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

(HKSE Stock Code 香港聯交所上市編號：919)

Annual Report 2009/10
2009/10 年報

Our Mission

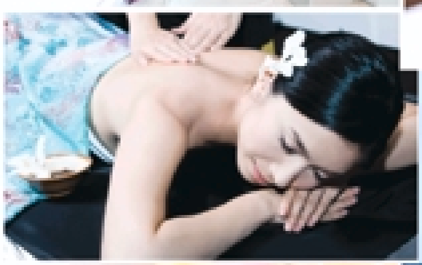
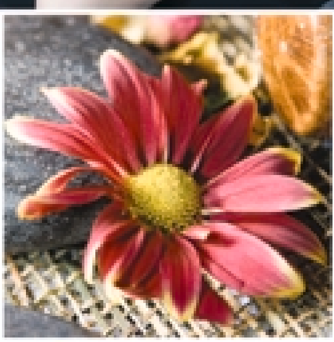
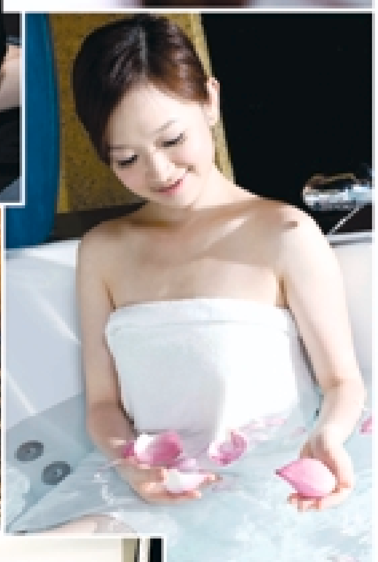
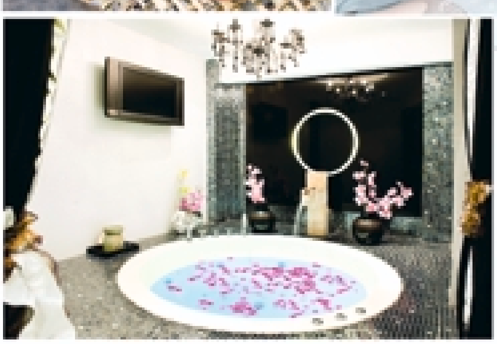
At Modern Beauty, we strive to deliver beauty and wellness services to the highest standards at all times, strengthen our presence in Hong Kong and further extend our reach to Mainland China to enhance corporate value for our shareholders.

Our Shareholders: We aim to optimise every opportunity to expedite our business development in the China beauty service market with a view to maximise return and create long-term value to our shareholders.

Our Customers: We strive to offer comprehensive beauty and wellness services of the highest quality at all times to provide ample choices and deliver the best value to our customers.

Our People: We place great emphasis on team work and continuously offer staff training and development program so as to provide a prosperous future for our people.



Contents


Spa
Be Charming & Impressive

Corporate Profile

Modern Beauty Salon Holdings Limited (the "Company") and its subsidiaries (the "Group" or "Modern Beauty") is a leading beauty salon group in Hong Kong offering a comprehensive range of beauty and wellness services to mid- and high-income customer groups who pursue quality living. The Group offers one-stop services ranging from beauty and facial, spa and massage, slimming and fitness to beauty products sales. Modern Beauty adopts a multi-brand strategy to capture different customer segments. The Group has own-label "be" products which are available in the Hong Kong market via self-owned "be Beauty Shop" and "FERRECARE" concept store which offers more customer-oriented services and products. As at 31 March 2010, the Group had 32 service centres, 13 "be Beauty Shop" and one "FERRECARE" concept store in Hong Kong.

The Company's goal is to become the best beauty and wellness service provider in Mainland China, a market it entered in 2006. As at 31 March 2010, the Group has 10 service centres in Mainland China, with four in Beijing, three in Shanghai and three in Guangzhou.

The total weighted average gross floor area covered by the 42 service centres in Hong Kong and Mainland China reached approximately 356,000 square feet, serving 289,000 customers.

Corporate Information

BOARD OF DIRECTORS

Ms. Tsang Yue, Joyce *(Chairperson)**
Mr. Lee Soo Ghee
Mr. Yip Kai Wing
Mr. Tung Kwok Lui
Mr. Wong Shu Pui
Mr. Kwong Chi Ching
Ms. Liu Mei Ling, Rhoda
(Independent Non-executive Director)
Mr. Wong Man Hin, Raymond
(Independent Non-executive Director)
Mr. Hong Po Kui, Martin
(Independent Non-executive Director)

AUTHORISED REPRESENTATIVES

Mr. Tung Kwok Lui
Mr. Yip Kai Wing

COMPANY SECRETARY

Mr. Tung Kwok Lui

MEMBERS OF AUDIT COMMITTEE

Ms. Liu Mei Ling, Rhoda *(Chairperson)*
Mr. Wong Man Hin, Raymond
Mr. Hong Po Kui, Martin

MEMBERS OF NOMINATION COMMITTEE

Ms. Tsang Yue, Joyce *(Chairperson)**
Mr. Wong Man Hin, Raymond
Mr. Hong Po Kui, Martin
Ms. Liu Mei Ling, Rhoda

MEMBERS OF REMUNERATION COMMITTEE

Ms. Tsang Yue, Joyce *(Chairperson)**
Mr. Wong Man Hin, Raymond
Mr. Hong Po Kui, Martin
Ms. Liu Mei Ling, Rhoda

REGISTERED OFFICE

M&C Corporate Services Limited
PO Box 309 GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

* *Re-appointed on 16 April 2010*

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6th Floor
Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay
Kowloon
Hong Kong

AUDITOR

RSM Nelson Wheeler
Certified Public Accountants
29th Floor, Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

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

Standard Chartered Bank (Hong Kong) Limited
4-4A Des Voeux Road Central
Hong Kong

STOCK CODE

919

INVESTORS RELATION

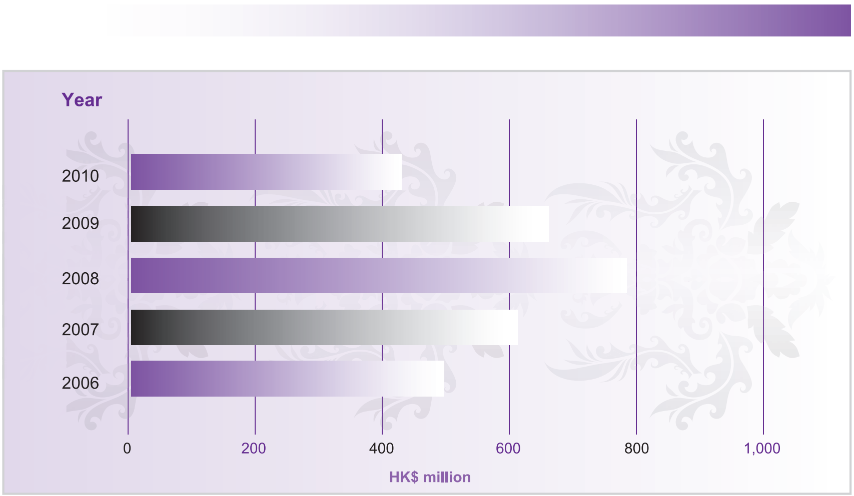
Email address:
ir@modernbeautysalon.com

WEBSITE

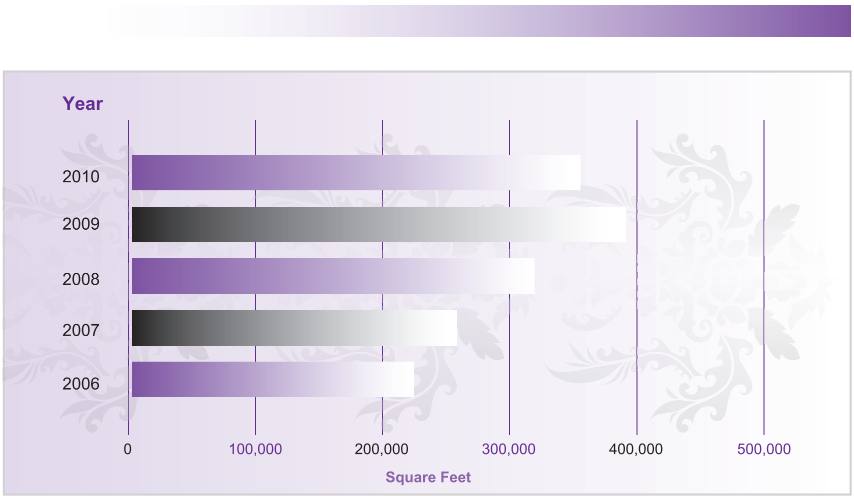
www.modernbeautysalon.com

Financial and Operation Highlights

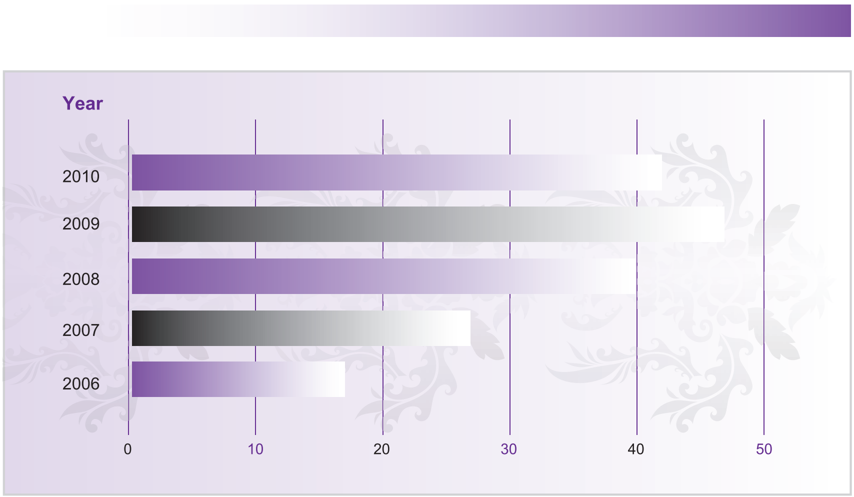
TURNOVER



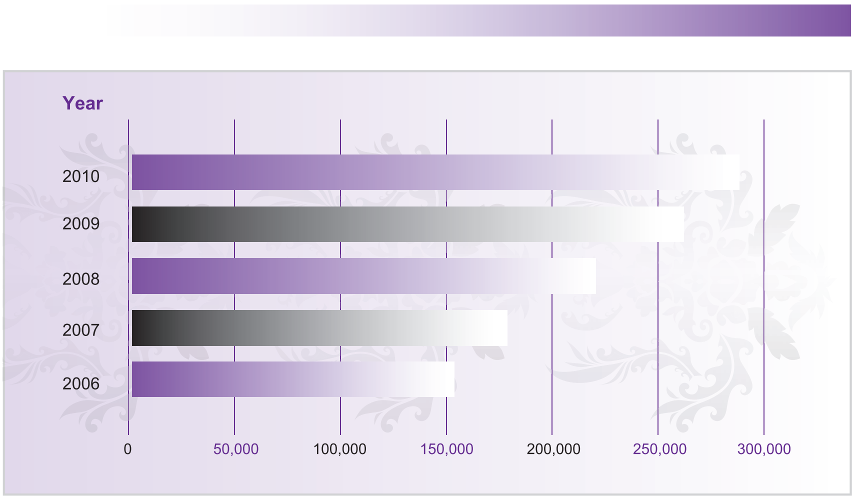
TOTAL WEIGHTED AVERAGE GROSS FLOOR AREA



NUMBER OF SERVICE CENTRES



NUMBER OF CUSTOMERS



Slimming

Be Confident & Refreshing

Business Profile

The Group offers a comprehensive array of beauty and wellness services which are marketed under different brand names, including beauty and facial services under "**Modern Beauty Salon**", spa and massage services under "**be Sanctuary spa**", "**Yue Spa**" and "**Moment of Serenity**", slimming services under "**Slim Express**", "**Global Slim**" and "**Well Nutrition**", fitness services under "**Modern Fitness**", "**Soo Yoga**" and "**Dance Square**", male salon services under "**HEYMAN**" and "**be homme**", healthcare centre under "**Kin Yue**" and "**Kin Yik**", beauty college under "**Beauty Expert International College**", and distribution of own label "**be**" products under "**be Beauty Shop**" and "**FERRECARE**" concept store.

BEAUTY AND FACIAL SERVICES

MODERN BEAUTY SALON 現代美容中心

Provision of an array of facial services including the whitening series, moisturizing series, UV screening series and firming skin series, as well as beauty services including intense pulse light pigment removal, hair reduction, wrinkle elimination and face reshaping.

The treatments, applicable to different facial parts that are classified into six main categories including facial skincare, eye, ear, hand, foot and body, are complemented with a variety of facilities and equipment to provide tailor-made and personalised services to customers.

SPA AND MASSAGE SERVICES

be sanctuary spa 貝倚 六星級水療生活館

YUE SPA

休閒空間 Moment of Serenity

Provision of a broad selection of spa therapies, body scrub treatments and fruit mud treatments according to different skin types and personal preferences with a view to meet modern women's increasing consciousness towards their health and own images. Customers can choose and pick their preferred therapies and treatments to create their own combination.

Moreover, different kinds of aroma, foot and specific massage treatments are also offered to customers looking for total relaxation to nurture their bodies and souls.

SLIMMING SERVICES

Provision of a comprehensive range of weight management services including whole and partial body slimming treatments. Our service centres are equipped with advanced healthcare and slimming equipment assisting customers in reviving body figures upon proper guidance from independent professional consultants.

FITNESS SERVICES

Provision of a series of gymnasium, yoga, Thai boxing and aerobic courses. Professional fitness instructors and specialists are stationed at the service centres to provide instructions to customers.

BEAUTY AND SLIMMING SERVICES FOR MEN

Provision of comprehensive skincare and hair treatments, as well as slimming and foot massage treatments specially designed for male customers in a move to meet the demand for healthy and modern lifestyle of this growing segment in a cosmopolitan city.

Business Profile

HEALTHCARE CENTRE

Provision of wide-ranging medical cosmetics services including intense pulse light treatments, Q-Med and Botox with the aid of state-of-the-art technology. All the services offered in the centre is performed by registered medical practitioners.

BEAUTY EXPERT INTERNATIONAL COLLEGE

Provision of professional trainings and comprehensive courses in three levels leading to professional qualifications accredited by well-known trade organisations such as CIBTAC, ITEC and CIDESCO. These courses combine theories with practices, with the latter conducted in individual spa or salon to maximise learning experience and results.

Additionally, general grooming and make-up courses are offered on a regular basis.

The Beauty Expert International College also serves to provide pre-employment training for the Company's new staff.

BE BEAUTY SHOP & FERRECARE CONCEPT STORE

Distribution of a wide variety of beauty and skincare products catering for skin, eye, hand, foot and body under different brand names including our own line "be".

Since September 2009, a custom-blend concept store "FERRECARE" to offer more customer-oriented services and products has been launched. Products of the brand provide skincare solution specifically for our customers' unique skin type with the higher-income group as our target customers.

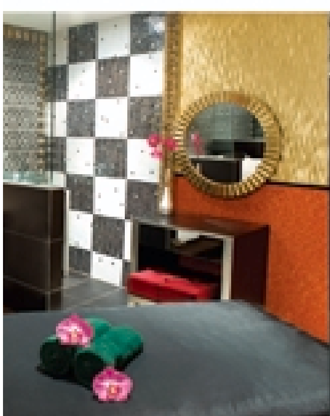
The products are available for sale at our service centres "be Beauty Shops" and "FERRECARE" concept stores. The shops are located at Central, Sheung Wan, Causeway Bay, Tsim Sha Tsui, Hung Hom, To Kwa Wan, Mong Kok, Sham Shui Po, Kwai Chung, Mei Foo, Kwun Tong, Fanling, Tai Po and Tuen Mun.

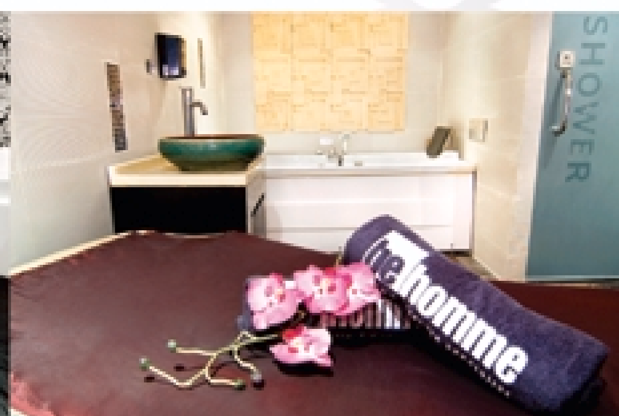
We also have franchise arrangement for the public to set up "be Beauty Shop".

SERVICE NETWORK COVERAGE

As at 31 March 2010, we have 32 service centres in Hong Kong covering virtually all prime commercial locations and densely populated residential districts.

In Mainland China, we have 10 service centres respectively located in Beijing, Shanghai and Guangzhou as at 31 March 2010.

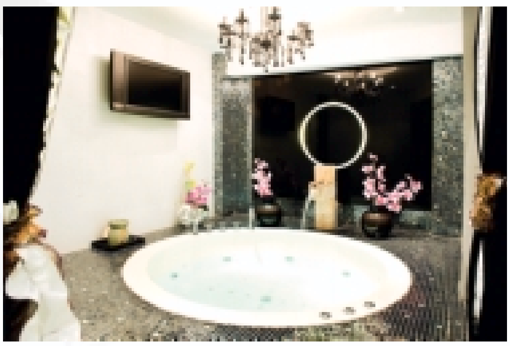


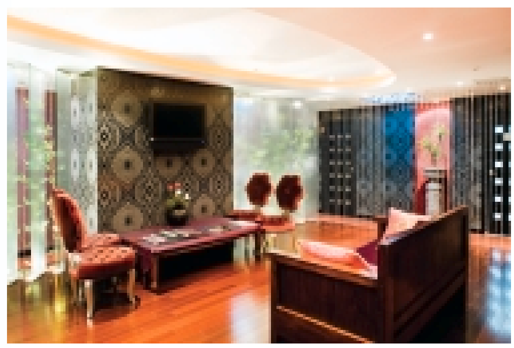


Key Events and Awards

Hong Kong Market

During the year under review, the Group opened one new service centre located in Tsuen Wan.





Social Responsibilities

The Group made a donation of HK$591,000 to Grateful Heart Charitable Foundation Limited.

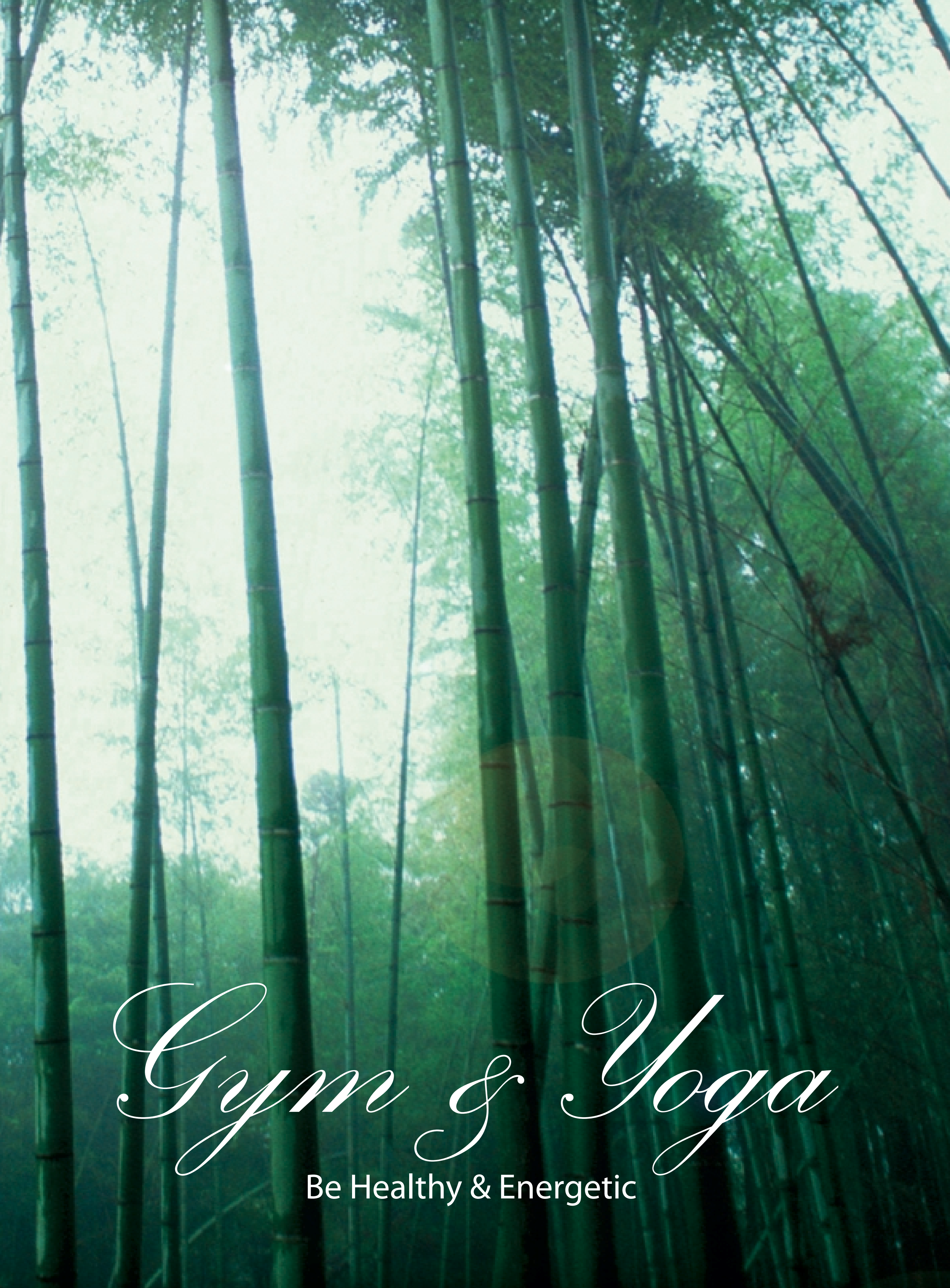
Awards and Recognition

During the year under review, Modern Beauty Salon was accredited with the following awards:

— "**Gold Award**" brand and the "**Enterprise with Good Credibility**" in PRC Consumers' **Most Favorable Brands Campaign 2009**, which affirms the quality services and popularity of our Group.

— **Caring Company** in the year 2009 - 2010, as an acknowledgement of our fulfillment of the corporate citizenship spirit and the contribution to the society.

— "**Best of the Best for Executives 2010**" by Capital Magazine for its quality services offered. It proves that our brand values, product qualities and marketing strategies are highly recognized.


Gym & Yoga
Be Healthy & Energetic

Chairperson's Statement

Tsang Yue, Joyce
Chairperson & Chief Executive Officer

RESULTS

On behalf of the Board of Directors (the "Board") of Modern Beauty Salon Holdings Limited (the "Company"), I am pleased to present to the shareholders the audited consolidated results of the Company and its subsidiaries (the "Group") for the financial year ended on 31 March 2010 (the "Year").

During the Year, the world economy was still fragile, and the beauty industry continued to be adversely affected by eroding consumption capacity, as reflected by the closure of small beauty services providers in considerable quantities. Nevertheless, owing to our strong corporate image and customer loyalty, our customer base in total increased from approximately 263,000 in the same period last year to 289,000 during the Year, representing a growth rate of 9.9%.

During the Year, the Group recorded a total turnover of HK$430.8 million, down approximately 34.9% as compared to HK$661.8 million in the corresponding period last year. We have managed to mitigate the adverse impacts and witnessed a gradual improvement in the second half of the Year as compared to the first half. The recovery of our business performance could be attributed to our effective marketing strategies and well-established social recognition. We have also adopted a strict cost control policy that helped to slash operating costs to HK$510.2 million, representing a sharp decline of 19.6% as compared to the same period last year.

HONG KONG BUSINESS

To maintain our competitive edge, the Group has adopted a more prudent yet clearly-targeted development strategy. Rather than launching new service centres on a large scale, the Group has consolidated several centres which had underperformed, and reallocated resources to major centres with higher profitability to boost their performance. This streamlining strategy turned out to be rewarding. The total number of service centres in Hong Kong was reduced to 32 from 36 during the Year, and the beauty and facial segment continued to be the core revenue driver for the Group, accounting for 60.2% of the overall turnover, an increase of 10.3 percentage points as compared to 49.9% of the overall turnover in the corresponding period last year.

The product sales segment also witnessed a satisfactory result, reflecting that our "be" product line is enjoying increasingly extensive popularity. The Group's new high-end custom-blend concept store "FERRECARE" which offered more customer oriented services and products, launched in September 2009, were also greeted by favorable market acceptance and registered encouraging results.

The impressive track records of beauty and facial as well as product segments have prompted the Group's confidence in devoting more resources and efforts in this regard. We believe and expect that sizable revenue could continue to be generated from these two business segments in the foreseeable future.

Chairperson's Statement

Amid the difficult operating environment, the spa and massage, slimming, fitness and men's beauty segments continued to make contributions to the overall turnover. More importantly, the Group is benefiting from synergies created through the operation of these segments, which contributed to enlarging the customer base of our core beauty and facial and product segments, as well as enhancing the social recognition of the Group.

MAINLAND CHINA BUSINESS

As of 31 March 2010, the Group ran 10 service and wellness centres in Beijing, Shanghai and Guangzhou altogether. Although the number of our service centres in the PRC remains unchanged, the customer base has expanded from approximately 21,000 to 27,000 during the Year. Sticking to our clearly defined timetable to gradually build up our market recognition and customer loyalty, the Group will maintain the operation scale in the PRC on a prudent basis and secure the momentum of steady growth.

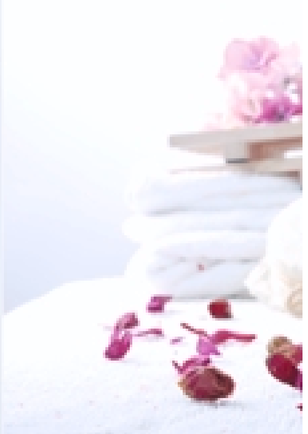
However, with an aim to strike a balance between capturing untapped market and minimizing potential risks, we will continue to proactively pursue a franchise business campaign among potential investors who are interested in participating in the beauty industry. It is expected to be a comparatively effective approach to expand the Group's market share in the PRC with mitigated risk from the uncertainty of the current economic environment.

OUTLOOK AND PROSPECTS

We expect the overall economy will improve continuously, leading to a gradual rebound of the beauty industry. Looking forward, priorities will be laid on solidifying our current core businesses and at the same time capturing opportunities through prudent acquisition or formation of joint ventures.

The Group's ability to introduce innovative and quality product has long been recognized by the Hong Kong market, as demonstrated by this segment's increased turnover. In light of this segment's great potential, the Group would allocate more resources and efforts in the development of "be" products and "FERRECARE" concept store. We would also seek to acquire promising brands of skincare products, and explore possibilities of cooperation with product manufacturers to create further synergies and to better control cost.

Apart from its existing businesses, the Group has actively pursued new income streams. In view of, for instance, people's enhancing awareness to lead a healthy life, more efforts will be concentrated on the research and development and provision of cosmetic technology and medical cosmetology services. The management is confident that this segment of the Group's business will emerge as a revenue driver in the coming years.



Taken all together, although the economic outlook is still filled with uncertainties, leveraging on the Group's well-established foundations, strong brand recognition and robust financial position, we are cautiously optimistic about the prospects, and will strive to maintain our leading position in the beauty industry.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, customers, staff and business partners for their support and trust to the Group. With our unswerving commitment and efforts, we are confident that the Group will stand the ordeal and secure steady growth in the future, thereby providing satisfactory return for all shareholders.

Tsang Yue, Joyce
Chairperson and Chief Executive Officer

Hong Kong, 16 July 2010

Skin Care

Be Beautiful & Attractive

BUSINESS REVIEW

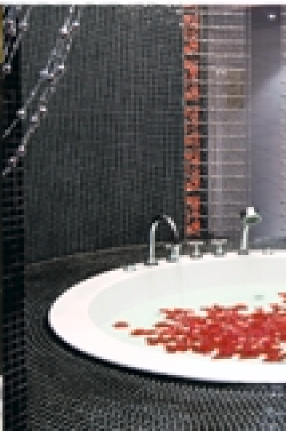
	2010	2009	**Change**
No. of service centres	**42**	46	**-8.7%**
Hong Kong	**32**	36	**-11.1%**
Mainland China	**10**	10	**—**
Weighted average total gross floor area (square feet)	**356,000**	392,000	**-9.2%**
Hong Kong	**298,000**	340,000	**-12.4%**
Mainland China	**58,000**	52,000	**+11.5%**
No. of customers	**289,000**	263,000	**+9.9%**
Hong Kong	**262,000**	242,000	**+8.3%**
Mainland China	**27,000**	21,000	**+28.6%**
Number of staff	**1,599**	1,781	**-10.2%**

RETAIN STRONG CLIENT BASE, SERVICE AND RETAIL NETWORK

During the financial year ended on 31 March 2010 (the "Year"), the Group continued to maintain a strong customer base and a well-structured service network in Hong Kong. Confronted with an environment of decreased consumer spending, the Group's strategy focused on optimising and enhancing existing operations rather than large-scale expansion. In terms of service centres, the Group has elected to direct its resources to enhancing the layout and interior design of its major centres, while consolidating a few of the underperforming ones once their tenancy agreements had expired. As a result, our network coverage of service centres has been reduced from 36 to 32 in Hong Kong during the Year, with a weighted average total gross floor area of approximately 298,000 square feet as at 31 March 2010.

Nonetheless, our customer base in Hong Kong reached 262,000 as at 31 March 2010 as compared to 242,000 as at 31 March 2009, up 8.3%.





ENCOURAGING GROWTH OF "BE" PRODUCTS

The Group's ability to introduce innovative and quality products has earned a leading status in the Hong Kong market. During the Year, turnover from the Group's products sales reached HK$28.7 million, a 43.7% increase from the corresponding period last year (2009: HK$20.0 million), and accounted for 6.7% of total revenue, demonstrating the ever-enhancing customers' confidence in and loyalty to our products, and reaffirming this segment's great growth potential.

Various types of beauty and wellness products are available for sale under seven series of skincare service, including Collagen Cellular Regenerating Series, Icy White Deluxe Series, Camomile Kiss Series, Problem Skin Series, Self Blending Serum Concentrate, Deep Ocean Skin Series and "Magic Essence" which are tailor-made to suit all skin types. Each shop provides more than 80 SKUs. These products are not only available in our "be Beauty Shop" outlets, but could also be purchased in the Group's other service centres, in which way a larger target market could be reached.

EFFECTIVE PRODUCT AND SERVICE MIX OPTIMIZATION

Segmentation of businesses has been maintained to be under reviewed to ensure efficient resource allocation and operation. The Group has continued to optimize its product and service mix which is to be in line with current market demand and its development trend.

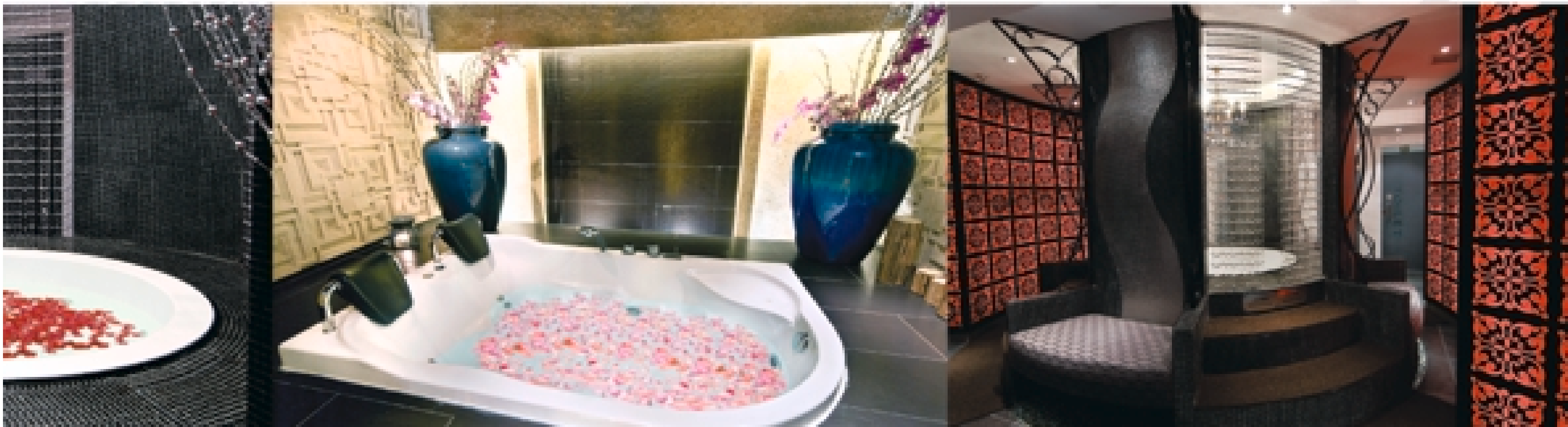
To ensure efficient resources allocation, we have been cautious about any resource input to certain segments such as male care and gym service, which we have maintained their current operation scale while closely monitoring the market demands.

Being a leading beauty service provider, the Group is able to withstand the short term set back in some aspects by refreshing changes and diversification of business, and thus remains to lead the market with its quality and professional services to the customers.

MAINLAND CHINA OPERATIONS MAINTAIN STABLE PERFORMANCE

In terms of the market in Mainland China, operations were also adversely affected by the declining global economy and a contracting consumer appetite. As a result, turnover in Mainland China during the Year reached HK$32.6 million, a decline of 8.8% from HK$35.7 million in the corresponding period last year.

During the Year, the number of customers in Mainland China rose to 27,000, an increase of 28.6% as compared to 21,000 in the corresponding period last year. The total weighted average gross floor area of the 10 service centres in Mainland China is approximately 58,000 square feet.



Management Discussion and Analysis

FINANCIAL REVIEW

FINANCIAL PERFORMANCE

During the Year, the Group recorded a total turnover of HK$430.8 million, representing a decrease of 34.9% as compared to HK$661.8 million in 2009. Loss attributable to shareholders of the Company amounted to HK$41.2 million for the Year (2009: Profit of HK$17.2 million).

KEY FINANCIAL FIGURES

As at 31 March

(HK$ million)	**2010**	2009	**Change**
Cash and cash equivalents	**244.9**	137.8	**+77.7%**
Capital expenditure	**153.1**	59.3	**+158.2%**
Deferred revenue	**376.6**	254.4	**+48.0%**
Current ratio	**1.03**	1.09	**-5.5%**
(Loss)/return on assets (%)	**(6.0)**	2.8	**-8.8ppt**
(Loss)/return on equity (%)	**(15.9)**	5.8	**-21.7ppt**

FINANCIAL HIGHLIGHTS

For the year ended on 31 March

(HK$ million)	**2010**	2009	**Change**
Turnover	**430.8**	661.8	**-34.9%**
Operating expenses	**(510.2)**	(634.6)	**-19.6%**
(Loss)/profit for the year	**(41.2)**	17.2	**-339.5%**
Dividend per share (HK cents)	**2.8**	4.3	**-34.9%**
Basic (loss)/earnings per share (HK cents)	**(5.70)**	2.38	**-339.5%**
Net (loss)/profit margin (%)	**(9.6)**	2.6	**-12.2ppt**

TURNOVER

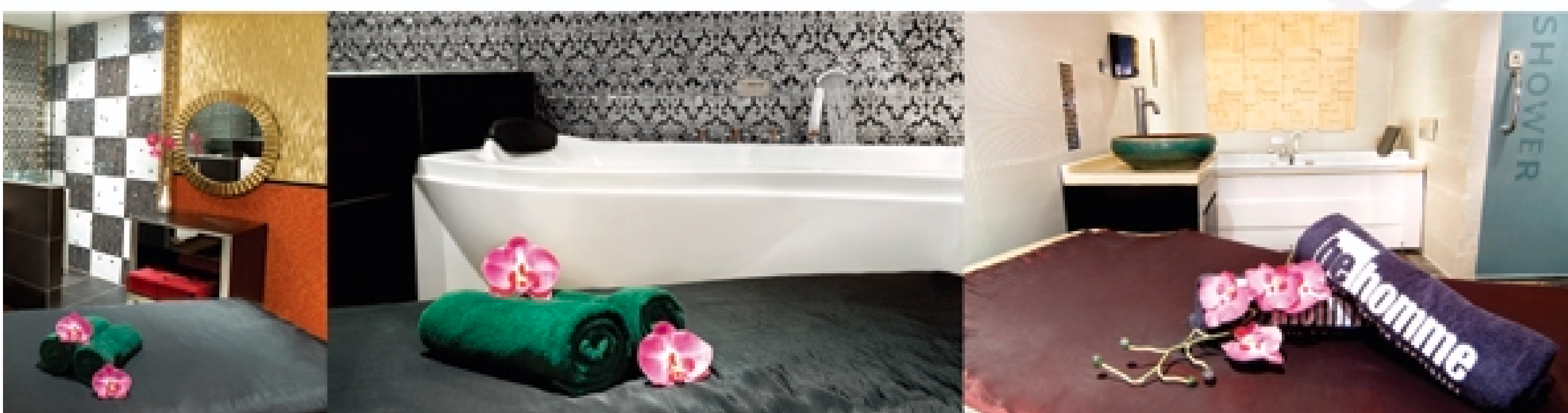
The Group recorded a total turnover of HK$430.8 million for the Year, representing a decrease of 34.9% as compared to HK$661.8 million in 2009. The decrease in turnover was mainly due to the decrease of sales of service to customers during the Year.

SEGMENT PERFORMANCE

The performance of our major service lines and product sales during the Year is summarised as follows:

	2010		2009		
Sales Mix	**HK$ million**	**% to turnover**	HK$ million	% to turnover	**Change**
Beauty and facial	**259.4**	**60.2%**	329.8	49.9%	**-21.3%**
Spa and massage	**57.2**	**13.3%**	150.3	22.7%	**-61.9%**
Slimming	**75.9**	**17.6%**	116.0	17.5%	**-34.6%**
Fitness	**9.5**	**2.2%**	45.7	6.9%	**-79.2%**
Beauty products sales	**28.8**	**6.7%**	20.0	3.0%	**+44.0%**
Total turnover	**430.8**	**100.0%**	661.8	100.0%	**-34.9%**

The decrease in turnover of approximately HK$231.0 million during 2010 was mainly due to the decrease in the sales of beauty and facial treatment by HK$70.4 million, decrease in the sales of spa and massage by HK$93.1 million and in the sales of slimming services by HK$40.1 million, which representing sales decline of 21.3%, 61.9% and 34.6% respectively. Such decreases in sales of services were due to the global and local economic downturn and weak consumer spending.



Management Discussion and Analysis

OPERATING EXPENSES

The Group's major expenses are set out as follows:

	2010		2009	
Items	**HK$ million**	**% to turnover**	HK$ million	% to turnover
Employee benefit expenses	**254.1**	**59.0%**	332.9	50.3%
Occupancy costs	**108.8**	**25.3%**	111.5	16.8%
Advertising costs	**8.8**	**2.1%**	28.2	4.3%
Depreciation and amortisation	**42.9**	**10.0%**	40.7	6.2%
Bank charges	**23.8**	**5.5%**	29.9	4.5%
Income tax (credit)/expense	**(13.1)**	**-3.1%**	5.0	0.8%

During the Year, due to the decease of turnover and rising rental fees, the total expenses for employee benefit expenses, occupancy costs and advertising costs rose to 86.4% to turnover, a significant increase from last year's 71.4% to turnover.

During the Year, employee benefit expenses decreased by 23.7% to HK$254.1 million (2009: HK$332.9 million). However, due to the decrease in turnover, the percentage of Group's total employee benefit expenses among total turnover increased to 59.0%. Total headcount was reduced from 1,781 as at 31 March 2009 to 1,599 during the Year (Hong Kong: 1,416; Mainland China: 183). During the Year, occupancy costs declined by HK$2.7 million to HK$108.8 million, a decrease of 2.4%. The decrease in occupancy costs was mainly due to the reduction in the number of service centres in Hong Kong. During the Year, the number of service centres decreased to 42 with total weighted average gross floor area of 356,000 square feet, as compared to 46 service centres with 392,000 square feet as at 31 March 2009, representing a 9.2% decrease in floor area.

NET (LOSS)/PROFIT

During the Year, the Group has incurred a loss attributable to equity shareholders of approximately HK$41.2 million (2009: Profit of HK$17.2 million). The unfavourable business environment and weak consumer spending contributed most to the loss. During the Year, an extraordinary gain of approximately HK$36.6 million was recorded, excluding which a loss of HK$77.8 million was registered for the Year as compared to the profit of HK$17.2 million achieved the same period last year.

EXTRAORDINARY GAIN

During the Year, an extraordinary gain of approximately HK$36.6 million was recorded as a result of the disposal of entire issued shares of four investment holding subsidiaries of the Company as stated in the section headed "Significant Disposal".

LIQUIDITY AND FINANCIAL POSITION

The total equity of the Company as at 31 March 2010 was HK$259.2 million (2009: HK$298.9 million). The Group generally finances its operation with internal generated cash flows from operations. Moreover, on 16 June 2009, Ms. Tsang Yue, Joyce ("Ms. Tsang"), (re-appointed as Chairperson and Chief Executive Officer of the Company on 16 April 2010) and All Link International Limited ("All Link"), a company wholly-controlled by Ms. Tsang, entered into an agreement with four wholly owned subsidiaries of the Group, namely Joy East Limited, Wise World Limited, East Union Industries Limited, Well Faith International Enterprises Limited and Rise Luck Development Limited for borrowing a bridging loan in the total sum of HK$118.0 million from Ms. Tsang and All Link in order to facilitate the acquisition of a property located in Minden Avenue (as stated in the section headed "Significant Acquisition") which was completed on 30 June 2009.

On 23 September 2009, Modern Beauty Management Company Limited, a wholly owned subsidiary of the Company and All Link entered into a disposal agreement ("Disposal Agreement") to dispose of entire issued shares of each of East Union Industries Limited, Joy East Limited, Well Faith International Enterprise Limited and Wise World Limited (collectively "Disposal Group") and the debt due by the Disposal Group to Modern Beauty Management Company Limited of approximately HK$144.0 million to All Link at the aggregate consideration of HK$190.0 million ("Disposal"). Pursuant to the Disposal Agreement, the aggregate consideration was settled as to HK$118.0 million by setting-off the said bridging loan and as to HK$72.0 million in cash at completion. The Disposal was completed on 13 November 2009. This transaction brought the Group's gearing ratio back to zero and the Group has generated approximately HK$72.0 million for general working capital use, which has strengthened the Group's working capital position.

The Group continued to maintain a healthy financial position with cash and cash equivalents of approximately HK$244.9 million as at 31 March 2010 (2009: HK$137.8 million) with no external bank borrowing. During the Year, the majority of the Group's cash was held under fixed and saving deposits in renowned banks in line with the Group's prudent treasury policy. As at 31 March 2010, the Group had net current assets of approximately HK$11.2 million (2009: HK$27.1 million).

Management Discussion and Analysis

CAPITAL EXPENDITURE

The total capital expenditure of the Group during the Year was approximately HK$153.1 million. (2009: HK$59.3 million). The amount included HK$137.9 million allocated for the acquisition of land and buildings as stated in the section headed "Liquidity and Financial Position" and approximately HK$15.2 million allocated for the acquisition of leasehold improvements, equipment and machinery in connection with the relocation of outlets in Hong Kong.

DEFERRED REVENUE

The movement of the deferred revenue for the Year is summarised as follows:

(HK$ million)	**2010**	2009	**Change**
At beginning of year	**254.4**	265.0	**-4.0%**
Gross receipts for sales of prepaid beauty packages	**524.1**	631.0	**-16.9%**
Revenue recognised for provision of beauty and wellness services	**(391.1)**	(621.7)	**-37.1%**
Revenue recognised upon expiring prepaid beauty packages	**(10.9)**	(20.1)	**-45.8%**
Exchange differences	**0.1**	0.2	**-50.0%**
At end of year	**376.6**	254.4	**+48.0%**

The aftermath of the global and local economic downturn has continued to undermine the consumer sentiment and the customers' buying attitude, resulting in a decrease of the receipts from sales of new prepaid beauty packages for the Year by 16.9% to HK$524.1 million as compared to HK$631.0 million in 2009. Deferred revenue increased by 48.0% to HK$376.6 million as at 31 March 2010 as compared to the balance of HK$254.4 million as at 31 March 2009, due to decline in service consumption.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Board considered no material contingent liabilities as at 31 March 2010. The Group had capital commitments of HK$1.5 million as at 31 March 2010 (2009: HK$120.7 million) in respect of the acquisition of property, plant and equipment.

CHARGES ON ASSETS

As at 31 March 2010, the Group had pledged bank deposits of HK$7.2 million (2009: HK$9.4 million) in favour of certain banks to secure banking facilities granted to certain subsidiaries in the Group.

FOREIGN EXCHANGE RISK EXPOSURE

The Group's transactions and receivables are mainly denominated in Hong Kong dollars and are not exposed to significant foreign exchange risk. Net assets of key foreign subsidiaries in Mainland China denominated in Renminbi are exposed to foreign currency translation risk. The Group periodically reviews liquid assets and liabilities held in currencies other than the Hong Kong dollars to ensure that net exposure is kept at an acceptable level.

SIGNIFICANT ACQUISITION

There was no significant acquisition by the Group during the Year except for the acquisition of a property as stated in the section headed "Liquidity and Financial Position". The property is located in Minden Avenue with a gross floor area of over 13,000 square feet at an investment cost of HK$137.9 million.

SIGNIFICANT DISPOSAL

During the Year, the Company disposed of the Disposal Group as stated in the section headed "Liquidity and Financial Position" at an aggregate consideration of HK$190.0 million. As a result of the Disposal, the Group and Disposal Group entered into the lease agreements, whereby the Group agreed to lease certain properties as stated in the section headed "Connected Transactions" under Report of the Directors from Disposal Group at an aggregate annual rental of HK$8.82 million.

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.

Management Discussion and Analysis

HUMAN RESOURCES

As at 31 March 2010, the Group had a total work force of 1,599 employees (2009: 1,781 employees), including 1,450 frontline beauty employees who were located at the Group's 42 service centres and 149 backoffice employees who were based in office. Of which, 1,416 employees were employed in Hong Kong while 183 employees worked in Mainland China. The total employee benefit expenses, including directors' emoluments for the Year, amounted to HK$254.1 million as compared to HK$332.9 million in 2009. The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of the performance and experience of the individual. The Group has been constantly reviewing staff remuneration incentive to ensure that it is competitive within the industry. For the purpose of motivating and rewarding our staff, discretionary bonus and share options are granted to eligible employees based on individual and Group performance. The Group has adopted a share option scheme on 20 January 2006.

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, the 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.

PROSPECTS

At Modern Beauty Salon, we are committed to doing our best to meet the needs of our customers.

EXPAND SERVICE IN "BE BEAUTY SHOP"

Apart from providing various types of beauty and wellness products under our own-label, 'be Beauty Shop' also provides beauty services such as 'Be Nail', facial treatments and personal image services. Surveys show Hong Kong females enjoy pampering their fingernails. The Directors believe that the demand for nail service will increase in the coming years. In the meantime, the Group will continue to look out for new services to meet the needs of customers.

PROMOTION OF "FERRECARE" CONCEPT STORE

As the Group's newly-launched high-end customer-oriented concept store, "FERRECARE" is appreciated with encouraging market acceptance and positive customer feed-backs. To cater to our target customers' increasing demand for skin care solution specifically tailored for their unique skin type, we will dedicate more efforts to promote the development of this brand.

CONSOLIDATION OF SERVICE CENTRES

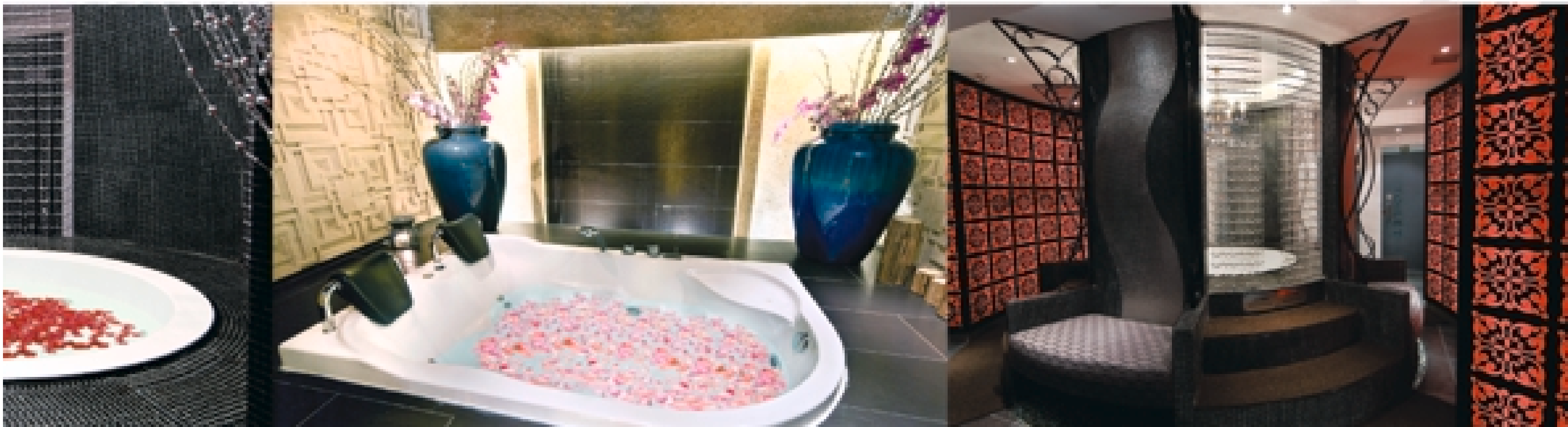
Resulting from the economic slowdown, weak consumption and higher rents, the operating environment for the Year was tough, particularly in the first half of the Year. To mitigate the adverse impacts and adjust flexibly to this situation, the Group has adopted a dynamic strategy to better cater to the changing market demand. We have consolidated the service centres in Hong Kong, boosted individual centre's performance by renovation plans or more efficient marketing strategies, and continued to optimise the resources allocation. Any expansion plans will continue to be made prudently next year.

EXPLORE UNTAPPED POTENTIAL OF COSMETOLOGICAL TECHNOLOGY

Apart from its current wide range of beauty and health services and product lines, the Group foresees that application of cosmetolocial technology is emerging as a mainstream trend in beauty and skincare. We will strive to introduce and launch more cutting-edged and innovative cosmetology treatments to meet the increasing demands.

LAUNCHING FRANCHISE BUSINESS IN CHINA

In view of the growing demand for beauty and wellness services in Mainland China, the Group has made plans to launch a franchise business targeting at people who are interested in investing in the beauty industry. We will provide support services, from the shop renovation to staff training and product supplies. The Directors believe that, with the Group's reputation and expertise in the industry, the franchisees will be able to operate the business successfully. It is also the most effective way to expand the Group's market share in Mainland China. With the above development plans, we are optimistic that we can continue to expand our customer base. The Directors are ready to tackle the challenges ahead. Priorities will be given to sustaining the core beauty and wellness services operation. At the same time, we will continue to maintain a healthy cash position for the Group.



Investor Relations and Financial Calendar

COMMUNICATION WITH INVESTMENT COMMUNITY

The Group adopts a proactive approach to investor relations. During the Year, the Company's senior management regularly disseminated up-to-date financial, strategic and operational information to our shareholders, financial analysts, stockbrokers, regulatory bodies and the media through meetings, conference calls and emails. Apart from attending investor relations activities and organizing site visits to our service centres in Hong Kong, we have also arranged road shows to meet institutional investors.

ACCESS TO CORPORATE INFORMATION

We have maintained the Company's website www.modernbeautysalon.com to incorporate the most updated corporate information and operational progress to enhance corporate transparency. Information including webcasts of results announcements, annual and interim reports, result presentation material, road show presentation material, statutory announcements and press releases in English and Chinese are timely uploaded to our website. We have also utilized various channels to communicate with the investment community and answer their questions through one-on-one meetings, small group meetings, luncheon presentations, telephone conferences, media conferences and email communication.

DIVIDEND POLICY

Subject to the financial performance of the Company and taking into consideration the capital needs for future business development, should circumstances permit, the Directors will endeavor to distribute not less than 60% of current year distributable profits to our shareholders in each financial year as an appreciation for their continuous support.

Dividend Per Share

2010 Final Dividend	Nil
2010 Interim Dividend	Nil
2010 Special Dividend	HK2.8 cents

Financial Calendar 2010

Announcement of 2010 interim results	17 December 2009
Announcement of 2010 final results	16 July 2010
Last day to register for 2010 special dividend	24 August 2010
Closure of Register of Members	25-27 August, 2010, both days inclusive
2010 Annual General Meeting	27 August 2010
Payment of 2010 special dividend	10 September 2010
Financial year end	31 March

SHARE INFORMATION

Modern Beauty Salon Holdings Limited has been listed on The Stock Exchange of Hong Kong Limited since 9 February 2006.

Issued ordinary shares as at 31 March 2010:	723,520,000 shares
Board lot:	4,000 shares
Nominal value:	HK$0.1 per share
Market Capitalization as at 31 March 2010:	HK$499.2 million (based on the closing price as at 31 March 2010, being the last trading date of the year, of HK$0.69)

Stock Codes

The Stock Exchange of Hong Kong	919
Reuters:	0919.HK
Bloomberg:	919 HK

ANNUAL REPORT 2010

Our annual report is available in both English and Chinese. Shareholders can obtain copies by writing to the Company's Share Registrars at:

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185

Our annual/interim reports are also available online at our corporate website at www.modernbeautysalon.com.

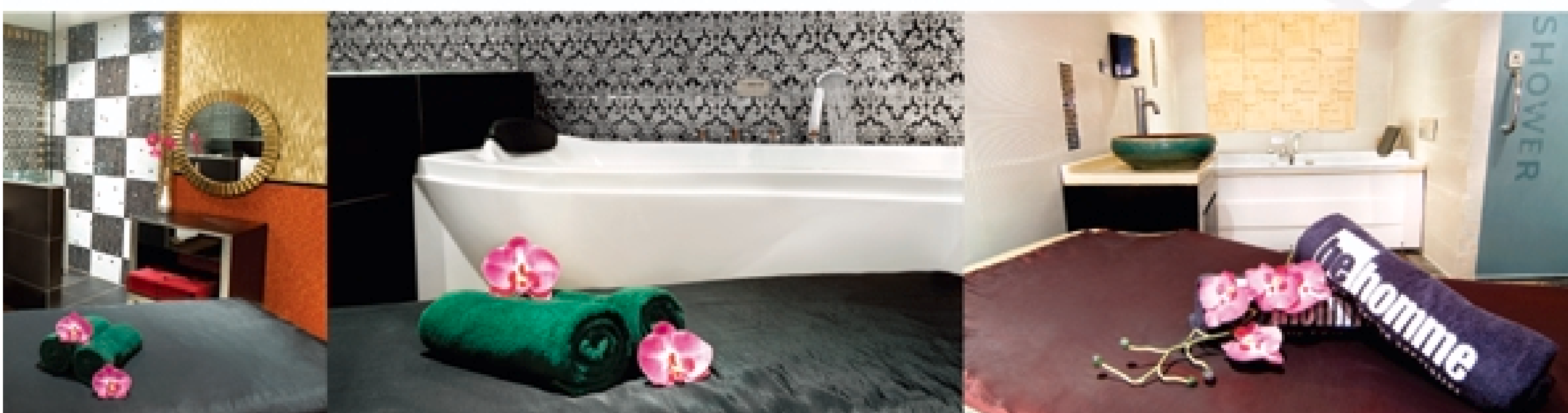
INVESTOR RELATIONS

For enquiries from institutional investors and securities analysts, please contact:

Investor Relations Department
Modern Beauty Salon Holdings Limited
6th Floor, Sino Industrial Plaza
9 Kai Cheung Road, Kowloon Bay
Kowloon, Hong Kong
Email: ir@modernbeautysalon.com
Tel: (852) 2302 6116
Fax: (852) 2757 3453

WEBSITE

www.modernbeautysalon.com



Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Tsang Yue, Joyce ("Ms. Tsang", re-appointed on 16 April 2010)

Aged 49, is the Executive Director, Chief Executive Officer, and Chairpersons of each of the Board, Remuneration Committee and Nomination Committee of the Company. She is the founder and substantial shareholder of the Company as well as a veteran in the beauty and healthcare industry who has profound industry understanding and distinctive knowhow to originate and capitalize on the trends and changes seen in the market. Her wealth of knowledge of the business and corporate management had enabled to spearhead business growth at the Group in a dynamic manner. Ms. Tsang is the spouse of Mr. Lee Soo Ghee and the mother of Mr. Kwong Chi Ching, an Executive Director of the Company. Ms. Tsang was the Executive Director, Chief Executive Officer and Chairperson of the Company up to 26 November 2008 and has been re-appointed for such positions on 16 April 2010.

Mr. Lee Soo Ghee ("Mr. Lee")

Aged 35, is the Chief Administrative Officer of the Company. Mr. Lee is responsible for overseeing finance, legal compliance, marketing and sales, products research and development, technology, property management, procurement and administration, and human resources functions of the Group. He is also responsible for providing comprehensive, technical, programmatic guidance in the areas of facilities management, logistics management and creative design and engineering as well as overall planning and strategic development of the Group's operation. He is the spouse of Ms. Tsang Yue, Joyce, Executive Director and Chairperson of the Board.

Mr. Yip Kai Wing ("Mr. Yip")

Aged 36, is the Chief Technology Officer and an Executive Director of the Company. Mr. Yip is responsible for all computer and information system matters of the Group. Mr. Yip brings with him about eight years of experience in the system integration, information system, network operation and telecommunications industries. He graduated from the Chinese University of Hong Kong in 1997 with a Bachelor Degree in Social Science and was awarded a Microsoft Certified Professional Systems Engineer, as well as CheckPoint Certified Administrator and Turbolinux Engineer in 2002. Mr. Yip joined the Group in March 2002.

Mr. Tung Kwok Lui ("Mr. Tung")

Aged 37, is an Executive Director of the Company, Legal Consultant and Company Secretary of the Group. Mr. Tung is responsible for providing leading legal advice and support to all the Group's business and commercial activities, as well as company secretary and litigation matters. Mr. Tung is also responsible for implementing major business projects and leading the Company's merger and acquisition activities and other ongoing capital market initiatives. Mr. Tung graduated from San Francisco State University with Bachelor Degrees in Accounting, Finance, Banking and Real Estate in 1994 and Southwestern University School of Law with Juris Doctor in 1996. He is admitted as an attorney and counselor at law of Supreme Court of the State of California (U.S.A.), a Certified Public Accountant in the North Dakota State Board of Accountancy (U.S.A.) and a solicitor of the High Court of Hong Kong respectively. Mr. Tung joined the Group in June 2006. Mr. Tung brings with him years of solid experience in different fields of expertise.

Mr. Wong Shu Pui ("Mr. Wong")

Aged 43, Mr. Wong is an Executive Director of the Company, a Solicitor Admitted in Hong Kong. He joined the Group in April 2008 as Legal Consultant and has years of experience in many fields. Mr. Wong is now appointed to provide leading legal advice and support to all the Group's major business projects and activities.

Mr. Kwong Chi Ching ("Mr. Kwong")

Aged 25, is an Executive Director of the Company and Senior Assistant to Chairperson of the Group. Mr. Kwong assists to in charge of the day-to-day all round management and operation of the Group. He is also a director of Beijing Modern Beauty Salon Company Limited, an indirect wholly owned subsidiary of the Company in Beijing, People's Republic of China. He joined the Group as Management Trainee in April 2000 and has extensive experience in the beauty and wellness services industry. He is the son of Ms. Tsang Yue, Joyce, Executive Director and Chairperson of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Liu Mei Ling, Rhoda ("Ms. Liu")

Aged 49, was appointed as an Independent Non-Executive Director in December 2009. Ms. Liu is a Member of the Canadian Institute of Chartered Accountants, Fellow Practicing Member of the Hong Kong Institute of Certified Public Accountants, Fellow Member of the Taxation Institute of Hong Kong, and Fellow Member of the Hong Kong Institute of Directors. Ms Liu holds a Bachelor of Art degree in Commercial Studies and Finance from University of Western Ontario in Canada, Professional Degree in Chinese Law from Tsing Hua University in China, and a Master of Business Administration Degree from McMaster University in Canada. Ms. Liu is a Practicing Certified Public Accountant in Hong Kong and sole proprietor of Liu & Wong, Certified Public Accountants. Ms. Liu is also an independent non-executive director, chairperson of audit committee and member of remuneration committee and nomination committee of Mirach Energy Limited, a company listed on the Singapore Stock Exchange. Save as disclosed above, Ms. Liu did not hold directorship in other listed public companies in the past three years.

Mr. Wong Man Hin, Raymond ("Mr. Wong")

Aged 44, was appointed as an Independent Non-Executive Director in December 2009. Mr. Wong is a member of American Institute of Certified Public Accountants (CPA), a Certified Management Accountant (CMA) and holds a certificate in financial management (CFM). Mr. Wong holds a bachelor degree in chemical engineering and a master degree in economics. Mr. Wong is an executive director and deputy chairman of Raymond Industrial Limited (stock code: 229), a company listed on the Main Board of the Stock Exchange. Mr. Wong is also an independent non-executive director of China Sonangol Resources Enterprise Limited (stock code: 1229), a company listed on the Main Board of the Stock Exchange. Mr. Wong was an independent non-executive director of Fulbond Holdings Limited (stock code: 1041) during the period from 8 December 2006 to 5 August 2009. Mr. Wong was an independent non-executive director of BEP International Holdings Limited (stock code: 2326) during the period from 9 October 2007 to 5 June 2009. Mr. Wong was also an independent non-executive director of ERA Holdings Global Ltd. (stock code: 8043) during the period from 17 August 2007 to 25 February 2008.

Biography of Directors and Senior Management

Mr. Hong Po Kui, Martin ("Mr. Hong")

Aged 60, was appointed as an Independent Non-Executive Director in December 2009. Mr. Hong has been practicing as a solicitor of the High Court of the Hong Kong Special Administrative Region for over 33 years and is a notary public in Hong Kong. Mr. Hong is now the senior partner of Messrs. Lau Chan Ko, Solicitors & Notaries. Mr. Hong is also an independent non-executive director of each of Sau San Tong Holdings Limited (stock code: 8200), a company listed on the Growth Enterprise Market of the Stock Exchange, and Simsen International Corporation Limited (stock code: 993), Fulbond Holdings Limited (stock code: 1041) and Victory Group Limited (stock code: 1139), companies listed on the Stock Exchange. Mr. Hong was an independent non-executive director of BEP international Holdings Limited (stock code: 2326) during the period from 9 October 2007 to 3 June 2009.

SENIOR MANAGEMENT

Mr. Leung Man Kit, Jonathan

Aged 33, is the Chief Financial Officer of the Group. He is responsible for the financial planning and monitoring, business development and taxation of the Group. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants as well as an associate of the Association of International Accountants and also an associate of the Taxation Institute of Hong Kong. Mr. Leung holds a Master Degree of Business Administration in Financial Management from The University of Hull in United Kingdom. He has over 8 years of audit and tax experience from various listed groups and private companies in Hong Kong. Mr. Leung joined the Group in September 2008.

Ms. Yeung See Man

Aged 36, is the Financial Controller of the Group. She is responsible for overseeing the accounting and financial reporting of the Group. Ms. Yeung graduated from The Hong Kong Polytechnic University with a Bachelor Degree of Arts in Accountancy in 1995. She is an associate member of The Institute of Chartered Accountants in England and Wales as well as a fellow member of the Hong Kong Institute of Certified Public Accountants. She is also a fellow member of the Association of Chartered Certified Accountants. Ms. Yeung has over six years of audit experience with Deloitte Touche Tohmatsu. She joined the Group in March 2004.

Ms. Ip Lai Fong

Aged 38, is the Operation Manager of Customer Service of the Group. She is responsible for the day-to-day operation of the Customer Services Department. Ms. Ip obtained an Advanced Certificate Programme on Professional Customer Service from Hong Kong Management Association in 2005. Ms. Ip graduated from Lingnan University and The Hong Kong Management Association in 2007 with Diploma in Business Management. She has seven years of guest services experience in Kimberley Hotel, Hilton Hotel and Marriott Harbour View Hotel - Hong Kong (previously known as New World Harbour View Hotel) in Hong Kong. Ms. Ip joined the Group in May 1999.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Lee Soo Ghee ("Mr. Lee")

(Chief Administrative Officer since 16 April 2010 and Chief Executive Officer, member of Nomination Committee, member of Remuneration Committee, Chairpersons of each of Nomination Committee, Remuneration Committee and the Board of the Company up to 16 April 2010)

Mr. Lee had been Chief Executive Officer since 26 November 2008. Subsequently, Mr. Lee resigned as Chief Executive Officer, member of Nomination Committee, member of Remuneration Committee, and Chairpersons of each of Nomination Committee, Remuneration Committee and the Board of the Company due to changes in management responsibilities and has been re-designated and appointed as Chief Administrative Officer of the Company with effect from 16 April 2010. After taking up the role of Chief Administrative Officer, Mr. Lee's remuneration will be adjusted to HK$200,000 per month.

Tsang Yue, Joyce ("Ms. Tsang")

(Chief Executive Office, Executive Director, member of Nomination Committee, member of Remuneration Committee and Chairpersons of each of the Board, Remuneration Committee and Nomination Committee of the Company since 16 April 2010)

On 16 April 2010, Ms. Tsang was re-appointed as Executive Director, Chief Executive Officer, member of Nomination Committee, member of Remuneration Committee and Chairpersons of each of the Board, Remuneration Committee and Nomination Committee of the Company. Ms. Tsang does not have a service contract with the Company and has no fixed term of service with the Company.

Chu Shu Ching ("Ms. Chu")

(Executive director up to 15 March 2010)

On 10 September 2009, Ms. Chu was appointed as Executive Director of the Company. With effect from 15 March 2010, Ms. Chu resigned as executive director of the Company due to her own business engagement and other commitments which require more of her time, focus and dedication.

Yeung Ching Yu ("Ms. Yeung")

(Executive director up to 15 March 2010)

On 10 September 2009, Ms. Yeung was appointed as Executive Director of the Company. With effect from 15 March 2010, Ms. Yeung resigned as executive director of the Company due to her own business engagement and other commitments which require more of her time, focus and dedication.

Biography of Directors and Senior Management

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES *(Continued)*

Yuen Siu Ping ("Ms. Yuen")

(Executive Director up to 15 December 2009)

Ms. Yuen was originally appointed as Executive Director of the Company on 9 February 2006. Subsequently, on 15 December 2009, she was removed as Director of the Company by notice in writing served upon her signed by not less than three-fourths in number of the directors in office (including herself) pursuant to Article 130 of the Company's Articles of Association. Immediately after such removal, Ms. Yuen did not hold any position in the Group.

Cheng Kai Tai, Allen ("Mr. Cheng")

(Independent Non-executive Director up to 8 December 2009)

On 8 December 2009, Mr. Cheng resigned as Independent Non-executive Director of the Company.

Yip Ki Chi Luke ("Mr. Yip")

(Independent Non-executive Director up to 10 December 2009)

On 10 December 2009, Mr. Yip resigned as Independent Non-executive Director of the Company.

Soo Say Keong, Sean ("Mr. Soo")

(Independent Non-executive Director up to 9 December 2009)

On 9 December 2009, Mr. Soo resigned as Independent Non-executive Director of the Company.

Liu Mei Ling, Rhoda ("Ms. Liu")

(Independent Non-executive Director since 10 December 2009)

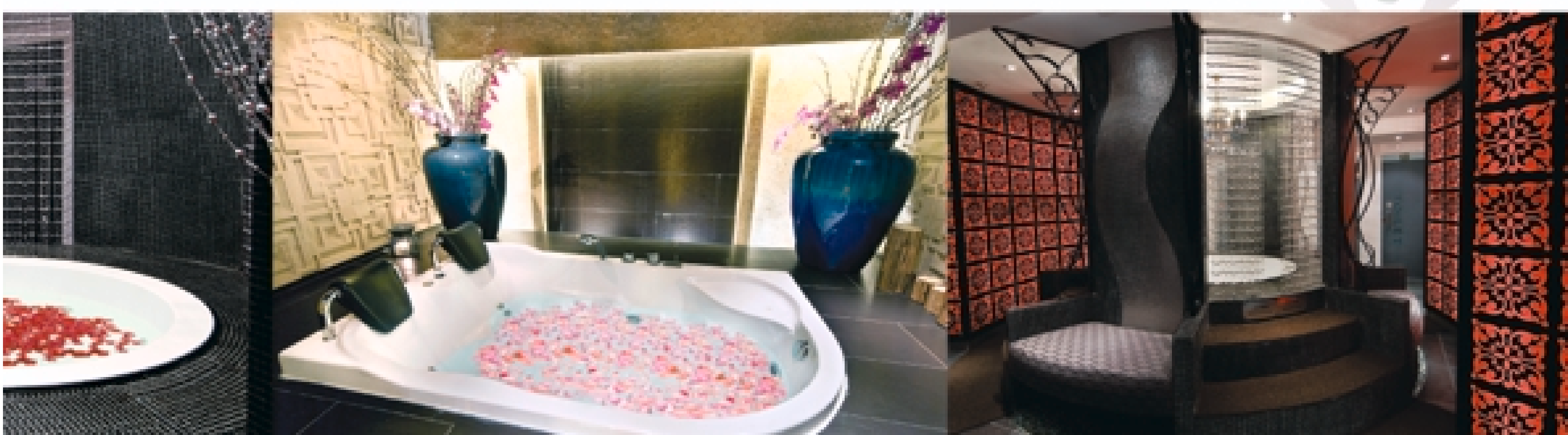
Ms. Liu, was appointed as Independent Non-executive Director of the Company on 10 December 2009. Ms. Liu is entitled to a monthly director's emoluments of HK$20,000.

Wong Man Hin, Raymond ("Mr. Raymond Wong")
(Independent Non-executive Director since 7 December 2009)

Mr. Raymond Wong, was appointed as Independent Non-executive Director of the Company on 7 December 2009. Mr. Raymond Wong is entitled to a monthly director's emoluments of HK$15,000.

Hong Po Kui, Martin ("Mr. Hong")
(Independent Non-executive Director since 7 December 2009)

Mr. Hong, was appointed as Independent Non-executive Director of the Company on 7 December 2009. Mr. Hong is entitled to a monthly director's emoluments of HK$15,000.



The Board of Directors (the “Board”) of the Company is committed to establishing and maintaining high standards of corporate governance. The Company has applied the principles of all the applicable code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its own code on corporate governance practices.

This report sets out information in respect of the compliance by the Company with the Code during the year ended 31 March 2010.

CORPORATE GOVERNANCE PRACTICE

The Board is in the opinion that the Company has applied the Code for the year ended 31 March 2010, 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. As of 31 March 2010, Mr. Lee Soo Ghee is both the Chairperson and Chief Executive Officer of the Company. Subsequently, Mr. Lee Soo Ghee has been appointed and re-designated as Chief Administrative Officer and resigned as Chairperson and Chief Executive Officer, whilst Ms. Tsang Yue, Joyce has been re-appointed as both the Chairperson and Chief Executive Officer of the Company with effect from 16 April 2010.

BOARD OF DIRECTORS

As of 31 March 2010, the Board consisted of five Executive Directors and three Independent Non-executive Directors. All of the Independent Non-executive Directors have the appropriate professional or accounting qualifications required by Rule 3.10(2) of the Listing Rules.

The Board is responsible for the leadership and control of the Group (comprising the Company and its subsidiaries) and oversees the Group’s businesses, strategic decisions and performance. Its principal functions are to consider and approve the strategies, financial objectives, annual budget and investment proposals of the Group.

The management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer. The Chief Executive Officer, working with other executive Directors and the management team of each business division, is responsible for managing the business of the Group, including implementation of the strategies and decisions approved by the Board and assuming full responsibility to the Board for operations of the Group.

The Board conducts meeting on a regular basis and also as and when required. The Company Secretary assists the Chairperson in establishing the meeting agenda, and each Director may request inclusion of items in the agenda. Adequate and appropriate information are circulated at least 14 days in advance of regular Board meetings to the Directors. The Company Secretary shall attend all Board meetings to provide information on corporate governance, compliance, accounting and financial matters when necessary.

During the year ended 31 March 2010, save for executive Board meetings held between executive Directors during the normal course of business of the Company, the Board has held 17 full board meetings.

The members of the Board for the year ended 31 March 2010 and the attendance of each member for the aforesaid meetings are as follows:

	Number of attendance
Executive Directors	
Mr. Lee Soo Ghee	12/17
Mr. Yip Kai Wing	15/17
Mr. Tung Kwok Lui (appointed on 10 September 2009)	12/12
Mr. Wong Shu Pui (appointed on 10 September 2009)	10/12
Mr. Kwong Chi Ching	12/17
Ms. Mok Hin Yuk (resigned on 10 September 2009)	0/5
Ms. Chu Shu Ching (appointed on 10 September 2009 and resigned on 15 March 2010)	11/12
Ms. Yeung Ching Yu (appointed on 10 September 2009 and resigned on 15 March 2010)	11/12
Ms. Yuen Siu Ping (removed on 15 December 2009)	1/15
Independent Non-executive Directors	
Ms. Liu Mei Ling, Rhoda (appointed on 10 December 2009)	3/4
Mr. Wong Man Hin, Raymond (appointed on 7 December 2009)	4/5
Mr. Hong Po Kui, Martin (appointed on 7 December 2009)	4/5
Mr. Cheng Kai Tai, Allen (resigned on 8 December 2009)	12/12
Mr. Yip Ki Chi, Luke (appointed on 24 April 2008 and resigned on 10 December 2009)	13/13
Mr. Soo Say Keong, Sean (appointed on 24 April 2008 and resigned on 9 December 2009)	11/12

Mr. Wong Man Hin, Raymond was the chairperson of the Audit Committee with effect from 7 December 2009, and together with Mr. Hong Po Kui, Martin were appointed as Independent Non-executive Directors and members of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company, on 7 December 2009, and Ms. Liu Mei Ling, Rhoda was appointed as Independent Non-executive Directors and members of each of the Audit Committee, Remuneration Committee, Nomination Committee and Chairperson of the Audit Committee of the Company on 10 December 2009. Mr. Cheng Kai Tai, Allen, Mr. Yip Ki Chi, Luke and Mr. Soo Say Keong, Sean resigned as Independent Non-executive Directors and members of each of the Audit Committee, Remuneration Committee and Nomination Committee on 8 December 2009, 10 December 2009 and 9 December 2009 respectively.

The biographies of the Directors are set out on pages 36 to 41 of this annual report.

Board and committee minutes are recorded in appropriate detail and draft minutes are circulated to all Directors and committee members for comments before being approved by the Board and committees at the next immediate meeting. All minutes are kept by the Company Secretary and are open for inspection by the Directors.

The Company has received annual confirmations of independence from each of the Independent Non-executive Directors and considers them to be independent of the Group with reference to the factors as set out in Rule 3.13 of the Listing Rules.

The members of the Board have no financial, business, family or other material/relevant relationship with each other except that Ms. Tsang Yue, Joyce, the Chairperson and Chief Executive Officer, re-appointed on 16 April 2010, is the spouse of Mr. Lee Soo Ghee, and Mr. Kwong Chi Ching is the son of Ms. Tsang Yue, Joyce.

Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company.

All Directors (including Independent Non-executive Directors) elected at the annual general meeting are subject to retirement at annual general meeting of the Company by rotation at least once every three years in accordance with the Company's articles of association. All retiring Directors including Independent Non-executive Directors shall be eligible for re-election. All Directors, including Non-executive Directors, appointed to fill a causal vacancy or as an addition to the existing Board, shall hold office only until the first general meeting after their appointment and shall then be eligible for re-election. There is no service contract entered between Ms. Liu Mei Ling, Rhoda, Mr. Wong Man Hin, Raymond and Mr. Hong Po Kui, Martin, respectively, regarding their appointment of Independent Non-executive Directors and they offer to stand for re-election at the forthcoming annual general meeting of the Company..

Save as disclosed above, none of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

As at 31 March 2010, Mr. Lee Soo Ghee was the Chairperson and Chief Executive Officer of the Company. Subsequently, Ms. Tsang Yue, Joyce has been re-appointed as the Chairperson and Chief Executive Officer of the Company whilst Mr. Lee Soo Ghee has resigned as Chairperson and Chief Executive Officer and has been re-designated and appointed as Chief Administrative Officer of the Company with effect from 16 April 2010. 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of 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.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 20 January 2006 with written terms of reference in compliance with the Code. The primary duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. As of 31 March 2010, the Remuneration Committee comprised the Chairperson of the Group, Mr. Lee Soo Ghee, and three Independent Non-executive Directors, Ms. Liu Mei Ling, Rhoda , Mr. Wong Man Hin, Raymond and Mr. Hong Po Kui, Martin. Mr. Wong Man Hin, Raymond and Mr. Hong Po Kui, Martin were appointed as members of the Remuneration Committee on 7 December 2009, and Ms. Liu Mei Ling, Rhoda was appointed as members of the Remuneration Committee 10 December 2009 whilst Mr. Cheng Kai Tai, Allen, Mr. Yip Ki Chi, Luke, and Mr. Soo Say Keong, Sean resigned as members of the Remuneration Committee on 8 December 2009, 10 December 2009 and 9 December 2009 respectively, Mr. Lee Soo Ghee was the Chairperson of the Remuneration until his resignation on 16 April 2010 and Ms. Tsang Yue, Joyce is the Chairperson of the Remuneration Committee since her appointment on 16 April 2010.

The Remuneration Committee shall meet at least once a year. The Remuneration Committee has held one meeting during the year ended 31 March 2010, which was attended by all members as follows:

Directors	Number of attendance
Mr. Lee Soo Ghee (resigned on 16 April 2010)	1/1
Mr. Wong Man Hin, Raymond (appointed on 7 December 2009)	N/A
Mr. Hong Po Kui, Martin (appointed on 7 December 2009)	N/A
Ms. Liu Mei Ling, Rhoda (appointed on 10 December 2009)	N/A
Mr. Cheng Kai Tai, Allen (resigned on 8 December 2009)	1/1
Mr. Yip Ki Chi, Luke (appointed on 24 April 2008 and resigned on 10 December 2009)	1/1
Mr. Soo Say Keong, Sean (appointed on 24 April 2008 and resigned on 9 December 2009)	1/1

NOMINATION COMMITTEE

The Company established the Nomination Committee on 20 January 2006 with written terms of reference in compliance with the Code. The primary duty of the Nomination Committee is to make written recommendations to the Board on appointment of Directors and management of Board succession. As of 31 March 2010, the Nomination Committee comprised the Chairperson of the Group, Mr. Lee Soo Ghee, and three Independent Non-Executive Directors. Mr. Wong Man Hin, Raymond and Mr. Hong Po Kui, Martin were appointed as members of the Nomination Committee on 7 December 2009, and Ms. Liu Mei Ling, Rhoda was appointed as member of the Nomination Committee on 10 December 2009. whilst Mr. Cheng Kai Tai, Allen, Mr. Yip Ki Chi, Luke and Mr. Soo Say Keong, Sean resigned as members of the Nomination Committee on 8 December 2009, 10 December 2009 and 9 December 2009 respectively. Mr. Lee Soo Ghee was the Chairperson of the Nomination Committee until his resignation on 16 April 2010 and Ms. Tsang Yue, Joyce is the Chairperson of the Nomination Committee since her re-appointment on 16 April 2010.

The Nomination Committee shall meet at least once a year. The attendance of each member of the Nomination Committee is set out as follows:

Directors	Number of attendance
Mr. Lee Soo Ghee (resigned on 16 April 2010)	1/1
Mr. Wong Man Hin, Raymond (appointed on 7 December 2009)	N/A
Mr. Hong Po Kui, Martin (appointed on 7 December 2009)	N/A
Ms. Liu Mei Ling, Rhoda (appointed on 10 December 2009)	N/A
Mr. Cheng Kai Tai, Allen (resigned on 8 December 2009)	2/2
Mr. Yip Ki Chi, Luke (appointed on 24 April 2008 and resigned on 10 December 2009)	3/3
Mr. Soo Say Keong, Sean (appointed on 24 April 2008 and resigned on 9 December 2009)	2/2

AUDITORS' REMUNERATION

During the year ended 31 March 2010, the remuneration paid/payable to the Company's external auditor, RSM Nelson Wheeler, for providing the audit and other non-audit services as follow:

	Fee paid/payable
	HK$'000
Audit services	1,250
Non-audit services	402

AUDIT COMMITTEE

The Company has established the Audit Committee on 20 January 2006 with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. As of 31 March 2010, the Audit Committee has three members comprising the Company's three Independent Non-executive Directors, namely Mr. Wong Man Hin, Raymond, and Mr. Hong Po Kui, Martin were both appointed as members of the Audit Committee on 7 December 2009 and Ms. Liu Mei Ling, Rhoda was appointed as member and Chairperson of the Audit Committee on 10 December 2009. Mr. Cheng Kai Tai, Allen was the Chairman of the Audit Committee until Mr. Wong Man Hin, Raymond's appointment as Independent Non-executive Director. Ms. Liu Mei Ling, Rhoda is the Chairperson of the Audit Committee since 10 December 2009. Mr. Cheng Kai Tai, Allen, Mr. Yip Ki Chi, Luke and Mr. Soo Say Keong, Sean resigned as members of the Audit Committee on 8 December 2009, 10 December 2009 and 9 December 2009 respectively.

The Audit Committee shall meet at least twice a year. The Audit Committee has held 7 meetings during the year ended 31 March 2010 and the attendance of each member for the aforesaid meetings are as follows:

	Number of attendance
Independent Non-executive Directors	
Mr. Wong Man Hin, Raymond (appointed on 7 December 2009)	2/2
Mr. Hong Po Kui, Martin (appointed on 7 December 2009)	2/2
Ms. Liu Mei Ling, Rhoda (appointed on 10 December 2009)	2/2
Mr. Cheng Kai Tai, Allen (resigned on 8 December 2009)	5/5
Mr. Yip Ki Chi, Luke (appointed on 24 April 2008 and resigned on 10 December 2009)	5/5
Mr. Soo Say Keong, Sean (appointed on 24 April 2008 and resigned on 9 December 2009)	4/5

All members of the Audit Committee possess in-depth experience in their own profession. The Chairpersons of the Audit Committee, Ms. Liu Mei Ling, Rhoda possesses appropriate professional and accounting qualifications which meet the requirements of Rule 3.10(2) of the Listing Rules.

Full minutes of Audit Committee are kept by the secretary of the Audit Committee. Draft and final versions of minutes of the Audit Committee meetings are sent to all members of the Audit Committee for their comment and records respectively, in both cases, within a reasonable time after the meeting.

During the year ended 31 March 2010, the Audit Committee held a meeting to discuss and consider the appointment of RSM Nelson Wheeler as auditor of the Company. The Audit Committee held another meeting with RSM Nelson Wheeler on 17 December 2009 to discuss the unaudited condensed financial statements of the Company for the six months ended 30 September 2009. The Audit Committee also held two meetings with RSM Nelson Wheeler, to discuss any areas of concerns during the audit and the audit plan of the Group for the year ended 31 March 2010, without the presence of the management of the Company.

The final results of the Group for the year ended 31 March 2010 has been reviewed by the Audit Committee, prior to their approval by the Board.

ACCOUNTABILITY

The Directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group.

In preparing the accounts for the year ended 31 March 2010, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the year ended 31 March 2010 have been prepared on a going concern basis.

RSM Nelson Wheeler, the auditor of the Company, acknowledges their reporting responsibilities in the auditor's report on the financial statements of the Group for the year ended 31 March 2010.

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal control of the Group which covers all material controls, including financial, operational and compliance controls and risk management functions.

The purpose of the Group's internal control system is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems so that the Group's objectives can be achieved.

The Board, through the Audit Committee, has conducted review on the effectiveness of these systems covering the financial, operational, procedural compliance and risk management functions and considered such systems effective and adequate to safeguard the interest of the shareholders and the Group.

The process used in reviewing the effectiveness of system of internal control of the Group includes discussion with management on risk areas identified by management.

CORPORATE COMMUNICATION

The Company is committed to a policy of open and regular communication and fair disclosure of information to the Shareholders. The Company acknowledges that accurate and fair disclosures are necessary for the Shareholders to form their own judgment on the operation and performance of the Group.

VOTING BY POLL

Procedures for demanding a poll were set forth in a circular accompanying the notice of general meetings. At the commencement of each general meeting, the chairman of the meeting had explained the procedures for demanding a poll to the shareholders and the shareholders were allowed to raise any question concerning the poll procedures. At each of the meetings, separate resolutions were proposed by the chairman of the meeting and put forward to the shareholders for voting.

With the implementation of certain amendments to the Listing Rules effective on 1st January, 2009, the voting at all general meetings of a listed company should be conducted by poll. It is believed that the voting by poll can fully reflect the proprietary rights of shareholders and is a fairer method of determination for the shareholders than voting by a show of hands. The Company will procure the chairman of general meeting to demand for voting by poll on every general meeting to comply with the newly amended Listing Rules.

The Directors have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

As at 31 March 2010, the principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are provision of beauty and wellness services and sales of beauty products.

Particulars of the Company's subsidiaries are set out in Note 18 to the financial statements. An analysis of the Group's turnover and results for the year by business segments is set out in Note 6 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 69. The Board has resolved to recommend the payment of a special dividend of HK2.8 cents per share for the year ended 31 March 2010. No final dividend is recommended for the Year. The Board did not declare an interim dividend for the six months ended 30 September 2009.

Subject to the approval of the shareholders in the forthcoming annual general meeting of the Company on 27 August 2010, the Company plans to pay the special dividend of HK2.8 cents per share on 10 September 2010 to the shareholders whose names appear on the register of the members of the Company on 27 August 2010.

RESERVES

Details of movements in reserves of the Company and the Group during the year are set out in Note 25 to the financial statements and in the consolidated statement of changes in equity on page 73, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

Under the Companies Law (2009 Revision) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to Shareholders subject to the provisions of its Memorandum or Articles of Association. As at 31 March 2010, the Company's reserves available for distribution to Shareholders amounted in total to approximately HK$314 million (2009: HK$314 million).

FINANCIAL SUMMARY

A summary of the financial results and position of the Group for the last five financial years is set out on page 116.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in Note 16 to the financial statements

SHARE CAPITAL

Details of movements of the Company's share capital during the year are set out in Note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable donations totaling HK$591,000 (2009: HK$200,000).

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

EXECUTIVE DIRECTORS:

Ms. Tsang Yue, Joyce (Resigned on 26 November 2008 and re-appointed on 16 April 2010)
Mr. Lee Soo Ghee
Mr. Yip Kai Wing
Mr. Tung Kwok Lui (Appointed on 10 September 2009)
Mr. Wong Shu Pui (Appointed on 10 September 2009)
Mr. Kwong Chi Ching
Ms. Mok Hin Yuk (resigned on 10 September 2009)
Ms. Chu Shu Ching (Appointed on 10 September 2009 and resigned on 15 March 2010)
Ms. Yeung Ching Yu (Appointed on 10 September 2009 and resigned on 15 March 2010)
Ms. Yuen Siu Ping (removed on 15 December 2009)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Wong Man Hin, Raymond (appointed on 7 December 2009)
Mr. Hong Po Kui, Martin (appointed on 7 December 2009)
Ms. Liu Mei Ling, Rhoda (appointed on 10 December 2009)
Mr. Cheng Kai Tai, Allen (resigned on 8 December 2009)
Mr. Yip Ki Chi, Luke (appointed on 24 April 2008 and resigned on 10 December 2009)
Mr. Soo Say Keong, Sean (appointed on 24 April 2008 and resigned on 9 December 2009)

In accordance with Article 130 of the Company's Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

In addition, pursuant to the Company's Articles of Association, the Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Three Executive Directors, Mr. Lee Soo Ghee, Mr. Yip Kai Wing and Mr. Kwong Chi Ching will retire by rotation, at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election at that meeting.

Three Executive Directors, Ms. Tsang Yue, Joyce, Mr. Tung Kwok Lui and Mr. Wong Shu Pui and three Independent Non-executive Directors, Ms. Liu Mei Ling, Rhoda, Mr. Wong Man Hin, Raymond and Mr. Hong Po Kui, Martin shall hold office until the forthcoming annual general meeting of the Company and shall be eligible for re-election at that meeting.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lee Soo Ghee and Mr. Yip Kai Wing had entered into a service contract with the Company dated 20 January 2006 under which they each agreed to act as an Executive Director for a term of three years commencing from 9 February 2006. There is no service contract entered between the Company and Mr. Lee Soo Ghee and Mr. Yip Kai Wing respectively after their service contracts dated 9 February 2006 had expired on 8 February 2009. There is no service contract entered between the Company and Mr. Kwong Chi Ching, Ms. Tsang Yue, Joyce, Mr. Tung Kwok Lui and Mr. Wong Shu Pui respectively, regarding their appointment of Executive Director; and there is no service contract entered between the Company and Ms. Liu Mei Ling, Rhoda, Mr. Wong Man Hin, Raymond and Mr. Hong Po Kui, Martin respectively, regarding their appointment of Independent Non-executive Directors.

Save as disclosed above, none of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed above, in the paragraph headed "Connected Transactions" and in Note 32 to the financial statements, no contract of significance to the business of the Group to which the Company, its subsidiaries, its holding companies or any subsidiaries of its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTEREST

JF (Singapore) Group (comprising JF Holdings (S) Pte Limited and its subsidiaries) is principally engaged in the provision of beauty and wellness services at its network of beauty centres in Singapore and engaged in the provision of beauty services in Malaysia while the Group is principally engaged in the provision of beauty and wellness services and sale of beauty products in Hong Kong. Ms. Tsang Yue, Joyce resigned as the sole director of JF (Singapore) Group on 19 September 2007. However, she is deemed to be 100% interested in JF (Singapore) Group as at 31 March 2010. Given that JF (Singapore) Group is principally engaged in the provision of beauty services in Singapore and Malaysia, which is in a different geographical location from that of the Group, the Directors consider that the business activities of JF (Singapore) Group do not compete with those of the Group.

Nevertheless, each of JF Holdings (S) Pte Limited and Ms. Tsang Yue, Joyce has entered into a deed of undertaking in favour of the Group to the effect that each of them will not, and will procure that none of its subsidiaries (other than the Group) and the companies controlled by her (other than the Group), respectively, will engage or otherwise be involved in any business which competes or is likely to compete with any of the business carried on by any member of the Group in relation to the provision of (i) beauty and facial services, (ii) spa and massage services, (iii) slimming services, (iv) fitness services and (v) sales of beauty products, as at 9 February 2006 in any of the regions in the world (but exclude Singapore and Malaysia). Due to corporate restructuring reorganisation plans occurred between 2008 and 2009, certain subsidiaries of JF (Singapore) Group have been transferred to a corporation wholly owned by Ms. Tsang Yue, Joyce.

Save as disclosed herein and in the paragraph headed "Connected Transactions", none of the Directors or their respective associates (as defined in the Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out in the section headed "Biography of Directors and Senior Management" of the annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

At 31 March 2010, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which will be required to be notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), or will be required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in Shares/underlying Shares of the Company

Name of Director	Capacity/ Nature of interest	Number of Shares	Number of Shares subject to options granted under the Share Option Scheme *(Note 1)*	Number of Shares/ Underlying Shares interested	Approximate percentage of issued Shares *(Note 2)*
Mr. Lee Soo Ghee	Beneficial owner	650,000	1,350,000	2,000,000	0.28%
	Interest of spouse	479,768,000 *(Note 3)*	—	479,768,000	66.31%
Mr. Yip Kai Wing	Beneficial owner	185,000	500,000	685,000	0.09%
Mr. Kwong Chi Ching	Beneficial owner	—	200,000	200,000	0.03%

Notes:

1. Further details of the interests of the Directors in the options under the Share Option Scheme are set out under the paragraph headed "Share Option Schemes" below.

2. The relevant percentages are calculated by reference to the Shares in issue on 31 March 2010, i.e. 723,520,000 Shares.

3. Mr. Lee Soo Ghee is the spouse of Ms. Tsang Yue, Joyce and is deemed to be interested in the Shares in which Ms. Tsang Yue, Joyce (re-appointed as Chairperson and Chief Executive Officer on 16 April 2010) is deemed or taken to be interested for the purpose of the SFO as stated in the section headed "Long positions of substantial Shareholders in the Shares and underlying Shares of the Company").

LONG POSITIONS IN SHARES OF THE ASSOCIATED CORPORATIONS OF THE COMPANY

Name of Director	Capacity	Name of the associated corporation	Number of Shares	Percentage of the issued shares of the associated corporation
Mr. Lee Soo Ghee	Interest of spouse	Silver Compass Holdings Corp.	100 *(Note)*	100%
	Interest of spouse	Silver Hendon Enterprises Corp.	100 *(Note)*	100%

Note: Both Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp. (each holding 367,200,000 Shares and 100,800,000 Shares, respectively) are wholly-owned by Ms. Tsang Yue, Joyce, the spouse of Mr. Lee Soo Ghee.

Save as disclosed above, none of the Directors or chief executives of the Company had, at 31 March 2010, any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO), or which would have to be, pursuant to section 352 of the SFO, entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the paragraph headed "Share Option Schemes" below and the paragraph headed "Directors' and Chief Executive's Interests or Short Positions in Shares, Underlying Shares or Debentures" above, at no time during the year, were rights to acquire benefits by means of the acquisitions of Shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its subsidiaries, its holding companies, or any subsidiaries of its holding companies a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, at 31 March 2010, Shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions of substantial Shareholders in the Shares and underlying Shares of the Company

Name of Director	**Capacity/ Nature of interest**	**Number of Shares**	**Number of Shares subject to options granted under the Share Option Scheme** *(Note 1)*	**Number of Shares/ Underlying Shares interested**	**Approximate percentage of issued Shares** *(Note 2)*
Ms. Tsang Yue, Joyce *(Note 3)*	Interests of controlled corporations	468,000,000	—	468,000,000	64.68%
	Founder of discretionary trust	4,368,000	—	4,368,000	0.60%
	Beneficial owner	7,400,000	—	7,400,000	1.02%
	Interest of spouse	650,000 (Note 4)	1,350,000	2,000,000	0.28%
Mr. Lee Soo Ghee	Beneficial owner	650,000	1,350,000	2,000,000	0.28%
	Interest of spouse	479,768,000 (Note 5)	—	479,768,000	66.31%
Silver Compass Holdings Corp.	Beneficial owner	367,200,000 (Note 6)	—	367,200,000	50.75%
Silver Hendon Enterprises Corp.	Beneficial owner	100,800,000 (Note 6)	—	100,800,000	13.93%

Notes:

1. Further details of the interests of the Directors in the options under the Share Option Scheme are set out under the paragraph headed "Share Option Schemes" below.

2. The relevant percentages are calculated by reference to the Shares in issue on 31 March 2010, i.e. 723,520,000 Shares.

3. Ms. Tsang Yue, Joyce has been re-appointed as Chairperson and Chief Executive Officer of the Company on 16 April 2010.

4. Ms. Tsang Yue, Joyce, is the spouse of Mr. Lee Soo Ghee and is deemed to be interested in the Shares in which Mr. Lee Soo Ghee is deemed or taken to be interested for the purpose of the SFO.

5. Mr. Lee Soo Ghee is the spouse of Ms. Tsang Yue, Joyce and is deemed to be interested in the Shares in which Ms. Tsang Yue, Joyce is deemed or taken to be interested for the purpose of the SFO.

6. Both Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp. are wholly owned by Ms. Tsang Yue, Joyce.

Save as disclosed above, at 31 March 2010, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

On 20 January 2006, the Company has established a share option scheme (the "Share Option Scheme") whereby the Board is authorized to, grant options to Directors and employees of the Group.

On 23 October 2006, the Board resolved to grant 15,640,000 share options to certain Directors and employees of the Group pursuant to the Share Option Scheme, to take up option to subscribe for shares of the Company at an exercise price of HK$1.33 per option and exercisable for a period of four to nine years commencing from the date of grant. The life of options is ten years.

Relevant information relating to the Share Options Scheme is set out as follows:

(A) PURPOSE OF THE SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to give employees and directors of the Group an opportunity to have a personal stake in the Company and help motivate them to optimise their performance and efficiency and attract and retain them whose contributions are important to the long-term growth and profitability of the Group.

(B) PARTICIPANTS OF THE SHARE OPTION SCHEME

The Board may, at its absolute discretion and on such terms as it may think fit, offer any employee (whether full-time or part-time) and director of the Group (the "Participant") options to subscribe for Shares at the price calculated in accordance with paragraph (e) below and subject to the other terms of the Share Option Scheme. The basis of eligibility of any of the Participants to the grant of options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group based on his performance and/or years of service and other relevant factors. An offer of grant of an option may be accepted by a grantee, upon acceptance of the option, the grantee shall pay HK$1.00 to the Company on acceptance of the offer for the grant of the option as consideration for the grant.

(C) MAXIMUM NUMBER OF SHARES AVAILABLE FOR ISSUE UNDER THE SHARE OPTION SCHEME

Except with the approval of the Shareholders at general meeting, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the issued share capital of the Company as at 9 February 2006 or 30% of the issued share capital of the Company from time to time. No options may be granted under the Scheme if this will result in such limit being exceeded.

(D) MAXIMUM ENTITLEMENT OF EACH PARTICIPANT UNDER THE SHARE OPTION SCHEME

Except with the approval of the Shareholders at general meeting, no option shall be granted to any participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue.

(E) BASIS OF DETERMINING THE EXERCISE PRICE

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board and notified to the Participants and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

(F) PERIOD OF THE SHARE OPTION SCHEME

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing from 20 January 2006, after which period no further option shall be granted.

Movements of the options granted under the Share Option Scheme were as follows:

Grantee	No. of options as at 1 April 2009	Reclassification	No. of options cancelled/ lapsed during the year	No. of options as at 31 March 2010	Date of grant	Period during which options are exercisable	Exercise price per share	Approximate percentage of issued Shares *(Note)*
Directors								
Mr. Lee Soo Ghee	337,500	–	–	337,500	23 October 2006	23 October 2010 to 22 October 2016	HK$1.33	0.05%
Mr. Lee Soo Ghee	472,500	–	–	472,500	23 October 2006	23 October 2014 to 22 October 2016	HK$1.33	0.07%
Mr. Lee Soo Ghee	540,000	–	–	540,000	23 October 2006	23 October 2015 to 22 October 2016	HK$1.33	0.07%
Ms. Yuen Siu Ping	375,000	–	(375,000)	–	23 October 2006	23 October 2010 to 22 October 2016	HK$1.33	N/A
Ms. Yuen Siu Ping	525,000	–	(525,000)	–	23 October 2006	23 October 2014 to 22 October 2016	HK$1.33	N/A
Ms. Yuen Siu Ping	600,000	–	(600,000)	–	23 October 2006	23 October 2015 to 22 October 2016	HK$1.33	N/A
Mr. Yip Kai Wing	125,000	–	–	125,000	23 October 2006	23 October 2010 to 22 October 2016	HK$1.33	0.02%
Mr. Yip Kai Wing	175,000	–	–	175,000	23 October 2006	23 October 2014 to 22 October 2016	HK$1.33	0.02%
Mr. Yip Kai Wing	200,000	–	–	200,000	23 October 2006	23 October 2015 to 22 October 2016	HK$1.33	0.03%

Grantee	No. of options as at 1 April 2009	Reclassification	No. of options cancelled/ lapsed during the year	No. of options as at 31 March 2010	Date of grant	Period during which options are exercisable	Exercise price per share	Approximate percentage of issued Shares *(Note)*
Directors								
Mr. Kwong Chi Ching	50,000	–	–	50,000	23 October 2006	23 October 2010 to 22 October 2016	HK$1.33	0.01%
Mr. Kwong Chi Ching	70,000	–	–	70,000	23 October 2006	23 October 2014 to 22 October 2016	HK$1.33	0.01%
Mr. Kwong Chi Ching	80,000	–	–	80,000	23 October 2006	23 October 2015 to 22 October 2016	HK$1.33	0.01%
Ms. Yeung Ching Yu	–	25,000	(25,000)	–	23 October 2006	23 October 2010 to 22 October 2016	HK$1.33	N/A
Ms. Yeung Ching Yu	–	35,000	(35,000)	–	23 October 2006	23 October 2014 to 22 October 2016	HK$1.33	N/A
Ms. Yeung Ching Yu	–	40,000	(40,000)	–	23 October 2006	23 October 2015 to 22 October 2016	HK$1.33	N/A
Ms. Chu Shu Ching	–	25,000	(25,000)	–	23 October 2006	23 October 2010 to 22 October 2016	HK$1.33	N/A
Ms. Chu Shu Ching	–	35,000	(35,000)	–	23 October 2006	23 October 2014 to 22 October 2016	HK$1.33	N/A
Ms. Chu Shu Ching	–	40,000	(40,000)	–	23 October 2006	23 October 2015 to 22 October 2016	HK$1.33	N/A
Others	2,192,500	(50,000)	(460,000)	1,682,500	23 October 2006	23 October 2010 to 22 October 2016	HK$1.33	0.23%
Others	3,069,500	(70,000)	(644,000)	2,355,500	23 October 2006	23 October 2014 to 22 October 2016	HK$1.33	0.33%
Others	3,508,000	(80,000)	(736,000)	2,692,000	23 October 2006	23 October 2015 to 22 October 2016	HK$1.33	0.37%
Total	**12,320,000**	**–**	**(3,540,000)**	**8,780,000**				

Note:

The relevant percentages are calculated by reference to the shares in issue on 31 March 2010, i.e. 723,520,000 shares.

Information on the accounting policy for options granted under the Share Option Scheme and the fair value of the options is provided in Note 26 to the financial statements.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the existing Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company and the Group were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2010, purchases from the Group's five largest suppliers accounted for 22% (2009: 49%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 5% (2009: 17%).

Sales to the Group's five largest customers in aggregate accounted for less than 5% of the Group's total sales for both years. None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

CONNECTED TRANSACTIONS

The following transactions of the Group constituted connected transactions under the Listing Rules during the year ended 31 March 2010:

A. The following continuing connected transaction is exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules by reason that the transaction is on normal commercial terms and the total amount of the transaction expected to be incurred each year during the duration of the agreement will not exceed 2.5% of the relevant percentage ratios (other than the profit ratio):

   Tenancy Agreement of Shops Nos. 11-13 of Kam Shan Building, Tai Wai, New Territories, Hong Kong

   On 16 September 2009, a tenancy agreement ("Kam Shan Tenancy Agreement") was entered into between Luck Elegant Industrial Limited, a company controlled by Ms. Tsang Yue, Joyce falling outside the Group, and Modern Beauty Salon (HK) Limited, a wholly owned subsidiary of the Company included in the Group, pursuant to which Modern Beauty Salon (HK) Limited leased from Luck Elegant Industrial Limited the premises at Shops Nos. 11-13 on the Ground Floor of Kam Shan Building, Nos. 1-5, 9, 13-27 & 31-35 Tai Wai Road, Tai Wai, Shatin, New Territories, Hong Kong as a service centre of the Group. The duration of the Kam Shan Tenancy Agreement is three years ending on 17 September 2012, both dates inclusive.

   The premises is being used as a service centre of the Company in Shatin, which is neighbouring another service centre of the Company rented from a landlord who is a third party independent of the Company and the connected persons of the Company.

   The rental paid by the Group to Luck Elegant Industrial Limited under the Kam Shan Tenancy Agreement amounted to HK$1,680,000 for the year ended 31 March 2010 (2009: HK$1,680,000). The annual rental is calculated based on a monthly rental of HK$140,000.

The terms of the Kam Shan Tenancy Agreement were arrived at after arm's length negotiation and on normal commercial terms. The rental of the Kam Shan Tenancy Agreement was determined by reference to the prevailing market rental value of the Property as at 10 September 2009, as assessed by an independent property valuer.

The above disclosure relating to the Kam Shan Tenancy Agreement is made in accordance with Rule 14A.46 of the Listing Rules.

Tenancy agreement of Nos. 297/303 & 307/313 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong

On 1 October 2008, Golden National Limited, a company controlled by Ms. Tsang Yue, Joyce falling outside the Group, and Modern Beauty Salon (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into a tenancy agreement (the "Sha Tsui Road Tenancy Agreement") pursuant to which Modern Beauty Salon (Hong Kong) Limited leased from Golden National Limited, the premises at Chung On Building, Nos. 297/303 & 307/313 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong as a beauty and wellness service centre of the Group. The duration of the Sha Tsui Road Tenancy Agreement is three years ending on 30 September 2011.

The rental paid by the Group in relation to the premises amounted to HK$9,600,000 for the year ended 31 March 2010 (2009: HK$4,800,000). The rental is calculated based on a monthly rental of HK$800,000.

The terms of the Sha Tsui Road Tenancy Agreement were arrived at after arm's length negotiation and on normal commercial terms. The rental of the Sha Tsui Road Tenancy Agreement was determined by reference to the prevailing market rental value of the property.

The above disclosure relating to the Sha Tsui Road Tenancy Agreement is made in accordance with Rule 14A.46 of the Listing Rule.

B. The following continuing connected transactions are exempt from the reporting, announcement or independent shareholder's approval requirement under Rule 14A.33 of the Listing Rules and are included for information only.

Tenancy agreement of 1st Floor, No.46 Carnarvon Road, Tsimshatsui, Kowloon, Hong Kong

On 1 January 2009, Chain Tech International Limited and Modern Beauty Salon (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into a tenancy agreement (the "Carnarvon Road Tenancy Agreement") pursuant to which Modern Beauty Salon (Hong Kong) Limited leased from Chain Tech International Limited, the premises at 1st Floor, No. 46 Carnarvon Road, Tsimshatsui, Kowloon, Hong Kong as a service centre of the Group. The duration of the Carnarvon Road Tenancy Agreement is three years ending on 31 December 2011, both dates inclusive.

The rental paid by the Group in relation to the premises under the New Carnarvon Road Tenancy Agreement amounted to HK$336,000 for the year ended 31 March 2010 (2009: 84,000).

Tenancy agreement of 1st Floor together with the landing on the Ground Floor and the Staircase appertaining thereto, Peace Tower, No. 6 Peace Avenue, Kowloon, Hong Kong

On 10 October 2008, All Link International Limited, a company controlled by Ms. Tsang Yue, Joyce falling outside the Group, and Modern Beauty Salon (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into a tenancy agreement (the "Peace Avenue Tenancy Agreement") pursuant to which Modern Beauty Salon (HK) Limited leased from All Link International Limited, the premises at 1st Floor together with the landing on the Ground Floor and the Staircase appertaining thereto, Peace Tower, No. 6 Peace Avenue, Kowloon, Hong Kong as a service centre of the Group. The duration of the Peace Avenue Tenancy Agreement is three years ending on 9 October 2011, both dates inclusive.

The rental paid by the Group in relation to the premises with respect of the Peace Avenue Tenancy Agreement amounted to HK$960,000 for the year ended 31 March 2010 (2009: HK$456,774).

C. The following transactions have been approved by independent shareholders at an Extraordinary General Meeting held on 30 October 2009.

On 23 September 2009, Modern Beauty Management Company Limited ("Modern Beauty Management"), a wholly owned subsidiary of the Company and All Link International Limited ("All Link"), a company controlled by Ms. Tsang Yue, Joyce entered into a disposal agreement in which Modern Beauty Management has conditionally agreed to sell the entire issued share capital of each of East Union Industries Limited, Joy East Limited, Well Faith International Enterprise Limited and Wise World Limited ("Disposal Group"), each of which is an indirect wholly owned subsidiary of the Company and the debt due by the Disposal Group to Modern Beauty Management of approximately HK$114.0 million to All Link at the aggregate consideration of HK$190.0 million ("the Disposal"). The principal assets of the Disposal Group are the properties in Hong Kong as follow:

ADDRESS OF PROPERTIES

(i) Workshops Nos. 11-31, 32B, 33B, 41-78 and Store Room No. 10 on 6th Floor and Lorry Car Parking Space Nos. L8, L10, L14 and L15 on Basement Sino Industrial Plaza No. 9 Kai Cheung Road, Kowloon Bay, Kowloon

(ii) 18th Floor, Hou Feng Industrial Building, Nos. 1-5 Wing Kin Road, Kwai Chung, New Territories

(iii) Workshop Nos. 2-3 on 4th Floor and Car Parking Space No. G11 on Ground Floor, Hong Kong Worsted Mills Industrial Building, Nos. 31-39 Wo Tong Tsui Street, Kwai Chung, New Territories

(iv) D1-D14, 3rd Floor, Block D and Car Parking Space Nos. 131-132 on 1st Floor, Tsing Yi Industrial Centre Phase II, Nos. 1-33 Cheung Tat Road, Tsing Yi, New Territories

(v) Shop 1 on Ground Floor, Len Fat Mansion, Nos. 56-60, 64-86 Kin Yip Street, Yuen Long, New Territories and 1st Floor (with flat roof adjacent thereto) including the staircases and landings on and leading from the Ground Floor to the First Floor and Covered Air-Conditioned Plant Shelter on 2nd Floor, Len Fat Mansion, Nos.56-60, 64-86 Kin Yip Street, Yuen Long, New Territories

(vi) 1st and 2nd Floor, The Grandeur, No.47 Jardine's Bazaar, Hong Kong

(vii) 1st Floor, 2nd Floor (including the staircase entrance on the Ground Floor appertaining to and exclusively leading to the said First Floor and Second Floor), Main Roof and the Exterior of the Eastern and Western Side Walls of Wai Lun Building, Nos. 78-84A Hennessy Road, Hong Kong

(viii) Workshop Units 401, 404A, 404B and 405, 4 Floor, Hong Kong Worsted Mills Industrial Building, Nos. 31-39, Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong

At the time of the Disposal, the above properties (i) to (vii) were used by the Group as its operating facilities.

As part of the whole arrangement in respect of the Disposal, upon the completion of this transaction, the Group (as tenant) and the relevant Disposal Group (as landlord) has entered into the Lease Agreements in respect of each of the above properties (i) to (vii) at an aggregate annual rental of HK$8.82 million for a term for three years commencing from the completion date of the Disposal, which was completed on 13 November 2009.

Tenancy agreement of the above property (vii) was terminated in April 2010.

The Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of business of the Company;

(ii) either on normal commercial terms or, on terms no less favourable to the Company than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors of the Company have engaged the auditors to perform certain agreed-upon procedures on the aforesaid continuing connected transactions on a sample basis and the auditors have, based on the work performed, provided a letter to the Directors of the Company stating that:

1. the transactions have been approved by the Company's Directors;

2. the transactions were entered into in accordance with the pricing policies of the Company;

3. the transactions were entered into in accordance with the terms of the relevant agreements governing such transactions;

4. the transactions did not exceed the respective relevant annual limits as set out in the relevant announcements of the Company.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that the Company has maintained the prescribed public float under the Listing Rules.

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

Pursuant to the written resolutions passed by the Shareholders on 21 August 2009, a general mandate was granted to the Directors to exercise the powers of the Company to purchase Shares up to a maximum of 10% of the issued share capital of the Company.

During the year ended 31 March 2010, 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.

AUDIT COMMITTEE

The Group's annual report for the year ended 31 March 2010 has been reviewed by the Audit Committee. Information on the work of the Audit Committee and its composition are set out in the Corporate Governance Report on pages 47 to 48.

AUDITOR

During the year, PricewaterhouseCoopers resigned as auditors of the Company and RSM Nelson Wheeler were appointed by the directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. A resolution for re-appointment of RSM Nelson Wheeler as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Ms. Tsang Yue, Joyce
Chairperson and Chief Executive Officer

Hong Kong, 16 July 2010

RSM! Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
MODERN BEAUTY SALON HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Modern Beauty Salon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 69 to 114, which comprise the consolidated and Company statements of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong
16 July 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Turnover	7	**430,750**	661,795
Other income	8	**5,928**	11,392
Cost of inventories sold		**(15,319)**	(20,258)
Advertising costs		**(8,839)**	(28,177)
Building management fees		**(18,242)**	(21,907)
Bank charges		**(23,775)**	(29,914)
Employee benefit expenses	9	**(254,108)**	(332,923)
Depreciation and amortisation		**(42,864)**	(40,736)
Occupancy costs		**(108,777)**	(111,465)
Other operating expenses		**(53,618)**	(69,499)
Operating (loss)/profit		**(88,864)**	18,308
Interest income		**267**	3,907
Finance costs	10	**(2,387)**	—
Gain on disposals of subsidiaries	29(a)	**36,592**	—
(Loss)/profit before tax		**(54,392)**	22,215
Income tax credit/(expense)	11	**13,147**	(4,990)
(Loss)/profit for the year	12	**(41,245)**	17,225
Other comprehensive income after tax for the year:			
Exchange differences on translating foreign operations		**200**	362
Total comprehensive (loss)/income for the year		**(41,045)**	17,587
Dividends	14	**20,259**	31,111
(Loss)/earnings per share (HK cents)	15		
– Basic		**(5.70)**	2.38
– Diluted		**N/A**	2.37

Consolidated Statement of Financial Position

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**75,444**	127,897
Leasehold land prepayments	17	**122,374**	113,681
Trade and other receivables, deposits and prepayments	19	**24,037**	21,578
Deferred tax assets	20	**26,190**	9,701
		248,045	272,857
Current assets			
Inventories	21	**6,492**	9,403
Leasehold land prepayments	17	**3,241**	2,203
Trade and other receivables, deposits and prepayments	19	**171,372**	138,180
Current tax assets		**5,566**	39,866
Pledged bank deposits	22	**7,155**	9,412
Cash and cash equivalents	23	**244,905**	137,826
		438,731	336,890
Total assets		**686,776**	609,747
EQUITY			
Capital and reserves			
Share capital	24	**72,352**	72,352
Reserves	25	**186,847**	226,560
Total equity		**259,199**	298,912

	Note	**2010**	2009
		HK$'000	HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	20	**—**	1,055
Current liabilities			
Trade and other payables, deposits received and accrued expenses	27	**48,629**	53,556
Deferred revenue	28	**376,565**	254,414
Current tax liabilities		**2,383**	1,810
		427,577	309,780
Total liabilities		**427,577**	310,835
Total equity and liabilities		**686,776**	609,747
Net current assets		**11,154**	27,110
Total assets less current liabilities		**259,199**	299,967

Approved by the Board of Directors on 16 July 2010

Yip Kai Wing
Director

Tung Kwok Lui
Director

Statement of Financial Position

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Investment in a subsidiary	18	**101,076**	101,076
Current assets			
Amount due from a subsidiary	18	**223,626**	276,730
Cash and cash equivalents	23	**61,199**	8,182
		284,825	284,912
Total assets		**385,901**	385,988
EQUITY			
Capital and reserves			
Share capital	24	**72,352**	72,352
Reserves	25	**313,548**	313,634
Total equity		**385,900**	385,986
LIABILITIES			
Current liabilities			
Trade and other payables, deposits received and accrued expenses		**1**	2
Total liabilities		**1**	2
Total equity and liabilities		**385,901**	385,988
Net current assets		**284,824**	284,910
Total assets less current liabilities		**385,900**	385,986

Approved by the Board of Directors on 16 July 2010

Yip Kai Wing
Director

Tung Kwok Lui
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2008	72,352	146,875	2,053	(53,982)	1,684	205,697	374,679
Total comprehensive income for the year	—	—	—	—	362	17,225	17,587
Share-based payments	—	—	1,427	—	—	—	1,427
Lapse of share options	—	—	(232)	—	—	232	—
2008 final dividend paid	—	—	—	—	—	(63,670)	(63,670)
2009 interim dividend paid	—	—	—	—	—	(31,111)	(31,111)
Changes in equity for the year	—	—	1,195	—	362	(77,324)	(75,767)
Balance at 31 March 2009 and 1 April 2009	72,352	146,875	3,248	(53,982)	2,046	128,373	298,912
Total comprehensive loss for the year	—	—	—	—	200	(41,245)	(41,045)
Share-based payments	—	—	1,332	—	—	—	1,332
Lapse of share options	—	—	(1,316)	—	—	1,316	—
Changes in equity for the year	—	—	16	—	200	(39,929)	(39,713)
Balance at 31 March 2010	72,352	146,875	3,264	(53,982)	2,246	88,444	259,199

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Note	**2010** **HK$'000**	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(54,392)**	22,215
Adjustments for:			
Depreciation of property, plant and equipment		**39,074**	38,532
Amortisation of leasehold land prepayments		**3,790**	2,204
Interest income		**(267)**	(3,907)
Finance costs		**2,387**	—
Equity-settled share-based payments		**1,332**	1,427
Gain on disposals of subsidiaries		**(36,592)**	—
Loss on disposals of property, plant and equipment		**1,472**	1,561
Operating (loss)/profit before working capital changes		**(43,196)**	62,032
Decrease in inventories		**2,911**	3,180
Increase in trade and other receivables, deposits and prepayments		**(54,980)**	(61,534)
(Decrease)/increase in trade and other payables, deposits received and accrued expenses		**(4,886)**	6,067
Increase/(decrease) in deferred revenue		**122,068**	(10,777)
Cash generated from/(used in) operations		**21,917**	(1,032)
Interest received		**267**	3,907
Interest paid		**(2,387)**	—
Income tax refunded/(paid)		**32,176**	(61,919)
Net cash generated from/(used in) operating activities		**51,973**	(59,044)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(21,217)**	(59,265)
Purchase of leasehold land		**(114,767)**	—
Disposals of subsidiaries	29(a)	**70,580**	—
Proceeds from disposals of property, plant and equipment		**62**	822
Decrease/(increase) in pledged bank deposits		**2,257**	(148)
Net cash used in investing activities		**(63,085)**	(58,591)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from ultimate controlling party	29(b)(i)	**118,000**	—
Dividends paid		**—**	(94,781)
Net cash generated from/(used in) financing activities		**118,000**	(94,781)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**106,888**	(212,416)
Effect of foreign exchange rate changes		**191**	431
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**137,826**	349,811
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**244,905**	137,826

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is M&C Corporate Services Limited, PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The address of its principal place of business is 6th floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

The Group is controlled by Silver Compass Holdings Corp ("SCHC") (incorporated in the British Virgin Islands), which owns 51% of the Company's shares. The remaining 14% of the shares are held by Silver Hendon Enterprises Corporation ("SHEC") and 35% are widely held. Both SCHC and SHEC are wholly owned by Ms. Tsang Yue, Joyce ("Ms. Tsang"). In the opinion of the directors of the Company, SCHC is the ultimate holding company; and Ms. Tsang, who is also a director of the Company, is the ultimate controlling party of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

a. Presentation of financial statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

b. Operating segments

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving as the starting point for the identification of such segments. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

The segment accounting policies under HKFRS 8 are stated in note 6 to the financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving a higher degree of critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its carrying amount together with any remaining goodwill relating to the subsidiary and also any related accumulated exchange reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position the investment in a subsidiary is stated at cost less allowance for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit or loss as part of the gain or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in the profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	Over the lease term
Leasehold improvements	Over the lease term
Equipment and machinery	4 years
Furniture and fixtures	4 years
Motor vehicles	3 years
Computers	3 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(f) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Recognition and derecognition of financial instruments *(Continued)*

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(g) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(h) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(i) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Trade and other payables

Trade and other payables are stated initially at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from provision of beauty and wellness services is recognised when services treatments are delivered to customers. Payments that are related to services not yet rendered are deferred and shown as deferred revenue in the statement of financial position. Upon expiry of prepaid packages of beauty and wellness services, the corresponding deferred revenue is fully recognised in profit or loss.

Revenue from the sales of skincare products and equipment is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the skincare products and equipment are delivered to customers.

Interest income is recognised on a time proportion basis using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

(n) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits *(Continued)*

(iii) Pension obligations

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iv) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Borrowing costs *(Continued)*

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(s) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets except deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(u) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Distinction between investment properties and owner-occupied properties

During the year, the Group acquired a commercial building in Hong Kong to be used by the Group for the purpose of operating beauty and healthcare service centre and related business initially. The building is vacant and certain demolishing work is undergoing. The Group is currently formulating the detail development plan and considering the opportunity to sale or to lease out the part of/ the whole building. As there is no decision to sale or to lease out the building made as at the date of this report, the directors still determine to recognise the entire building as owner-occupied property and classify its cost as property, plant and equipment and leasehold land prepayments.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of store renovation and relocation. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated.

Income taxes

The Group is subject to income taxes in Hong Kong and the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of property, plant and equipment

The Group conducts impairment reviews of property, plant and equipment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Determining whether an asset is impaired requires an estimation of the value in use, which requires the Group to estimate the future cash flows and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 March 2010 in relation to each class of recognised financial assets is the carrying amounts of those assets as included in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its deposits with banks and trade receivables. The Group has credit policies in place and the exposures to these credit risks are monitored on an ongoing basis.

The credit risk on deposits with banks is limited as the counterparties are reputable banks with sound credit ratings.

Sales to customers are made in cash or via credit cards. The credit risk on trade receivables is limited as the counterparties are reputable banks with sound credit ratings.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

As at 31 March 2010 and 2009 the maturity of the Group's financial liabilities is less than one year.

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its deposits with banks. The deposits with bank bear interests at variable rates varied with the then prevailing market condition.

At 31 March 2010, if interest rates at that date had been 75 basis points higher/ lower with all other variables held constant, consolidated loss after tax for the year would have been HK$1,890,000 lower/ higher (2009: consolidated profit after tax for the year would have been HK$1,104,000 higher/lower), arising mainly as the result of the higher/lower interest income from bank deposits.

(e) Categories of financial instruments at 31 March

	2010	2009
	HK$'000	HK$'000
Financial assets:		
Loan and receivables (including cash and cash equivalents)	**447,469**	306,996
Financial liabilities:		
Financial liabilities at amortised costs	**48,629**	53,556

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. SEGMENT INFORMATION

The Group has two reportable segments as follows:

Beauty and wellness services	—	Provision of beauty and wellness services
Skincare and wellness products	—	Sales of skincare and wellness products

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profits or losses do not include other income, interest income, finance costs, unallocated costs, which comprise corporate administrative expenses, gain on disposals of subsidiaries, and income tax credit or expense. Segment assets do not include property held for corporate uses, current tax assets and deferred tax assets. Segment liabilities do not include current tax liabilities and deferred tax liabilities.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

6. SEGMENT INFORMATION *(Continued)*

Information about reportable segment profit or loss, assets and liabilities:

	Beauty and wellness services HK$'000	Skincare and wellness products HK$'000	Total HK$'000
Year ended 31 March 2010			
Revenue from external customers	**402,016**	**28,734**	**430,750**
Inter-segment revenue	**—**	**11,756**	**11,756**
Segment (loss)/profit	**(81,817)**	**11,838**	**(69,979)**
Other segment information:			
Additions to non-current assets	**153,080**	**—**	**153,080**
Depreciation and amortisation	**41,591**	**698**	**42,289**
As at 31 March 2010			
Segment assets	**652,856**	**2,164**	**655,020**
Segment liabilities	**422,018**	**3,176**	**425,194**
Year ended 31 March 2009			
Revenue from external customers	641,793	20,002	661,795
Inter-segment revenue	—	16,054	16,054
Segment profit	27,203	13,363	40,566
Other segment information:			
Additions to non-current assets	57,788	—	57,788
Depreciation and amortisation	39,532	274	39,806
As at 31 March 2009			
Segment assets	517,195	7,505	524,700
Segment liabilities	304,403	3,567	307,970

6. SEGMENT INFORMATION *(Continued)*

Reconciliations of reportable segment profit or loss, assets and liabilities:

	2010 HK$'000	2009 HK$'000
Profit or loss:		
Total (loss)/profit of reportable segments	**(69,979)**	40,566
Other income	**5,928**	11,392
Interest income	**267**	3,907
Finance costs	**(2,387)**	—
Gain on disposals of subsidiaries	**36,592**	—
Corporate administrative expenses	**(24,813)**	(33,650)
Income tax credit/(expense)	**13,147**	(4,990)
Consolidated (loss)/profit for the year	**(41,245)**	17,225
Assets:		
Total assets of reportable segments	**655,020**	524,700
Property held for corporate uses	**—**	35,480
Deferred tax assets	**26,190**	9,701
Current tax assets	**5,566**	39,866
Total assets	**686,776**	609,747
Liabilities:		
Total liabilities of reportable segments	**425,194**	307,970
Deferred tax liabilities	**—**	1,055
Current tax liabilities	**2,383**	1,810
Total liabilities	**427,577**	310,835
Other information:		
Total additions to non-current assets of reportable segments	**153,080**	57,788
Additions of property held for corporate uses	**—**	1,477
Consolidated additions to non-current assets	**153,080**	59,265
Total depreciation and amortisation of reportable segments	**42,289**	39,806
Depreciation and amortisation of property held for corporate uses	**575**	930
Consolidated depreciation and amortisation	**42,864**	40,736

6. SEGMENT INFORMATION *(Continued)*

Geographical information:

	Revenue		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**398,139**	626,046	**192,923**	234,050
Mainland China	**32,611**	35,749	**4,895**	7,528
Consolidated total	**430,750**	661,795	**197,818**	241,578

In presenting the geographical information, revenue is based on the locations of the customers and non-current assets do no include deferred tax assets and trade and other receivables, deposits and prepayments.

7. TURNOVER

	2010	2009
	HK$'000	HK$'000
Revenue from provision of beauty and wellness services	**391,095**	621,686
Revenue recognised upon expiry of prepaid beauty packages	**10,921**	20,107
	402,016	641,793
Sales of skincare and wellness products	**28,734**	20,002
	430,750	661,795

8. OTHER INCOME

	2010	2009
	HK$'000	HK$'000
Gross rental income	**375**	731
Food income	**—**	955
Commission income	**1,350**	2,652
Magazine subscription income	**1,944**	6,385
Other income	**2,259**	669
	5,928	11,392

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 HK$'000	2009 HK$'000
Wages and salaries	242,269	317,519
Retirement benefits scheme contributions	10,507	12,823
Other staff welfare	—	1,154
Share-based payments (note 26)	1,332	1,427
	254,108	332,923

Directors' emoluments

The emoluments of each director were as follows:

Name of Director	Note	Fees HK$'000	Salaries HK$'000	Share-based payments HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Lee Soo Ghee		—	6,964	146	12	7,122
Yip Kai Wing		—	527	54	12	593
Kwong Chi Ching		—	816	22	12	850
Tung Kwok Lui	(i)	—	452	—	7	459
Wong Shu Pui	(i)	—	449	—	7	456
Liu Mei Ling, Rhoda	(ii)	80	—	—	—	80
Wong Man Hin, Raymond	(iii)	60	—	—	—	60
Hong Po Kui, Martin	(iii)	60	—	—	—	60
Chu Shu Ching	(iv)	—	106	11	5	122
Yeung Ching Yu	(iv)	—	126	11	5	142
Yuen Siu Ping	(vi)	—	491	162	6	659
Mok Hin Yuk	(vii)	—	57	—	2	59
Cheng Kai Tai, Allen	(viii)	120	—	—	6	126
Yip Ki Chi, Luke	(ix)	120	—	—	6	126
Soo Say Keong, Sean	(x)	120	—	—	6	126
Total for 2010		560	9,988	406	86	11,040

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

(Continued)

Directors' emoluments *(Continued)*

The emoluments of each director were as follows: *(Continued)*

Name of Director	Note	Fees HK$'000	Salaries HK$'000	Share-based payments HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Tsang Yue, Joyce	(v)	—	10,092	146	8	10,246
Lee Soo Ghee		—	9,569	146	12	9,727
Yip Kai Wing		—	620	54	12	686
Kwong Chi Ching		—	994	22	12	1,028
Yuen Siu Ping	(vi)	—	1,658	162	12	1,832
Mok Hin Yuk	(vii)	—	372	—	12	384
Cheng Kai Tai, Allen	(viii)	180	—	—	9	189
Yip Ki Chi, Luke	(ix)	169	—	—	8	177
Soo Say Keong, Sean	(x)	169	—	—	8	177
Wong See Hong	(xi)	15	—	—	1	16
Yu How Yuen	(xii)	15	—	—	1	16
Total for 2009		548	23,305	530	95	24,478

Notes:

(i) Appointed on 10 September 2009
(ii) Appointed on 10 December 2009
(iii) Appointed on 7 December 2009
(iv) Appointed on 10 September 2009 and resigned on 15 March 2010
(v) Resigned on 26 November 2008 and reappointed on 16 April 2010
(vi) Removed on 15 December 2009
(vii) Resigned on 10 September 2009
(viii) Resigned on 8 December 2009
(ix) Appointed on 24 April 2008 and resigned on 10 December 2009
(x) Appointed on 24 April 2008 and resigned on 9 December 2009
(xi) Resigned on 9 May 2008
(xii) Resigned on 30 May 2008

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

(Continued)

Five highest paid individuals

The five highest paid individuals in the Group during the year included 3 (2009: 4) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 (2009: 1) individuals are set out below:

	2010 **HK$'000**	2009 HK$'000
Basic salaries and allowances	**1,493**	832
Retirement benefit scheme contribution	**24**	12
Share-based payments	**86**	—
	1,603	844

The emoluments fell within the following band:

	Number of individuals	
	2010	2009
Nil – HK$1,000,000	**2**	1

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FINANCE COSTS

	2010 **HK$'000**	2009 HK$'000
Interest on loan from ultimate controlling party	**2,387**	—

11. INCOME TAX (CREDIT)/EXPENSE

	2010 **HK$'000**	2009 HK$'000
Current tax – Hong Kong Profits Tax		
– Provision for the year	**5,260**	8,430
– Over-provision in prior years	**(1,109)**	(1,065)
	4,151	7,365
Deferred tax (note 20)	**(17,298)**	(2,375)
	(13,147)	4,990

Hong Kong Profits Tax is provided at 16.5% (2009: 16.5%) based on the assessable profits for the year.

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law is effective from 1 January 2008.

No provision for PRC enterprise income tax has been made for the year ended 31 March 2010 (2009: Nil) as the PRC subsidiaries of the Company either did not generate any assessable profits for the year or have available tax losses brought forward from prior years to offset against any assessable profits generated during the year.

The reconciliation between the income tax (credit)/expense and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2010 **HK$'000**	2009 HK$'000
(Loss)/profit before tax	**(54,392)**	22,215
Tax at the domestic tax rate of 16.5%	**(8,975)**	3,665
Tax effect of income that is not taxable	**(7,687)**	(594)
Tax effect of expenses that is not deductible	**3,210**	236
Over-provision in prior years	**(1,109)**	(1,065)
Tax effect of utilisation of tax losses not previously recognised	**(2)**	—
Tax effect of tax losses not recognised	**1,652**	1,411
Over-provision of deferred tax in prior years	**—**	2,092
Effect on opening deferred tax from reduction in tax rate	**—**	(61)
Effect of different tax rates of subsidiaries	**(236)**	(694)
Income tax (credit)/expense	**(13,147)**	4,990

12. (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year is stated after charging the following:

	2010 HK$'000	2009 HK$'000
Auditor's remuneration	**1,912**	2,763
Depreciation	**39,074**	38,532
Operating lease charges for land and buildings	**112,567**	113,669
Loss on disposals of property, plant and equipment	**1,472**	1,561

13. (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$1,418,000 (2009: profit of HK$203,592,000).

14. DIVIDENDS

	2010 HK$'000	2009 HK$'000
2009 interim dividend of HK4.3 cents per ordinary share	**—**	31,111
Proposed special dividend of HK2.8 cents per ordinary share	**20,259**	—
	20,259	31,111

Note:

Proposed special dividend for the year ended 2010 of HK2.8 cents per ordinary share amounting to HK$20,259,000 is subject to the approval at the annual general meeting of the Company on 27 August 2010.

15. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss (2009: earnings) per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$41,245,000 (2009: profit attributable to owners of the Company of approximately HK$17,225,000) and the weighted average number of ordinary shares of 723,520,000 (2009: 723,520,000) in issue during the year.

(b) Diluted (loss)/earnings per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 March 2010.

For the year ended 31 March 2009, the calculation of diluted earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$17,225,000 and the weighted average number of ordinary shares of 725,884,559, being the weighted average number of ordinary shares of 723,520,000 in issue during that year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 2,364,559 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the end of that reporting period.

16. PROPERTY, PLANT AND EQUIPMENT

	Group						
	Buildings HK$'000	Leasehold improvements HK$'000	Equipment and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
Cost							
At 1 April 2008	40,257	108,814	79,400	6,817	7,048	7,877	250,213
Additions	—	42,138	8,780	264	6,607	1,476	59,265
Disposals/write off	—	(4,032)	(1,611)	—	(2,367)	(111)	(8,121)
Exchange differences	—	66	24	2	—	2	94
At 31 March 2009 and 1 April 2009	40,257	146,986	86,593	7,083	11,288	9,244	301,451
Additions	9,818	13,266	1,927	22	—	—	25,033
Disposals/write off	—	(36,024)	(29,671)	(5,142)	(1,060)	(1,891)	(73,788)
Disposals of subsidiaries	(40,257)	—	—	—	—	—	(40,257)
Exchange differences	—	73	32	2	—	6	113
At 31 March 2010	9,818	124,301	58,881	1,965	10,228	7,359	212,552
Depreciation							
At 1 April 2008	1,882	62,642	60,096	5,503	5,613	5,021	140,757
Charge for the year	884	25,019	8,510	432	2,063	1,624	38,532
Disposals/write off	—	(1,651)	(1,609)	—	(2,367)	(111)	(5,738)
Exchange differences	—	2	1	—	—	—	3
At 31 March 2009 and 1 April 2009	2,766	86,012	66,998	5,935	5,309	6,534	173,554
Charge for the year	545	25,517	8,634	418	2,502	1,458	39,074
Disposals/write off	—	(35,210)	(29,669)	(5,142)	(342)	(1,891)	(72,254)
Disposals of subsidiaries	(3,311)	—	—	—	—	—	(3,311)
Exchange differences	—	29	13	1	—	2	45
At 31 March 2010	—	76,348	45,976	1,212	7,469	6,103	137,108
Carrying amount							
At 31 March 2010	9,818	47,953	12,905	753	2,759	1,256	75,444
At 31 March 2009	37,491	60,974	19,595	1,148	5,979	2,710	127,897

17. LEASEHOLD LAND PREPAYMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
At beginning of year	**115,884**	118,088
Additions	**128,047**	—
Amortisation	**(3,790)**	(2,204)
Disposals of subsidiaries	**(114,526)**	—
At end of year	**125,615**	115,884
Current portion	**(3,241)**	(2,203)
Non-current portion	**122,374**	113,681

The Group's prepaid land lease payments are analysed as follows:

	2010	2009
	HK$'000	HK$'000
In Hong Kong:		
Medium term leases	**125,615**	72,965
Long term leases	**—**	42,919
	125,615	115,884

18. INVESTMENT IN A SUBSIDIARY

	The Company	
	2010	2009
	HK$'000	HK$'000
Unlisted investments, at cost	**101,076**	101,076

The amount due from a subsidiary is unsecured, interest-free and repayable on demand.

The following is a list of the principal subsidiaries as at 31 March 2010:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest		Principal activities and place of operation
			Direct	Indirect	
BE Universal Limited	Hong Kong	1,000 ordinary shares of HK$1 each	—	100%	Sales of skincare products, Hong Kong
Beauty Expert (B.V.I.) Limited	British Virgin Islands	1,000 ordinary shares of US$1 each	—	100%	Provision of franchise and trademark services in relation to the provision of beautification and gymnastic services, Hong Kong
Beauty Expert (International) Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Provision of management services and sales of skincare product, Hong Kong
Giant Harvest Advertising & Communications Limited	Hong Kong	1 ordinary share of HK$1	—	100%	Provision of advertising services, Hong Kong
Beauty Expert (Logistics) Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Sales of skincare products and leasing of fixed assets, Hong Kong

18. INVESTMENT IN A SUBSIDIARY *(Continued)*

The following is a list of the principal subsidiaries as at 31 March 2010 *(Continued)*:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities and place of operation
Kin Yik Biomedical Technology Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Provision of beauty and wellness services and sales of skincare products, Hong Kong
Koladen Enterprises Inc.	British Virgin Islands	100 ordinary shares of US$1 each	100%	—	Investment holding, Hong Kong
Rise Luck Development Limited	Hong Kong	1,000 ordinary shares of HK$1 each	—	100%	Property holding, Hong Kong
Modern (Human Resource) Limited	Hong Kong	10,000 ordinary shares of HK$1	—	100%	Provision of management services, Hong Kong
Zi Advertising (HK) Limited	Hong Kong	10,000 ordinary shares of HK$1	—	100%	Provision of advertising services, Hong Kong
Modern Beauty Holdings Limited	British Virgin Islands	1,000 ordinary shares of US$1 each	—	100%	Investment holding, Hong Kong
Modern Beauty Management Company Limited ("MBMC")	Hong Kong	1,000 ordinary shares of HK$1 each	—	100%	Investment holding, Hong Kong
Modern Beauty Salon (HK) Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Sales of beauty and wellness services and sales of skincare products, Hong Kong

18. INVESTMENT IN A SUBSIDIARY *(Continued)*

The following is a list of the principal subsidiaries as at 31 March 2010 *(Continued)*:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities and place of operation
Modern Beauty Salon (International) Limited	British Virgin Islands	450,000 preferred shares of US$0.1 each and 50,000 ordinary shares of US$0.1 each	—	100%	Provision of sub-franchising services in relation to the provision of beautification and gymnastic services, Hong Kong
Modern Beauty Saloon Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Provision of sub-franchising services in relation to the provision of beautification and gymnastic services, Hong Kong
Moral Management Limited	Hong Kong	1 ordinary share of HK$1	—	100%	Investment holding, Hong Kong
Nice Sound Investments Limited	British Virgin Islands	1 ordinary share of US$1	—	100%	Investment holding, Hong Kong
Shanghai Be Beauty Salon and Fitness Company Limited 上海貝倚美容健身有限公司 ("SHBS") (Note)	PRC	Registered capital of HK$10,000,000	—	100%	Sales of beauty and wellness services, PRC
Guangzhou Be Beauty Salon and Fitness Company Limited 廣州貝倚美容健身有限公司 ("GZBS") (Note)	PRC	Registered capital of HK$10,000,000	—	100%	Sales of beauty and wellness services, PRC

18. INVESTMENT IN A SUBSIDIARY *(Continued)*

The following is a list of the principal subsidiaries as at 31 March 2010 *(Continued)*:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest		Principal activities and place of operation
			Direct	Indirect	
Beijing Modern Beauty Salon Company Limited 北京芭伊妮美容有限公司 ("BJMBS") (Note)	PRC	Registered capital of US$1,250,000	—	100%	Sales of beauty and wellness services, PRC

Note: SHBS, GZBS and BJMBS are wholly foreign owned enterprises established in the PRC. These subsidiaries have financial reporting year end dated on 31 December in accordance with the local statutory requirements, which is not coterminous with the Group. The consolidated financial statements of the Group were prepared based on the financial statements of these subsidiaries for the twelve months ended 31 March 2010.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Non-current assets		
Rental and other deposits	**24,037**	21,578
Current assets		
Trade receivables	**148,525**	91,197
Rental and other deposits, prepayments and other receivables	**22,847**	46,467
Amounts due from related companies (Note 32(b))	**—**	516
	171,372	138,180
	195,409	159,758

The Group's turnover comprises mainly cash and credit card sales. The credit terms with banks/credit card companies are within 150 days (2009: 150 days) from the date of billings.

An ageing analysis of trade receivables, based on the billing date, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
0 – 30 days	**26,196**	29,155
31 – 60 days	**13,556**	29,249
61 – 90 days	**14,859**	27,255
91 – 150 days	**5,360**	5,538
Over 150 days	**88,554**	—
	148,525	91,197

As at 31 March 2010, trade receivables of approximately HK$86,249,000 (2009: approximately HK$12,222,000) were held by the banks in reserve accounts to secure the Group's performance of services to customers who paid for the services by the banks' credit cards, in accordance with the merchant agreements entered into between the Group and the banks.

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

As of 31 March 2010, trade receivables of approximately HK$10,717,000 are past due but not impaired (2009: Nil). These balances relate to banks/credit card companies for whom there are no recently history of default, most of which had been subsequently settled as of the date of this annual report. The ageing analysis of these trade receivables, based on due date, is as follows:

	Group	
	2010 HK$'000	2009 HK$'000
0 – 30 days	**7,670**	—
31 – 60 days	**645**	—
61 – 90 days	**115**	—
91 – 150 days	**52**	—
Over 150 days	**2,235**	—
	10,717	—

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	Group	
	2010 HK$'000	2009 HK$'000
Hong Kong dollars	**148,447**	91,136
Renminbi	**78**	61
Total	**148,525**	91,197

20. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group.

	Group			
	Accelerated tax depreciation HK$'000	**Decelerated tax depreciation HK$'000**	**Tax losses HK$'000**	**Total HK$'000**
At 1 April 2008	(209)	6,477	—	6,268
(Charge)/credit to profit for the year *(note 11)*	(846)	1,179	2,042	2,375
Exchange differences	—	3	—	3
At 31 March 2009 and 1 April 2009	(1,055)	7,659	2,042	8,646
Credit to loss for the year *(note 11)*	—	2,923	14,375	17,298
Disposals of subsidiaries	1,055	(833)	—	222
Exchange differences	—	2	22	24
At 31 March 2010	—	9,751	16,439	26,190

20. DEFERRED TAX *(Continued)*

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group	
	2010	2009
	HK$'000	HK$'000
Deferred tax assets	**26,190**	9,701
Deferred tax liabilities	**—**	(1,055)
	26,190	8,646

At the end of the reporting period the Group has unused tax losses of HK$126,985,000 (2009: HK$38,873,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$87,997,000 (2009: HK$8,170,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$38,988,000 (2009: HK$30,703,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$18,341,000 (2009: HK$18,368,000) that will expire in five years from year the losses were incurred. Other tax losses may be carried forward indefinitely.

21. INVENTORIES

As at 31 March 2010 and 31 March 2009, inventories represented finished goods.

22. PLEDGED BANK DEPOSITS

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. The deposits are in United States dollars and at floating interest rate of 0.045% p.a. and therefore are subject to foreign currency risk and fair value interest rate risk.

23. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	Group	
	2010	2009
	HK$'000	HK$'000
Cash at bank and cash in hand	**214,046**	73,026
Short-term bank deposits	**30,859**	64,800
	244,905	137,826

23. CASH AND CASH EQUIVALENTS *(Continued)*

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	Group	
	2010	2009
	HK$'000	HK$'000
Hong Kong dollars	**219,104**	58,863
United States dollars	**103**	56,227
Renminbi *(Note)*	**25,698**	22,736
	244,905	137,826

Note: Conversion of Renminbi into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The carrying amounts of the Company's cash and cash equivalents represented cash at bank and cash in hand and are denominated in Hong Kong dollars.

24. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 April 2008, 31 March 2009 and 31 March 2010	**10,000,000,000**	**1,000,000**
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 April 2008, 31 March 2009 and 31 March 2010	**723,520,000**	**72,352**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maximise returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the shares registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

25. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium HK$'000	Share-based compensation reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2008	146,875	2,053	47,076	7,392	203,396
Share-based payments	—	1,427	—	—	1,427
Lapse of share options	—	(232)	—	232	—
Profit for the year	—	—	—	203,592	203,592
2008 final dividend paid	—	—	—	(63,670)	(63,670)
2009 interim dividend paid	—	—	—	(31,111)	(31,111)
At 31 March 2009 and 1 April 2009	146,875	3,248	47,076	116,435	313,634
Share-based payments	—	1,332	—	—	1,332
Lapse of share options	—	(1,316)	—	1,316	—
Loss for the year	—	—	—	(1,418)	(1,418)
At 31 March 2010	146,875	3,264	47,076	116,333	313,548

25. RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Share-based compensation reserve

The share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors and employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(o) to the financial statements.

(iii) Merger reserve

Pursuant to the Group's reorganisation effected on 24 January 2006 (the "Reorganisation"), the Company acquired the share capital of Koladen Enterprises Inc. ("KEI") in consideration of allotment and issue of 539,999,925 shares to SCHC and SHEC. Under the merger basis of accounting, the difference between the nominal value of the shares of subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange amounting to approximately HK$53,982,000 was debited to the merger reserve account of the Group.

(iv) Contributed Surplus

The contributed surplus of the Company arose as a result of the Reorganisation and represented the excess of the fair value of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefore.

(v) Exchange reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(b)(iii) to the financial statements.

26. SHARE-BASED PAYMENTS

Equity-settled share option scheme

On 20 January 2006, the Company has established a share option scheme (the "Share Option Scheme") whereby the Board of Directors is authorised to grant share options to the directors and employees of the Group.

On 23 October 2006, the Board of Directors resolved to grant 15,640,000 share options to certain directors and employees of the Group pursuant to the Share Option Scheme, to subscribe for shares of the Company at an exercise price of HK$1.33 per option. The share options are exercisable for a period of one to six years after the vesting period of four to nine years commencing from the date of grant. The life of the share options is ten years.

Particulars of the Share Option Scheme is set out in pages 57 to 60 of this annual report.

Details of the share options outstanding during the year are as follows:

	Number of share options			
	Outstanding at beginning of year	Reclassification	Lapsed during the year	Outstanding at end of year
Year ended 31 March 2010				
Directors	**3,550,000**	**200,000**	**(1,700,000)**	**2,050,000**
Senior management	**450,000**	**—**	**—**	**450,000**
Other employees	**6,970,000**	**(200,000)**	**(490,000)**	**6,280,000**
Others	**1,350,000**	**—**	**(1,350,000)**	**—**
	12,320,000	**—**	**(3,540,000)**	**8,780,000**
Year ended 31 March 2009				
Directors	4,900,000	(1,350,000)	—	3,550,000
Senior management	750,000	—	(300,000)	450,000
Other employees	7,550,000	—	(580,000)	6,970,000
Others	—	1,350,000	—	1,350,000
	13,200,000	—	(880,000)	12,320,000

The fair value of the share options granted on 23 October 2006 determined using the Black-Scholes valuation model was HK$11,847,300. The significant inputs into the model were share price of HK$1.33 as at the grant date, exercise price of HK$1.33 per option, expected volatility of 50%, expected life of options of ten years, expected dividend paid-out rate of 10.38% and annual risk-free interest rate of 4.13% for exercise dates beginning on 23 October 2010, 2014 and 2015, respectively. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis.

27. TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	Group	
	2010	2009
	HK$'000	HK$'000
Trade payables	**409**	918
Other payables, deposits received and accrued expenses	**45,632**	52,638
Amounts due to related companies (note 32(b))	**2,588**	—
	48,629	53,556

An ageing analysis of trade payables based on invoice date at the end of the reporting period is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within 90 days	**409**	918

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	Group	
	2010	2009
	HK$'000	HK$'000
Hong Kong dollars	**391**	904
Renminbi	**18**	14
	409	918

28. DEFERRED REVENUE

An ageing analysis of the deferred revenue is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within 1 year	**270,234**	170,602
More than 1 year but within 2 years	**78,570**	43,883
More than 2 years but within 3 years	**27,761**	39,929
	376,565	254,414

Movement of deferred revenue:

	Group	
	2010	2009
	HK$'000	HK$'000
At beginning of year	**254,414**	265,028
Gross receipts for sales of prepaid beauty packages	**524,084**	631,016
Revenue recognised for provision of beauty and wellness services	**(391,095)**	(621,686)
Revenue recognised upon expiring prepaid beauty packages	**(10,921)**	(20,107)
Exchange differences	**83**	163
At end of year	**376,565**	254,414

29. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposals of subsidiaries

(i) During the year, the Group disposed of the entire interests in its three wholly-owned subsidiaries, which are dormant, to independent third parties at an aggregated consideration of HK$5.

(ii) As referred to the Company's circular dated 14 October 2009, MBMC, a wholly-owned subsidiary of the Company and All Link International Limited ("All Link"), a company which is ultimately beneficially owned by Ms. Tsang, entered into a disposal agreement on 23 September 2009 (the "Disposal Agreement").

Pursuant to the Disposal Agreement, the Group has conditionally agreed to sell the entire interests in its wholly-owned subsidiaries, namely, East Union Industries Limited, Joy East Limited, Well Faith International Enterprise Limited, and Wise World Limited (the "Sale Companies"); and all the amounts due by the Sale Companies to MBMC at the date of completion of the disposals, at an aggregated consideration of HK$190 million. The disposal was completed on 13 November 2009.

29. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Disposals of subsidiaries *(Continued)*

(iii) Net assets of the three dormant companies and the Sale Companies at the dates of disposals were as follows:

	HK$'000
Property, plant and equipment	36,946
Leasehold land prepayments	114,526
Deferred tax assets	833
Trade and other receivables, deposits and prepayments	2,233
Current tax assets	1,106
Cash and cash equivalents	1,420
Trade and other payables, deposits received and accrued expenses	(302)
Deferred tax liabilities	(1,055)
Due to MBMC	(143,724)
Current tax liabilities	(2,560)
Net assets disposed of	9,423
Due to MBMC disposed and liabilities of the Sale Companies undertaken by the Group	143,985
Gain on disposals of subsidiaries	36,592
Total consideration	190,000
Satisfied by:	
Cash	72,000
Set off of loan from ultimate controlling party (note 29(b(i)))	118,000
	190,000
Net cash inflow arising on disposal:	
Cash consideration received	72,000
Cash and cash equivalents disposed of	(1,420)
	70,580

(b) Major non-cash transactions

(i) On 16 June 2009, the Group obtained a loan from the ultimate controlling party, Ms. Tsang, amounted to HK$118 million, which is unsecured, bears interest at the best lending rate quoted by the Standard Chartered Bank (Hong Kong) Limited and repayable on demand. During the year, the loan was fully settled by offsetting the consideration for the disposals of the Sale Companies in accordance with the Disposal Agreement.

(ii) Consideration for the additions to leasehold land and property, plant and equipment during the year was settled by offsetting the deposits of HK$13,280,000 and HK$3,816,000 respectively paid to the sellers in prior year.

30. COMMITMENTS

(a) Commitments under operating leases

At 31 March 2010, the total future minimum lease payments under non-cancelable operating leases are payable as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Not later than one year	**101,023**	95,630
Later than one year and not later than five years	**105,102**	108,456
Over five years	**503**	1,399
	206,628	205,485

Operating lease payments represent rentals payable by the Group for certain of its beauty service centres, retail shops, offices and warehouses. Leases are negotiated for an average term of 3 years (2009: 3 years) and rentals are fixed over the lease terms and are based on the higher of a minimum guaranteed rental or a sales level based rental. The minimum guaranteed rental has been used to compute the above commitments.

(b) Capital commitments

Capital commitments at the end of the reporting period are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted but not yet provided for:		
Acquisition of land and building	**—**	119,520
Acquisition of plant and equipment	**1,537**	1,151
	1,537	120,671

31. CONTINGENT LIABILITIES

During the course of business, the Group has received complaints and claims concerned with the provision of beauty services in respect of breach of contract, content of advertisement, tenancy dispute and personal injuries in relation to the services provided, including claims of insignificant or unspecified amounts. The directors are of the opinion that such complaints and claims are remote and have no material financial impact to the Group.

32. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Related party transactions

In addition to those related party transactions disclosed elsewhere in the financial statements, the Group had the following material transactions with its related parties during the year:

		2010 HK$'000	2009 HK$'000
(i)	Rental expenses paid to related companies:		
	All Link International Limited	**960**	457
	Chain Tech International Limited	**336**	408
	East Union Industries Limited	**396**	—
	Joy East Limited	**87**	—
	Luck Elegant Industrial Limited	**1,680**	1,680
	Golden National Limited	**9,600**	4,800
	Well Faith International Enterprise Limited	**2,530**	—
	Wise World Limited	**368**	—
		15,957	7,345
(ii)	License fees paid to a related company:		
	Grateful Heart Charitable Foundation Limited	**480**	960
(iii)	Sales of products to related companies:		
	Euro King Limited	**605**	551
	Most Glory Limited	**58**	435
		663	986
(iv)	Donation paid to a related company:		
	Grateful Heart Charitable Foundation Limited	**591**	—

Note: The pricing of the related party transactions are mutually agreed by the Group and the related companies. Ms. Tsang is the ultimate controlling party of the related companies.

32. RELATED PARTY BALANCES AND TRANSACTIONS *(Continued)*

(b) Balances with related parties

The amounts due from/to related companies are unsecured, interest free and repayable on demand. Ms. Tsang is the ultimate controlling party of the related companies.

Amounts due from related companies disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	Group		
	Balance at 31 March 2010 HK$'000	Balance at 1 April 2009 HK$'000	Maximum amount outstanding during the year HK$'000
Euro King Limited	**—**	516	516

(c) Guarantee

As at 31 March 2010, Ms. Tsang has indemnified certain companies within the Group of HK$10,000,000 against any loss resulting from any litigation and claims occurred prior to the listing of the Company's shares on the Main Board of the Stock Exchange.

(d) Key management compensation:

	Group	
	2010 HK$'000	2009 HK$'000
Fees	**560**	548
Salaries and allowances	**9,988**	23,305
Retirement benefit scheme contribution	**86**	95
Share-based payments	**406**	530
	11,040	24,478

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 16 July 2010.

Properties held by the Group

As at 31 March 2010

Location	Lease term	Use
ISA TOWER No.5 Minden Avenue, Kowloon, Hong Kong Comprising the Ground Floor, Mezzanine Floor, First Floor, Second Floor, Third Floor, Fourth Floor, Fifth Floor, Sixth Floor, Seventh Floor, Eighth Floor, Ninth Floor, Tenth Floor, Eleventh Floor and Caretaker's Flat on the Roof	Lease period between 10-50 years	Under renovation

Five Years Financial Summary

Following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years prepared on a basis as stated in the note below:

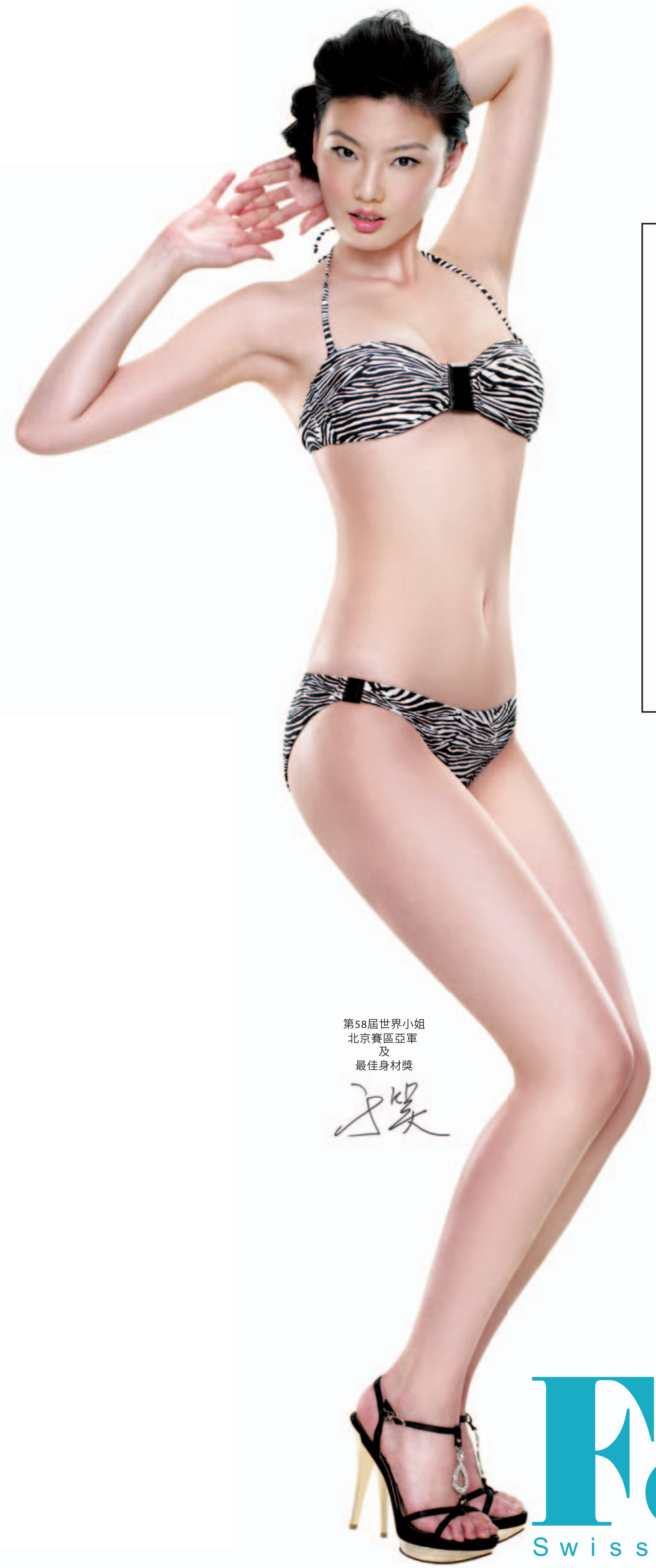
Consolidated results

	Year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**430,750**	661,795	786,002	614,064	498,265
(Loss)/profit before tax	**(54,392)**	22,215	273,833	210,468	143,477
Income tax credit/(expense)	**13,147**	(4,990)	(47,060)	(33,050)	(20,966)
(Loss)/profit for the year	**(41,245)**	17,225	226,773	177,418	122,511

Consolidated assets and liabilities

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total non-current assets	**248,045**	272,857	259,731	124,149	163,639
Total current assets	**438,731**	336,890	453,634	661,148	685,818
Total assets	**686,776**	609,747	713,365	785,297	849,457
Total non-current liabilities	**—**	(1,055)	(209)	(79)	(50)
Total current liabilities	**(427,577)**	(309,780)	(338,477)	(475,731)	(564,135)
Total liabilities	**(427,577)**	(310,835)	(338,686)	(475,810)	(564,185)
Net assets	**259,199**	298,912	374,679	309,487	285,272

Note: The summary of the consolidated assets and liabilities of the Group as at year end and the consolidated results for the financial year ended 31 March 2006 was prepared as if the current group structure had been in existence throughout these financial years.



Modern Beauty Salon Holdings Limited
6/F, Sino Industrial Plaza,
9 Kai Cheung Rd., Kowloon Bay,
Kowloon, Hong Kong
Tel:（852）2866 2377
Fax:（852）2804 6607
Email:ir@modernbeautysalon.com
Website:www.modernbeautysalon.com

現代美容控股有限公司
香港九龍九龍灣啟祥道9號信和工商中心6樓
電話：（852）2866 2377
傳真：（852）2804 6607
電郵：ir@modernbeautysalon.com
網址：www.modernbeautysalon.com

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