現代美容控股有限公司

MODERN BEAUTY SALON HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

FINANCIAL HIGHTLIGHTS

— Turnover: HK$291.7 million, up 29.2% (2005: HK$225.8 million)

— Profit for the period attributable to the Company's shareholders: HK$83.9 million, up 71.0% (2005: HK$49.1 million)

— Basic earnings per share: HK11.66 cents (2005: HK9.09 cents)

— Interim dividend (per share): HK7.0 cents (2005: n/a)

— Special dividend (per share): HK1.0 cent (2005: n/a)

UNAUDITED INTERIM RESULTS

The board of directors (the "Board" or the "Directors") of Modern Beauty Salon Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2006.

The interim results have been reviewed with no disagreement by the Company's Audit Committee and auditors, PricewaterhouseCoopers, in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. The auditors' independent review report will be included in the condensed consolidated interim financial information to the Company's shareholders.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited Six months ended 30 September	
		2006	**2005**
	Note	*HK$'000*	*HK$'000*
Turnover	3	291,696	225,849
Other gains - net	4	16,331	10,215
Cost of inventories sold		(10,761)	(6,864)
Staff costs		(112,942)	(85,622)
Depreciation and amortisation		(11,900)	(11,231)
Occupancy costs		(22,657)	(21,572)
Other operating expenses		(50,542)	(51,808)
Profit before taxation	5	99,225	58,967
Taxation	6	(15,302)	(9,881)
Profit for the period attributable to the Company's shareholders		83,923	49,086
Dividends	7	57,741	118,000
Earnings per share (HK cents)			
- Basic	8	11.66	9.09
- Diluted	8	11.63	N/A

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		Unaudited 30 September 2006	Audited 31 March 2006
	Note	*HK$'000*	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		68,949	55,774
Leasehold land prepayments		26,993	27,325
Financial assets at fair value through profit or loss		—	67,979
Trade and other receivables, deposits and prepayments	9	10,620	9,707
Deferred tax assets		2,854	2,854
		109,416	163,639
Current assets			
Inventories		8,365	6,689
Trade and other receivables, deposits and prepayments	9	79,233	56,550
Taxation recoverable		4,692	4,638
Pledged bank deposits		10,582	52,286
Cash and cash equivalents		609,026	565,655
		711,898	685,818
Total assets		821,314	849,457
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		72,024	72,000
Share premium and reserves		198,787	213,272
Total equity		270,811	285,272

	Note	Unaudited 30 September 2006 HK$'000	Audited 31 March 2006 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		50	50
Current liabilities			
Trade and other payables, deposits received and accrued expenses	10	39,381	29,535
Deferred revenue		487,529	526,412
Taxation payable		23,543	8,188
		550,453	564,135
Total liabilities		550,503	564,185
Total equity and liabilities		821,314	849,457
Net current assets		161,445	121,683
Total assets less current liabilities		270,861	285,322

Note:

1 **Basis of preparation**

This unaudited condensed consolidated interim financial information for the half year ended 30 September 2006 has been prepared in accordance with Hong Kong Accounting Standard (''HKAS'') 34 ''Interim Financial Reporting'' and other relevant Hong Kong Financial Reporting Standards (''HKFRS'') issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'') as well as the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules'').

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2006.

2 **Accounting policies**

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2006. The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 March 2007.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above new/revised HKFRSs, HKASs and interpretations has no material impact on the Group's results.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ending 31 March 2007 and have not been early adopted. The adoption of such Standards or Interpretations will not result in substantial changes to the Group's accounting policies.

HK(IFRIC)-Int 8	Scope of HKFRS 2, effective for annual periods beginning on or after 1 May 2006
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives, effective for annual periods beginning on or after 1 June 2006
HK(IFRIC)-Int10	Interim Financial Reporting and Impairment, effective for annual periods beginning or after 1 November 2006
HKFRS 7	Financial instruments: Disclosures, effective for annual periods beginning on or after 1 January 2007
HKAS 1	Amendments to capital disclosures, effective for annual periods beginning on or after 1 January 2007

3 **Segment information**

The Group operated two main business segments during the period:

(a) Provision of beauty and healthcare services; and

(b) Sales of skincare products and equipment.

Turnover consists of sales of beauty and healthcare services and sales of skincare products and equipment.

No analysis of the Group's segment information by geographical segments is presented as the Group solely transacts businesses in Hong Kong. The inter-segment sales were transacted at cost.

	Unaudited Six months ended 30 September	
	2006	**2005**
	HK$'000	*HK$'000*
Turnover:		
Sales of beauty and healthcare services	262,075	190,781
Sales recognised upon expiry of prepaid beauty packages	20,768	21,978

	Unaudited Six months ended 30 September 2006 *HK$'000*	2005 *HK$'000*
Total gross sales of beauty and healthcare services	282,843	212,759
Total gross sales of sales of skincare products and equipment	16,150	17,185
Inter-segment sales	(7,297)	(4,095)
	8,853	13,090
Total	291,696	225,849
Segment results:		
Beauty and healthcare services	118,549	71,641
Skincare products and equipment	5,562	9,352
	124,111	80,993
Other gains - net	16,331	10,215
Unallocated costs	(41,217)	(32,241)
Profit before taxation	99,225	58,967
Taxation	(15,302)	(9,881)
Profit for the period	83,923	49,086

	Unaudited 30 September 2006 *HK$'000*	**Audited 31 March 2006** *HK$'000*
Segment assets:		
Beauty and healthcare services	626,056	586,792
Skincare products and equipment	7,447	6,946
	633,503	593,738
Unallocated assets	187,811	255,719
Total assets	821,314	849,457

	Unaudited 30 September 2006 *HK$'000*	Audited 31 March 2006 *HK$'000*
Segment liabilities:		
Beauty and healthcare services	(520,591)	(554,342)
Skincare products and equipment	(6,317)	(1,605)
	(526,908)	(555,947)
Unallocated liabilities	(23,595)	(8,238)
Total liabilities	(550,503)	(564,185)

	Unaudited Six months ended 30 September	
	2006 *HK$'000*	2005 *HK$'000*
Other information:		
Capital expenditure		
Beauty and healthcare services	24,743	27,415
Unallocated	—	2,283
	24,743	29,698
Depreciation and amortisation		
Beauty and healthcare services	11,615	10,960
Skincare products and equipment	58	58
Unallocated	227	213
	11,900	11,231

4 **Other gains - net**

	Unaudited Six months ended 30 September	
	2006	**2005**
	HK$'000	*HK$'000*
Financial assets at fair value through profit or loss:		
- fair value losses	—	(217)
- fair value gains	1,264	4,071
Interest income	11,789	5,163
Dividend income	—	167
Investment income	13,053	9,184
Gross rental income	198	293
Other income	3,080	738
	16,331	10,215

5 **Profit before taxation**

The following items have been included in arriving at profit before taxation:

	Unaudited Six months ended 30 September	
	2006	**2005**
	HK$'000	*HK$'000*
Auditors' remuneration		
- current period	1,000	700
(Gain)/loss on disposal of property, plant and equipment	(2,500)	46

6 **Taxation**

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

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

	Unaudited Six months ended 30 September	
	2006	**2005**
	HK$'000	*HK$'000*
Current income taxation:		
- Hong Kong profits tax	15,302	9,416
- under provision in prior years	—	11
	15,302	9,427
Deferred taxation	—	454
	15,302	9,881

7 **Dividends**

	Unaudited Six months ended 30 September	
	2006	**2005**
	HK$'000	*HK$'000*
Dividends paid by subsidiaries to their then shareholders (note a)	—	118,000
Proposed interim dividend of HK7.0 cents per ordinary share (note b)	50,523	—
Proposed special dividend of HK1.0 cent per ordinary share (note c)	7,218	—
	57,741	118,000

Note:

(a) Dividends totaling HK$118,000,000 were declared and paid by the Company's subsidiaries to their then shareholders as part of a group reorganisation exercise in preparation for the listing of the shares of the Company on the Stock Exchange of Hong Kong Limited.

(b) An interim dividend of HK7.0 cents per share, amounting to total dividend of HK$50,523,200 was approved on 13 December 2006. This condensed consolidated interim financial information does not reflect this dividend payable.

(c) A special dividend of HK1.0 cent per share, amounting to total dividend of HK$7,217,600 was approved on 13 December 2006. This condensed consolidated interim financial information does not reflect this dividend payable.

8 **Earnings per share**

The calculation of basic and diluted earnings per share is based on the Group's net profit attributable to shareholders of the Company during the period of HK$83,923,000 (2005: HK$ 49,086,000).

The calculation of basic earnings per share is based on the weighted average of 720,033,443 (2005: 540,000,000) shares in issue during the period.

The calculation of diluted earnings per share is based on the weighted average of 720,033,443 (2005: 540,000,000) shares in issue during the period plus the weighted average of 1,594,742 shares deemed to be issued if all outstanding share options granted under the Pre-IPO share option scheme of the Company had been exercised.

No diluted earnings per share has been presented for the period ended 30 September 2005 as the Company has no dilutive potential shares.

9 **Trade and other receivables, deposits and prepayments**

	Unaudited 30 September 2006 *HK$'000*	**Audited 31 March 2006** *HK$'000*
Non-current assets		
Rental and other deposits	10,620	9,707
Current assets		
Trade receivables	45,274	28,140
Rental and other deposits, prepayments and other receivables	33,959	28,410
	79,233	56,550
	89,853	66,257

The fair values of trade and other receivables, deposits and prepayments approximate their carrying amounts.

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

	Unaudited 30 September 2006 *HK$'000*	**Audited 31 March 2006** *HK$'000*
0 - 30 days	24,926	11,730
31 - 60 days	15,337	14,776
61 - 90 days	5,011	1,634
	45,274	28,140

10 **Trade and other payables, deposits received and accrued expenses**

	Unaudited 30 September 2006 *HK$'000*	Audited 31 March 2006 *HK$'000*
Trade payables	2,334	351
Other payables, deposits received and accrued expenses	37,047	29,184
	39,381	29,535

The fair values of trade and other payables, deposits received and accrued expenses approximate their carrying amounts.

Trade payables as at the balance sheets dates are aged within 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Hong Kong network expansion

The Group had made good progress in expanding its service network in the newly developed and highly-populated residential districts in Hong Kong during the six months ended 30 September 2006. We opened five new service centres at Tseung Kwan O, Sha Tin, Aberdeen, Happy Valley and Mongkok, expanding our service network to 22 service centres with average total gross floor area of approximately 245,000 square feet as of 30 September 2006. At the same time, we relocated our service centre at Admiralty Centre in Admiralty upon expiry of the tenancy agreement to Far East Financial Centre in the same district during the period.

To capture the growing demand for men's beauty services, the Group revamped four existing service centres to set up exclusive areas for serving male customers during the period. The Group has also established a new brand "**Hey Man**" to promote our men's salon services along with our existing "**be homme**" brand for men's skincare products.

The Group continued to record satisfactory growth in its customer base which reached 166,000 customers as of 30 September 2006, representing an increase of 16.9% compared to 142,000 customers as of 30 September 2005. With the launch of our men's salon services, the Group has registered approximately 6,300 male customers as of 30 September 2006.

Progress in China development

We have commenced the China expansion plan during the first half of the financial year 2006/07. Renovation of our Guangzhou service centre has been completed and operation will commence pending the final approval of the business license from relevant government authority. The Group has engaged a team of local frontline beauty staff who are being trained by our beauty instructors seconded from our Hong Kong service centres. In addition, the Group has rented two locations in Beijing and one location in Shanghai for the beauty service centre operations. Applications of the respective licenses are underway.

Service enhancement

With the introduction of our service enhancement program in early 2006, the Group has reinforced the customer service team and launched the online real-time booking system at the Modern Beauty website since June 2006. Our efforts were well received by our customers. Currently. Over 6,700 customers have registered to use the online booking system and approximately 7% of the customers' bookings are made via the online booking system. There is an increasing trend of our customers using this booking channel. Additional booking channels backed by our customer service team will facilitate and encourage customers' booking and utilisation of our services as well as enhancing the efficiency of the Group's operations. To further enhance the professional knowledge of our staff, the Company opened a new training centre during the period under review. The Company's two training centres offer continuous professional training programs to both our staff and the public.

Corporate image

The Group has placed much effort to enhance the corporate transparency and maintain continued communications with both the investing community and the media since our listing in February 2006. During the period under review, we have incorporated the most updated corporate information and operational progress on our website and we have also conducted regular communications with investors and the public through active participation in meetings, telephone conferences and road shows in Hong Kong, Mainland China and Singapore. Our efforts has gained recognition and the Group is highly commended for the "**Best Investor Relations for an IPO in the Hong Kong market**" in 2006 by the prestigious IR Magazine, a globally recognised investor relations magazine.

The Group continues to take part in different social and community services. In August 2006, we have donated HK$200,000 to CSDCU Education Fund for the reconstruction of a school in Mainland China. In addition, we have collaborated with Joyful (Mental Health) Foundation to organise a series of charitable and fund-raising activities including the large-scale yoga exercise led by our spokesperson Ms. Choi Siu Fan Ada in a shopping plaza in Tsuen Wan, Hong Kong in November 2006.

FINANCIAL REVIEW

During the first half of the financial year 2006/07, the Group had a sound financial performance with a considerable growth in turnover, profit attributable to shareholders and net profit margin.

Turnover

The Group's total turnover increased to HK$291.7 million for the six months ended 30 September 2006, representing a considerable growth of 29.2% as compared to HK$225.8

million for the same period last year. The increase in turnover of approximately HK$65.8 million was attributable to the expansion of the Group's service network with the average total gross floor area increased from approximately 215,000 square feet as at 30 September 2005 to 245,000 square feet as at 30 September 2006 as well as the surge in spending of the spa and massage service customers.

Segment Performance

The performance of our major service lines and product sales for the six months ended 30 September 2006 is summarised as follows:

	Six months ended 30 September				
	2006		**2005**		
	(unaudited)		*(unaudited)*		
	HK$'000	*% to turnover*	*HK$'000*	*% to turnover*	*Change*
Sales Mix					
Beauty and facial	113,171	38.8%	86,283	38.2%	+31.2%
Spa and massage	74,979	25.7%	46,708	20.7%	+60.5%
Slimming	84,258	28.9%	67,587	29.9%	+24.7%
Fitness	10,435	3.6%	12,180	5.4%	-14.3%
Sales of skincare product and equipment	8,853	3.0%	13,091	5.8%	-32.4%
Total turnover	291,696	100%	225,849	100%	+29.2%

The increase in turnover of approximately HK$65.8 million or 29.2% during the six months ended 30 September 2006 was mainly attributable to the boost in the sales of spa and massage services by HK$28.3 million to HK$75.0 million, representing a considerable growth of 60.5% as compared to HK$46.7 million recorded for the same period last year. Such increase was resulted from the stronger demands for spa and massage services together with the Group's greater efforts placed in promoting these services. The growth in turnover for the period was also contributed by the increase in sales of beauty & facial and slimming services by HK$26.9 million or 31.2% and HK$16.7 million or 24.7% respectively.

The Group ceased selling skincare products and equipment to a related company in Singapore following its listing in February 2006 which led to the decrease in the sales of skincare products and equipment by HK$4.2 million or 32.4% to HK$8.9 million during the first half of the financial year 2006/07. Excluding the related company sales to Singapore of HK$8.1 million for the first half last year, there was a considerable growth in sales of skincare products in Hong Kong by 78.4% to HK$8.9 million during the six months ended 30 September 2006 as compared to HK$5.0 million for the same period last year, resulting from the expansion of the Group's retail sales network to various renowned personal care chain stores.

Net Profit and Margin

By the considerable growth in turnover together with a good control on operating expenses, the Group's net profit attributable to shareholders for the six months ended 30 September 2006 reached HK$83.9 million, posting a remarkable increase of 71.0% as compared to HK$49.1 million for the same period last year. The Group's net profit margin also improved to 28.8% for the first half of 2006/07. Basic earnings per share was HK11.66 cents as compared to HK9.09 cents for the same period last year.

Deferred Revenue

The movement of deferred revenue during the six months ended 30 September 2006 is summarised below:

	As at 30 September 2006 (Unaudited) *HK$'000*	As at 31 March 2006 (Audited) *HK$'000*
Beginning of the period/year	526,412	549,932
Receipts during the period/year	243,960	454,555
Sales of beauty and healthcare services	(262,075)	(427,918)
Sales recognised upon expiring prepaid beauty packages	(20,768)	(50,157)
End of the period/year	487,529	526,412

With the expansion of the Group's service network as well as continuous upgrading of service quality backed by additional booking channels, the customers' consumption has been increasing at a greater pace than the increase in sales of new prepaid beauty packages during the first half of the financial year 2006/07. This resulted in the deferred revenue as at 30 September 2006 decreased by 7.4% to HK$487.5 million as compared to the balance of HK$526.4 million as at 31 March 2006.

Liquidity, Financial Resources and Capital Structure

The total equity of the Company as at 30 September 2006 was HK$270.8 million. The Group generally finances its operation with internal generated cash flows. The Group had cash and cash equivalents of approximately HK$609.0 million as at 30 September 2006 (31 March 2006: HK$565.7 million), which were mainly placed as short-term bank deposits, with no external bank borrowing. As at 30 September 2006, the Group had net current assets of approximately HK$161.4 million (31 March 2006: HK$121.7 million).

Capital Expenditure

The total capital expenditure incurred by the Group during the six months ended 30 September 2006 amounted to HK$24.7 million, which were mainly used in the acquisition of leasehold improvements, equipment and machinery in connection with the expansion of its service network in Hong Kong.

Contingent Liabilities and Capital Commitment

The Board considered no material contingent liabilities as at 30 September 2006. The Group had capital commitment of approximately HK$8.5 million as at 30 September 2006 (31 March 2006: HK$3.0 million) in respect of the acquisition of property, plant and equipment.

Charges on Assets

As at 30 September 2006, the Group had pledged bank deposits of HK$10.6 million (31 March 2006: HK$52.3 million) in favour of certain banks to secure banking facilities granted to certain subsidiaries in the Group.

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

There was no significant acquisition by the Group during the first half of the financial year 2006/07.

Treasury Policies

The Group adopts a prudent approach in the treasury policy. The Group's surplus funds are held under fixed and saving deposits in renowned banks. The financial assets of the Group amounted to HK$68.0 million as at 31 March 2006 have been disposed of during the first half of the financial year 2006/07 with a net gain of HK$1.3 million. All the cash proceeds are then placed as bank deposits.

Human Resources

The Group had a total work force of 1,233 staff as at 30 September 2006 (31 March 2006: 1,173 staffs). Total staff costs including directors' emoluments for the period under review amounted to HK$112.9 million. 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 within the industry. For the purpose of motivating our staff, performance bonus and share options are offered to qualified employees. The Group also places great emphasis on staff training and development with professional training program continuously provided to its frontline beauty staff.

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 six months ended 30 September 2006, these usage of proceeds were in accordance with the future plans and prospects set out in the Company's listing prospectus dated 27 January 2006 and within the limit of the net proceed.

OUTLOOK

The Group is optimistic that the positive outlook of the local economy and rising affluence in China will continue to drive demands for services in the beauty and healthcare services sector in both Hong Kong and the Mainland China. The Company is ready to capitalise on this growth trend to further expand its network and strengthen its leadership position.

Expanding service network in Hong Kong

Going forward, network expansion will continue to be the key to our business growth to capture the rising demands for beauty and healthcare services in Hong Kong. We will strategically identify new beauty service centre locations to maximise our network coverage. We are on track to achieve our target to open nine centres in Hong Kong within the financial year 2006/07 to offer an additional total floor area of 70,000 square feet. Five centres commenced operations within the first half of the year while another three were opened in November 2006. Another centre is currently under renovation. The Group's service network will reach a total of 26 centres by the end of the financial year 2006/07. Through our expansion strategy, we will be able to deepen our market penetration and broaden the customer base.

Launching deluxe spa services — "YUE SPA"

With more people pursuing spa and massage services of superior quality, the Group will launch a brandnew "**YUE SPA**" service centre in the second half of the financial year 2006/07. This new line of service targets top-tier customers who demand for an ultimate spa experience in a tranquil and exclusive environment. The Group has planned a comprehensive advertising and promotion campaign to create the "**YUE SPA**" brand awareness. The Group believes that the strategy of having "**YUE SPA**" and the widely recognised "**be Sanctuary Spa**" to cater for specific customer needs will further drive business across different customer segments.

Strengthening men's salon services

The Group is of the view that the market for men's salon services is thriving and the Group is an early mover to target this segment of business. Efforts will be made to further promote the newly introduced "**Hey Man**" salon services as well as the existing "**be homme**" men's skincare products. We will add more men's salon services to our expanding service network in Hong Kong to encourage male customers' consumption.

Establishing our foothold in Mainland China

In the second half of the financial year 2006/07, we will focus our efforts in setting up our own service centres in Beijing, Shanghai and Guangzhou. With the completion of the renovation in our Guangzhou service centre, we are prepared to commence business as soon as the final approval of the business license is obtained. We will also start renovating our service centres recently leased in Beijing and Shanghai in the coming month while applying for the business license with the relevant government authority.

Looking ahead, we target to open 20 spa and beauty centres in Mainland China over the next two years. Modern Beauty is committed to becoming one of the leading and premier beauty and healthcare services providers in the region. Leveraging 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.

Continuous Service Enhancement

We will continue to implement our service enhancement program with a series of new initiatives to meet customers' rising expectation for quality and professional beauty and healthcare services. With our stronger customer service team and additional channels to collect customers' valuable feedback, we will seek every opportunity to enhance our service quality and operations meeting different customer's needs.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board has declared to pay the interim dividend and special dividend of HK7.0 cents and HK1.0 cent per share respectively, totaling approximately HK$57.7 million which represented a payout ratio of 69% of the Group's net profit for the six months ended 30 September 2006. The total interim and special dividends of HK8.0 cents per share will be payable on around 31 January 2007 to the shareholders whose names appear on the Register of Members of the Company on 19 January 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 17 January 2007 to Friday, 19 January 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim and special dividends, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong , Tricor Investor Services Limited at Level 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 16 January 2007.

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

During the six months ended 30 September 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.

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 provisions 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") throughout the six months ended 30 September 2006, 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. Save for the above, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2006, in compliance with the Code.

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 interim results for the six months ended 30 September 2006 has been reviewed by the Audit Committee.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkex.com.hk. The Interim Report will be despatched to the Shareholders on or about 22 December 2006 and will be available on the website of the Company (at www.modernbeautysalon.com) and the Stock Exchange in due course.

On behalf of the Board, I would like to extend my thanks and appreciation to all our staff for their commitment and diligent work and to our customers and Shareholders for their continuous support.

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

Hong Kong, 13 December 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.