 31 March 2005 as the Company has no dilutive potential shares.

(8) **Trade and other receivables, deposits and prepayments**

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Non current assets		
Other deposits	9,707	6,450
Current assets		
Trade receivables	28,140	29,849
Deposits and prepayments	26,945	18,321
Other receivables	1,465	1,912
Amounts due from related companies	—	4,852
Amount due from a director	—	203,395
	56,550	258,329
	66,257	264,779

An ageing analysis of trade receivables as at the balance sheets dates is as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Within 90 days	28,140	29,849

(9) **Trade and other payables, deposits received and accrued expenses**

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Trade payables	351	192
Other payables, deposits received and accrued expenses	29,184	19,302
Amounts due to related companies	—	42,673
	29,535	62,167

An ageing analysis of trade payables as at the balance sheets dates is as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Within 90 days	351	192

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Brand Development

Over the years, the Group has successfully established a series of brandnames to market its comprehensive array of quality beauty and healthcare services, among which include "**Modern Beauty Salon"** for beauty and facial services, "**be Sanctuary Spa**" for spa and massage services, "**Slim Express**" for slimming services and "**Modern Fitness**" for fitness services. Great emphasis has been placed on enhancing the Group's brand recognition and upgrading its service quality. Our efforts have been timely repaid during the financial year 2005/06 with the service centre at Hopewell Centre being awarded the **ISO9001:2000 Quality Certification** by the British Standards Institution in the scope of the design and provision of facial and slimming services as well as the provision of spas and body massage services.

The Group has also developed beauty and skincare products under its own brandname "**be**". In order to increase the brand awareness of "**be**" products, we further extended the reach of our retail network from the Group's service centres to various renowned personal care chain stores during the year.

In 2006, we forged ahead to diversify our service selection and launch different brandnames to publicise our brandnew business lines. Riding on the rising popularity of beauty and facial services among male customers on the lookout for healthy and modern lifestyle, we aggressively expanded this particular service line under brandname "**be homme**" with skincare and other related treatments being offered at virtually every service centre in Hong Kong. We revamped and put on a new face for its image to promote brand visibility and awareness. Moreover, a new brand "**Moment of Serenity**" was also introduced during the year under review to provide foot massage services. We will continue to launch new services and products and add more brands to fortify our image as a comprehensive beauty and healthcare service provider in the market.

Network Expansion

The Group's service network continued to expand during the year to meet the ever-increasing demand from customers. Six new service centres were opened, which are situated at Tsimshatsui, Yuen Long, Tai Wai, Tuen Mun and Causeway Bay. This translated into an additional gross floor area totaling up to approximately 52,000 square feet for the Group. At the same time, we consolidated three of our service centres upon expiry of tenancy agreements during the year. Of which, two centres, which were located previously at AR3 of Hotel Miramar Shopping Arcade in Tsimshatsui and New York Life Tower in Causeway Bay, are now housed at 2B3 & 3B1-3 of Hotel Miramar Shopping Arcade and Paliburg Plaza in Causeway Bay respectively.

As at the end of March 2006, the Group operated a network of 17 service centres in Hong Kong, covering a total gross floor area of approximately 225,000 square feet. Our customer base increased from 131,000 customers as at 31 March 2005 to 154,000 as at 31 March 2006, representing an encouraging growth of 17.6%. Going side by side with our expanding service network is the increase in frontline beauty staff, with the number growing from 762 as at 31 March 2005 to 926 as at 31 March 2006.

In face of growing demand for professional beauty training, we as well expanded and relocated our **Beauty Expert International College** from Carnavon Road in Tsimshatsui to Paliburg Plaza in Causeway Bay, with the gross floor area posting a more than threefold increase to hit 5,400 square feet. The old site was refurbished to become a boutique service centre offering foot massage services to customers under the brandname of "**Moment of Serenity**".

Service Enhancement

With a view to further enhancing the Group's operational efficiency and customer service quality, we kicked off a service enhancement program in 2006. We extended the expiry period of all new prepaid packages from two years to three years with effect from 23 February 2006 to allow for additional flexibility for our customers.

In addition, we launched a special IVRS (interactive voice response system) customer service hotline and devoted a customer service team to handling customers' enquiries in a proactive way. We also put into service a new online booking system at the Modern Beauty website in

June this year, providing an extra channel for customers to pick and book their preferred services apart from via telephone, fax, e-mail and in person. The Group will do its level best to boost customer loyalty and satisfaction by continuously enhancing service quality and operational efficiency.

Image Upgrade

During the financial year of 2005/06, we exerted much effort to revamp Modern Beauty's corporate image. On top of launching the service enhancement program, we, upon going public in the market, revisited our website to incorporate the most updated corporate information and operational progress to enhance corporate transparency of the Group. We reached out to media as well as investor communities to heighten effective communication with the public.

As a good corporate citizen, Modern Beauty has made every endeavour to strengthen its commitment to the communities where it does business and has all along been playing an active role in education and caring for the needy. Over the years, we have promoted a caring culture and have collaborated with different institutions including the Labour Department of the Hong Kong SAR Government, the Hong Kong Federation of Youth Groups, the New Territories Association of Societies and the Queen Elizabeth Hospital to provide care and support for the less advantaged in form of job trainings in the beauty service arena.

Apart from community services, we have participated in charitable and fund-raising activities organized by Orbis, the Children's Cancer Foundation and the Community Chest of Hong Kong. In February 2006, Modern Beauty made an endowment of HK$1,000,000 to the Community Chest of Hong Kong upon its listing through the participation in the latter's "Stock Code Balloting for Charity Scheme".

Without doubt, we would move on to partake in different community programs in particular those with focuses on women and mental health topics going forward.

FINANCIAL REVIEW

Financial Performance

During the financial year ended 31 March 2006, the Group had a sound financial performance with a considerable growth in turnover, profit attributable to shareholders and net profit margin. For the year ended 31 March 2006, the Group recorded a total turnover of HK$498.3 million, representing an increase of 9.1% as compared to HK$456.9 million in 2005. The profit for the year attributable to shareholders amounted to HK$122.5 million (2005: HK$105.2 million), representing a significant growth of 16.5%. The Group's net profit margin also improved to 24.6% in 2006 from 23.0% in 2005. Basic earning per share for the year was HK21.68 cents as compared to HK19.48 cents in 2005.

Sales Mix

The performance of our major service lines and product sales during the year 2006 is summarized as follow:

Turnover	2006 *HK$ million*	2005 *HK$ million*
Beauty and facial	183.4	189.1
Spa and massage	109.5	88.3
Slimming	150.2	138.3
Fitness	35.0	20.5
Beauty product sales	20.2	20.7
Total	498.3	456.9

The increase in turnover of approximately HK$41.4 million during 2006 was mainly attributable to the boost in the sales of spa and massage services by HK$21.2 million as well as fitness service by HK$14.5 million, representing an increase of 24.0% and 70.7% respectively as compared to those sales in 2005. Such increase was due to the fact that more spa and fitness centres were opened during the year.

The Group also recorded a healthy growth in the sales of slimming services by 8.6%, increasing from HK$138.3 million in 2005 to HK$150.2 million in 2006 albeit the competitive environment in the slimming industry during the year. There was a mild decrease in the beauty and facial service sales by 3.0% as compared to that in the previous year; nevertheless, we will put more efforts to launch the "**be homme**" beauty services in the coming year to enhance our performance in this service line.

In terms of segment spread, the spa and massage services as well as fitness services represented 22.0% and 7.0% respectively of the Group's total turnover for 2006, which were increased from 19.3% and 4.5% in 2005 respectively. The portion of beauty and facial services reduced from 41.4% in 2005 to 36.8% in 2006. There was no material change in the proportion of slimming services and beauty products sales during the year.

Deferred Revenue

The following table illustrates the movement of deferred revenue during the year ended 31 March 2006:

	2006 *HK$ million*	2005 *HK$ million*
As at 1 April	549.9	520.2
Receipts during the year	454.6	465.9
Sales upon provision of beauty and healthcare services	(427.9)	(377.8)
Sales upon expiring of prepaid beauty packages	(50.2)	(58.4)
As at 31 March	526.4	549.9

The sales upon provision of beauty and healthcare services increased considerably by 13.3% to HK$427.9 million in 2006, comparing to HK$377.8 million in 2005. Such increase was mainly due to the expansion of the Group's service capacity as a result of the increase in the total gross floor area of its service network from 210,000 square feet as at 31 March 2005 to 225,000 square feet as at 31 March 2006. With the Group's greater emphasis on service quality which encouraged more customers' consumption, the sales upon expiring of prepaid beauty packages reduced significantly by 14.0% to HK$50.2 million in 2006 as compared to HK$58.4 million in 2005, representing 10.1% of the Group's total turnover for 2006. The receipts during the year also dropped slightly by 2.4% to HK454.6 million.

Liquidity, Financial Resources and Capital Structure

The total equity of the Company as at 31 March 2006 was HK$285.3 million. The Group generally finances its operation with internal generated cash flows. The Group had cash and cash equivalents of approximately HK$565.7 million as at 31 March 2006 (2005: HK$314.3 million), which were mainly placed as short-term bank deposits, with no external bank borrowing. As at 31 March 2006, the Group had net current assets of approximately HK$121.7 million (2005: net current liabilities HK$3.6 million).

Capital Expenditure

The total capital expenditure incurred by the Group during the year ended 31 March 2006 amounted to HK$48.6 million, which were mainly used in purchase of two properties occupied as service centre and warehouse, leasehold improvements, equipment and machinery in connection with the expansion of its service network in Hong Kong.

Charges on Assets

As at 31 March 2006, the Group had pledged bank deposits of HK$52.3 million (2005: HK$51.5 million) in favour of certain banks to secure banking facilities granted to certain subsidiaries in the Group.

Contingent Liabilities

The Board considered no material contingent liabilities as at 31 March 2006. The Group had capital commitment of approximately HK$3.0 million as at 31 March 2006 (2005: HK$1.5 million) in respect of the acquisition of property, plant and equipment.

Exchange Risk Exposure

The Group's sales and purchases were mainly denominated in Hong Kong Dollars. The financial assets and certain level of the Group's cash and cash equivalents are denominated in United States Dollars. In view of the relative stability of the exchange rate between Hong Kong Dollars and United States Dollars, the Group does not foresee significant risk in exchange rate fluctuations and no financial instruments have been used for hedging purposes. However, the Group will closely monitor the exposure and, when considered appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

Significant Acquisition

Save and except for the Reorganization, there was no significant acquisition by the Group during 2006.

Treasury Policies

The Group adopts a prudent approach in the treasury and investment activities. The Group's surplus funds are mainly held under fixed and saving deposits in renowned banks as well as principal protected investments to increase returns on the surplus funds. As at 31 March 2006, the financial assets of the Group amounted to HK$68.0 million, representing approximately 10.7% of the surplus funds.

Employees and Remuneration Policies

The Group employed a total work force of 1,173 employees as at 31 March 2006 (2005: 890 employees). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of the individual. The Group has been constantly reviewing staff remuneration incentive to ensure it is competitive with relevant industries.

Proceeds from Initial Public Offering

The net proceeds from the Company's initial public offering in February 2006 were approximately HK$161.6 million, after deduction of related listing expenses. During the year ended 31 March 2006, these usage of proceeds were in accordance with the future plans and prospects set out in the Company's prospectus dated 27 January 2006 and within the limit of the net proceeds.

OUTLOOK AND PROSPECTS

Looking ahead, Modern Beauty has every confidence of capturing the immense opportunities that come to light in the Hong Kong market to the full. There is also no let-up in our drive to extend our feelers to Mainland China either via opening of direct-managed centres or joint venture partnership with local partners.

Expansion Plans

Expanding service network in Hong Kong

Looking forward, we will spare no effort to strengthen our presence in Hong Kong by continuing with our service network roll-out plan. We plan to open seven more service centres with additional gross floor area of approximately 70,000 square feet to deepen our market penetration in the coming year, leading to a total of 24 service centres in Hong Kong by the end of the financial year 2007. As over half of our customers are residing in newly-developed residential districts, we will further expand our service network into districts including Tseung Kwan O, Shatin, Aberdeen and Happy Valley to allow for added convenience and flexibility for our customers. Such a strategic move would as well help attract new customers and broaden our customer base.

Capitalizing on the growth momentum of men's beauty services market, we will add more men's beauty salons to our service network and bring in skincare products specially designed for this customer segment. To heighten the brand visibility of "**be homme**" in the market, we will place additional effort on marketing and advertising campaigns by launching a series of advertising activities at mass media channels and engaging celebrities with healthy images as our spokespersons.

Establishing beachheads in Mainland China

The Group is on track to set up its service centres in Mainland China. In the financial year 2006/07, we will, in the first place, focus on first-tier cities including Beijing, Shanghai, Guangzhou and Shenzhen. Targeting to open 20 spa and beauty centres via the setting up of self-owned-and-managed centres as well as joint venture partnership with domestic partners in Mainland China over the next two years, we will also build on our "**be Sanctuary Spa**" platform to introduce and promote "**be**" products on the Mainland.

We have kicked start the establishment of a service centre in Guangzhou with gross floor area of approximately 7,000 square feet. In addition, several partnership projects are under negotiation with the formation of the Shanghai joint venture being in progress, subject to relevant authorities' approval.

Moving forward, we will market our services in the China market through multiple channels including advertising campaigns and beauty seminars to establish a strong brand presence. We also plan to engage spokespersons with healthy images to help promote Modern Beauty's products and services to a broader customer base.

Modern Beauty is committed to becoming one of the leading and premier beauty and healthcare services providers in China and even the region. Leveraging on our competitive strengths, we are confident of establishing a strong foothold in both first and second-tier cities and achieving a nationwide coverage in the long run.

Sustaining Service Enhancement Program

We will continue to implement our service enhancement program with new series of initiatives to meet customers' mounting expectation for quality and professional beauty and healthcare services. We have established a special IVRS customer service hotline and strengthened our dedicated customer service team to promptly handle customers' enquiries. Furthermore, a new online booking system has been launched through the platform of Modern Beauty's revamped website in June this year, providing an additional channel for customers to make their bookings apart from via telephone, fax, e-mail and in person.

We will proactively enhance our customer services by constantly upgrading our service quality and operational systems with a view to providing added value to our customers. We see no pause in continuing on our path of further growth and delivering our services and products that fulfill and even exceed customers' expectations.

DIVIDEND

No interim dividend was paid for the year ended 31 March 2006. The Board proposes at the forthcoming annual general meeting (the "Annual General Meeting") the payment of a final dividend of HK13.8 cents per share to shareholders on the register of shareholders of the Company on 15 August 2006, making a total dividend of HK13.8 cents per share for the whole year. If approved at the forthcoming Annual General Meeting, the proposed final dividend will be paid on or around 25 August 2006.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 15 August 2006.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 March 2006, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold, any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

The register of shareholders of the Company will be closed from Wednesday, 9 August 2006 to Tuesday, 15 August 2006, both dates inclusive, during which period no transfer will be effected. In order to qualify for the proposed final dividend and the entitlement to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 8 August 2006.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to establishing and maintaining high standards of corporate governance.

The Board is in the opinion that the Company has complied with the code provision as set out in the Code on Corporate Governance Practice (the "Code") under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since 9 February 2006 (date of listing of the Company), except for the following deviations:

Code Provision A.2.1. stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Tsang Yue, Joyce is currently the Chairperson and Chief Executive Officer of the Company.

After reviewing the management structure, the Board is of the opinion that Board decisions are collective decisions of all Directors made by way of voting and not decisions of the Chairperson of the Board alone. Further, there is a clear division of responsibilities between the management of the Board and the day-to-day management of the business of the Company, which relies on the support of the senior management.

As such, the power of management of the Company is not concentrated in any one individual. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 20 January 2006 with written terms of reference in compliance with the Code to review and supervise the financial reporting process and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors of the Company. The final results of the Group for the year ended 31 March 2006 has been reviewed by the Audit Committee.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkex.com.hk. The Annual Report and the Notice of Annual General Meeting will be despatched to the Shareholders on or about 20 July 2006 and will be available at the Stock Exchange's website at the same time.

By order of the Board
Modern Beauty Salon Holdings Limited
Tsang Yue, Joyce
Chairperson

Hong Kong, 6 July 2006

As at the date of this announcement, the Board of Directors of the Company consists of five executive Directors, Ms. Tsang Yue, Joyce, Mr. Lee Soo Ghee, Ms. Yuen Siu Ping, Mr. Hung Fan Kwan and Mr. Yip Kai Wing and three independent non-executive Directors, Mr. Wong See Hong, Mr. Yu How Yuen and Mr. Cheng Kai Tai, Allen.

Please also refer to the published version of this announcement in The Standard.