MODERN BEAUTY SALON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

FINANCIAL HIGHLIGHTS

- The Group's turnover reached approximately HK$874.2 million in FY2015, representing an increase of 0.6% compared with approximately HK$868.8 million in FY2014.
- Gross receipts from sales of prepaid beauty packages decreased from approximately HK$772.2 million in FY2014 to approximately HK$749.9 million in FY2015.
- Profit attributable to equity shareholders reached HK$68.8 million in FY2015, representing an increase of 25.5% compared with approximately HK$54.8 million in FY2014.
- The Board recommended the payment of a final dividend of HK2.1 cents per ordinary share for the year under review.

OPERATIONAL HIGHLIGHTS

- The Group operated a total of 42 service centres in Mainland China, Hong Kong and Taiwan with a total weighted average gross floor area of approximately 294,300 square feet.
- The Group had 14 and 3 beauty service centres in Singapore and Malaysia respectively, with a total weighted average gross floor area of approximately 28,000 square feet and approximately 8,900 square feet respectively.
- Customer number in Hong Kong and Singapore reached approximately 376,000 and 103,000 respectively.

The Board of Directors (the "Board") of Modern Beauty Salon Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2015 ("FY2015" or the "year under review"), with comparative figures for the year ended 31 March 2014 ("FY2014") as follows. The annual results for the year ended 31 March 2015 have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2015

	Note	**2015** *HK$'000*	2014 *HK$'000*
Turnover	*5*	**874,235**	868,806
Other income	*6*	**2,344**	2,919
Cost of inventories sold		**(29,103)**	(27,647)
Advertising costs		**(8,337)**	(11,028)
Building management fees		**(15,905)**	(18,101)
Bank charges		**(37,618)**	(37,343)
Employee benefit expenses	*7(b)*	**(408,527)**	(413,100)
Depreciation		**(47,821)**	(43,932)
Occupancy costs		**(163,551)**	(160,538)
Other operating expenses		**(82,852)**	(79,843)
Profit from operations		**82,865**	80,193
Interest income		**2,769**	2,066
Finance costs	*7(a)*	**(346)**	(476)
Fair value changes on investment properties		**72**	–
Fair value change on purchase consideration		**(114)**	–
Share of profit of an associate		**77**	–
Share of profit of a joint venture		**474**	–
Profit before taxation	*7*	**85,797**	81,783
Income tax expense	*8*	**(16,866)**	(26,942)
Profit for the year		**68,931**	54,841
Attributable to:			
Equity shareholders of the Company		**68,849**	54,844
Non-controlling interests		**82**	(3)
Profit for the year		**68,931**	54,841
Earnings per share (HK cents)	*10*		
Basic		**7.88**	6.28
Diluted		**7.20**	5.75

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2015

	Note	**2015**	2014
		HK$'000	*HK$'000*
Profit for the year		**68,931**	54,841
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**162**	1,208
Revaluation of investment properties		**3,552**	–
Other comprehensive income for the year		**3,714**	1,208
Total comprehensive income for the year		**72,645**	56,049
Attributable to:			
Equity shareholders of the Company		**72,495**	56,052
Non-controlling interests		**150**	(3)
Total comprehensive income for the year		**72,645**	56,049

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**122,427**	148,986
Investment properties		**12,420**	–
Interest in an associate		**79**	–
Interest in a joint venture		**5,146**	–
Deposits	*11*	**29,309**	20,053
Deferred tax assets		**14,256**	14,473
		183,637	183,512
Current assets			
Inventories		**23,499**	23,402
Trade and other receivables, deposits and prepayments	*11*	**221,363**	238,818
Tax recoverable		**15,811**	16,124
Pledged bank deposits		**53,842**	52,170
Cash and bank balances		**397,248**	440,850
		711,763	771,364
Current liabilities			
Trade and other payables, deposits received and accrued expenses	*12*	**92,129**	91,955
Deferred revenue	*13*	**604,843**	688,451
Convertible note		**3,680**	3,680
Tax payable		**16,662**	21,306
		717,314	805,392
Net current liabilities		**(5,551)**	(34,028)
Total assets less current liabilities		**178,086**	149,484

	Note	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Convertible note		**454**	1,948
Deferred tax liabilities		**1,787**	2,231
Purchase consideration payable for an acquisition		**4,673**	–
		6,914	4,179
NET ASSETS		**171,172**	145,305
CAPITAL AND RESERVES			
Share capital		**87,400**	87,400
Reserves		**83,563**	57,846
Total equity attributable to equity shareholders of the Company		**170,963**	145,246
Non-controlling interests		**209**	59
TOTAL EQUITY		**171,172**	145,305

1. GENERAL INFORMATION

Modern Beauty Salon Holdings Limited (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 provision of beauty and wellness services and the sales of skincare and wellness products. In the opinion of the directors of the Company, Ms. Tsang Yue, Joyce ("Ms. Tsang"), who is a director of the Company, is the ultimate controlling party of the Company.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 March 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate and a joint venture. The consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 March 2015 but are extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period, as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32). The financial statements also comply with the applicable disclosure provisions of the Listing Rules.

As at 31 March 2015, the Group had net current liabilities of HK$5,551,000. Notwithstanding the net current liabilities of the Group at 31 March 2015, the Group's consolidated financial statements have been prepared on a going concern basis because the directors are of the opinion that the Group would have adequate funds to meet its obligation, as and when they fall due, having regard to the following:

(i) the Group expects to generate positive operating cash flows in the future; and

(ii) the deferred revenue of HK$604,843,000 represents prepayment of beauty and wellness packages and will be recognised as income rather than refunded.

Consequently, the consolidated financial statements have been prepared on a going concern basis.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those used in the 2013/2014 annual financial statements except the changes set out in note 3.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit whose recoverable amount is based on fair value less costs of disposal. The adoption of these amendments does not have an impact on the Group's financial report.

4. 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.

Segment profits do not include other income, interest income, finance costs, fair value changes on investment properties and purchase consideration, share of profits of an associate and a joint venture, unallocated costs, which comprise corporate administrative expenses, and income tax expense. Segment assets do not include properties held for corporate uses, deferred tax assets and tax recoverable. Segment liabilities do not include tax payable, convertible note, deferred tax liabilities, amounts due to related companies, amount due to the ultimate controlling party and purchase consideration payable for an acquisition.

(a) Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2015 and 2014 is set out below.

	Beauty and wellness services *HK$'000*	**Skincare and wellness products** *HK$'000*	**Total** *HK$'000*
Year ended 31 March 2015			
Revenue from external customers	**830,794**	**43,441**	**874,235**
Reportable segment profit	**101,338**	**18,210**	**119,548**
Other segment information:			
Additions to property, plant and equipment	**31,648**	**–**	**31,648**
Depreciation	**45,142**	**2,679**	**47,821**
As at 31 March 2015			
Reportable segment assets	**822,869**	**8,933**	**831,802**
Reportable segment liabilities	**684,225**	**12,658**	**696,883**
Year ended 31 March 2014			
Revenue from external customers	828,096	40,710	868,806
Reportable segment profit	107,760	13,937	121,697
Other segment information:			
Additions to property, plant and equipment	58,097	2,048	60,145
Depreciation	38,761	5,171	43,932
As at 31 March 2014			
Reportable segment assets	887,754	11,843	899,597
Reportable segment liabilities	766,426	13,891	780,317

(b) **Reconciliations of reportable segment profit, assets and liabilities**

	2015	2014
	HK$'000	*HK$'000*
Profit:		
Reportable segment profit	**119,548**	121,697
Other income	**2,344**	2,919
Interest income	**2,769**	2,066
Finance costs	**(346)**	(476)
Fair value changes on investment properties	**72**	–
Fair value change on purchase consideration	**(114)**	–
Share of profit of an associate	**77**	–
Share of profit of a joint venture	**474**	–
Unallocated costs	**(39,027)**	(44,423)
Income tax expense	**(16,866)**	(26,942)
Consolidated profit for the year	**68,931**	54,841
Assets:		
Reportable segment assets	**831,802**	899,597
Investment properties	**12,420**	–
Properties held for corporate use	**15,886**	24,682
Interest in an associate	**79**	–
Interest in a joint venture	**5,146**	–
Deferred tax assets	**14,256**	14,473
Tax recoverable	**15,811**	16,124
Consolidated total assets	**895,400**	954,876
Liabilities:		
Reportable segment liabilities	**696,883**	780,317
Tax payable	**16,662**	21,306
Convertible note	**4,134**	5,628
Deferred tax liabilities	**1,787**	2,231
Amounts due to related companies	**87**	87
Amount due to the ultimate controlling party	**2**	2
Purchase consideration payable for an acquisition	**4,673**	–
Consolidated total liabilities	**724,228**	809,571
Other information:		
Total additions to property, plant and equipment of reportable segments and consolidated additions	**31,648**	60,145
Total depreciation of reportable segments and consolidated depreciation	**47,821**	43,932

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current asset is based on the physical location of the asset, in the case of property, plant and equipment. Specified non-current assets do not include investment properties, interests in an associate and a joint venture, deferred tax assets and deposits.

	Revenue from external customers		**Specified non-current assets**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**688,177**	648,859	**97,197**	119,927
Mainland China	**29,230**	34,124	**10,579**	9,721
Singapore	**142,070**	174,728	**11,351**	14,830
Malaysia	**11,250**	10,336	**1,012**	1,012
Taiwan	**3,508**	759	**2,288**	3,496
	874,235	868,806	**122,427**	148,986

5. TURNOVER

The principal activities of the Group are the provision of beauty and wellness services and sales of skincare and wellness products.

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2015	2014
	HK$'000	*HK$'000*
Revenue recognised from provision of beauty and wellness services and expiry of prepaid beauty packages	**830,794**	828,096
Sales of skincare and wellness products	**43,441**	40,710
	874,235	868,806

6. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Commission income	**85**	847
Government grants	**898**	880
Net gain on disposals of property, plant and equipment	**61**	–
Magazine subscription income	**–**	7
Rental income	**536**	–
Others	**764**	1,185
	2,344	2,919

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2015	2014
	HK$'000	*HK$'000*
Finance lease charges	**–**	4
Interest on convertible note wholly repayable within five years	**346**	472
	346	476

(b) Employee benefit expenses

	2015	2014
	HK$'000	*HK$'000*
Wages and salaries	**382,903**	386,789
Contributions to defined contribution retirement plan	**24,295**	24,532
Other staff welfare	**974**	1,326
Share-based payments	**355**	453
	408,527	413,100

(c) Other items

	2015	2014
	HK$'000	*HK$'000*
Auditor's remuneration		
– Current	**3,052**	2,905
Foreign exchange loss, net	**5,189**	442
Operating lease charges for land and buildings	**163,551**	160,538
Net loss on disposals of property, plant and equipment	**–**	629
Loss on disposal of a subsidiary	**47**	–

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2015	2014
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**7,139**	46
Over-provision in respect of prior years	**(23)**	(17)
	7,116	29
Current tax – Overseas		
Provision for the year	**10,502**	15,088
(Over)/under-provision in respect of prior years	**(460)**	29
	10,042	15,117
Deferred tax		
Origination and reversal of temporary differences	**(292)**	11,796
	16,866	26,942

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2013-14 subject to a maximum reduction of $10,000 for each business (2014: the same statutory concession was granted for the year of assessment 2012-13 and was taken into account in calculating the provision for 2014). Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

9. DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year

	2015	2014
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK3.4 cents per ordinary share (2014: HK2.5 cents per ordinary share)	**29,716**	21,850
Final dividend proposed after the end of the reporting period of HK2.1 cents per ordinary share (2014: HK2.0 cents per ordinary share)	**18,354**	17,480
	48,070	39,330

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$68,849,000 (2014: earnings of HK$54,844,000) and 873,996,190 ordinary shares (2014: 873,996,190 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$69,195,000 (2014: earnings of HK$55,316,000) and the weighted average number of ordinary shares of 961,615,238 shares (2014: 961,615,238 ordinary shares), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2015	2014
	HK$'000	*HK$'000*
Profit attributable to ordinary equity shareholders	**68,849**	54,844
After tax effect of effective interest on the liability component of convertible note	**346**	472
Profit attributable to ordinary equity shareholders (diluted)	**69,195**	55,316

(ii) Weighted average number of ordinary shares (diluted)

	2015	2014
Weighted average number of ordinary shares at 31 March	**873,996,190**	873,996,190
Effect of conversion of convertible note	**87,619,048**	87,619,048
Weighted average number of ordinary shares (diluted) at 31 March	**961,615,238**	961,615,238

The Company's share options and unlisted warrants as at 31 March 2015 and 2014 do not give rise to any dilution effect to the earnings per share.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015	2014
	HK$'000	*HK$'000*
Non-current asset		
Deposits	**29,309**	20,053
Current assets		
Trade receivables	**55,053**	55,790
Trade deposits retained by banks/credit card companies *(note)*	**135,774**	134,587
Rental and other deposits, prepayments and other receivables	**30,419**	48,167
Amounts due from related companies	**117**	274
	221,363	238,818
	250,672	258,871

Note: Trade deposits represent trade receivables that were retained by the banks/credit card companies in reserve accounts to secure the Group's performance of services to customers who paid for the services by credit cards, in accordance with the merchant agreements entered into between the Group and the banks/credit card companies.

(a) Ageing analysis

At the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date, is as follows:

	2015	2014
	HK$'000	*HK$'000*
0 – 30 days	**21,517**	23,711
31 – 60 days	**9,684**	9,366
61 – 90 days	**11,537**	9,834
91 – 180 days	**10,606**	9,480
Over 180 days	**1,709**	3,399
	55,053	55,790

The Group's turnover comprises mainly cash and credit card sales. Trade receivables are due within 7 – 180 days (2014: 7 – 180 days), from the date of billing.

(b) Impairment of trade receivables

At 31 March 2015 and 2014, none of the Group's trade receivables were individually determined to be impaired.

(c) Trade receivables that are not impaired

At 31 March 2015, trade receivables of approximately HK$2,577,000 that were past due but not impaired (2014: HK$2,351,000) relate to banks/credit card companies that have good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The ageing analysis of these trade receivables, based on due date, is as follows:

	2015	2014
	HK$'000	*HK$'000*
0 – 30 days	**1,626**	1,503
31 – 60 days	**117**	–
61 – 90 days	**–**	–
91 – 150 days	**–**	5
Over 150 days	**834**	843
	2,577	2,351

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

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**2,361**	2,471
Other payables, deposits received and accrued expenses	**89,679**	89,395
Amount due to the ultimate controlling party	**2**	2
Amounts due to related companies	**87**	87
	92,129	91,955

All of the trade and other payables, deposit received and accrued expenses are expected to be settled or recognised as income within one year or are repayable on demand.

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

	2015	2014
	HK$'000	*HK$'000*
Within 90 days	**2,352**	2,461
Over 90 days	**9**	10
	2,361	2,471

13. DEFERRED REVENUE

(a) An ageing analysis, based on invoice date, of the deferred revenue is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 1 year	**603,032**	655,843
More than 1 year but within 2 years	**1,811**	4,578
More than 2 years but within 3 years	**–**	28,030
	604,843	688,451

(b) Movement of deferred revenue:

	2015	2014
	HK$'000	*HK$'000*
At beginning of year	**688,451**	747,614
Gross receipts from sales of prepaid beauty packages	**749,923**	772,206
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty packages	**(830,794)**	(828,096)
Exchange differences	**(2,737)**	(3,273)
At end of year	**604,843**	688,451

OVERVIEW

During the year under review, turnover of the Group amounted to approximately HK$874.2 million, representing an increase of 0.6% compared with approximately HK$868.8 million for the year ended 31 March 2014 ("FY2014" or the "same period last year"). The receipts from sales of prepaid beauty packages during the year under review was HK$749.9 million, a decrease of 2.9% over the same period last year. The employees benefit expenses and occupancy costs decreased by 1.1% and increased by 1.9% to HK$408.5 million and HK$163.6 million respectively as compared with the same period last year. The Group recorded an operating profit of HK$82.9 million during the year under review (FY2014: operating profit of HK$80.2 million).

BUSINESS REVIEW

Hong Kong

In Hong Kong, with the enriching lifestyle of females, beauty, slimming and anti-aging have turned from extravagance to daily necessities. As revealed by the Hong Kong Census and Statistics Department, the female population in Hong Kong (excluding foreign domestic helpers) between the ages of 20 to 59 in 2013 reached 2,195,900, and this population is said to be ever increasing in the coming decades. We have long been targeting on this customer age and as at 31 March 2015, our customers in Hong Kong increased to approximately 376,000, which represents an 7.1% increase as compared to approximately 351,000 over the same period last year. With the increasing hectic pace of life, we understand that customers are requesting efficient, effective, relaxing and revitalizing beauty and slimming services. In response to these high demands, we provide a variety of services such as skincare, slimming, hairstyling, cosmetics, manicures, pedicures, electrology, medical beauty, etc.

Turnover for the year under review increased by 6.1%. According to the accounting policies, deferred revenue is recognised when service treatments are delivered to customers or upon expiry of prepaid beauty packages. Hence, unrecognized deferred revenue for the year under review will be fully recognised in revenue in the upcoming financial years according to actual situations. Revenue from services rendered and expiry of prepaid beauty packages and receipts from prepaid beauty packages for the year under review were HK$651.5 million and HK$617.0 million respectively (FY2014: HK$614.8 million and HK$617.3 million). Revenue from sales of skincare and wellness products was HK$36.7 million in FY2015 (FY2014: HK$34.0 million). Our customers in Hong Kong amounted up to a total of approximately 376,000 during the year under review, representing an increase of 7.1% as compared to approximately 351,000 in the same period last year.

To capture higher profit margins and help to unleash the most beautiful aspects for our customers, we offer a number of innovative and sophisticated beauty, slimming and anti-aging treatments and machineries, which can be exemplified by some technologies such as “HIFU Beauty System Treatment” to release high-intensity focused ultrasound to penetrate into the deep SMAS fascia skin tissue and dermis to stimulate the skin to produce more collagen and thus tighten the skin and lessen the wrinkles; “Thermage Treatment” to generate radiofrequency energy to increase metabolic rate of subcutaneous tissue and stimulate new collagen growth to make the skin look sleeker, smoother and younger and also to contour the body; “High-Speed integrated vacuum-assist technology Treatment” to provide extremely effective and long lasting result for removing unwanted hair. There are many other technologies not mentioned above being utilized to serve the best to our customers.

In terms of the sales of skincare and wellness products, as of 31 March 2015, the Group had a total of 18 stores under the names of “p.e.n” and “be Beauty Shop”, locating across Hong Kong, Kowloon and New Territories. More than 80 varieties of products are available for sale under different series of skincare service, including “Y.U.E”, “Advanced Natural”, “Bioline”, “BeYu”, “Malu Wilz” which can fulfill the needs of customers with different skin types.

Mainland China

We conduct our Mainland China operations through three wholly foreign owned enterprises established in Beijing, Shanghai and Guangzhou in the People’s Republic of China (the “PRC”). These three wholly foreign owned enterprises operate a total of 8 service centres (FY2014: 10 service centres) at the three cities referred, with a total weighted average gross floor area of approximately 28,000 square feet (FY2014: 33,500 square feet).

During the year under review, we closed one shop in Guangzhou due to the expiry of the leasehold agreement. We will continue to identify suitable shop location and open more shop to capture the business opportunity in China. The Group’s turnover in Mainland China decreased to HK$29.2 million (FY2014: HK$34.1 million) and receipts from sales of prepaid beauty packages decreased by 8.9% to HK$27.7 million as compared to HK$30.4 million for the same period last year. The business recorded a loss of HK$6.4 million during the year under review as compared with a loss of HK$3.5 million for the same period last year.

We have cooperated with a partner to set up a factory in Dongguan. The factory is scheduled to come into operation during the second half of the calendar year of 2015. The factory serves to develop and manufacture skincare and wellness products for our customers in Mainland China. Also, to cope with the ever increasing byzantine complexity of the import product licensing regulations in Mainland China, the factory serves to import raw materials of skincare products from Europe, Australia and different parts of the world to Mainland China, and then carry out filling and packaging in the factory. As a result, the procedure of importing foreign skincare products to Mainland China will be tremendously expedited to suit the increasing need of our customers in Mainland China.

Singapore and Malaysia

In FY2015, the number of service centres in Singapore and Malaysia remained unchanged at 14 and 3 respectively. During the year under review, the turnover from operations in Singapore and Malaysia was HK$153.3 million, as compared with HK$185.1 million for the same period last year. Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty packages and receipts from sales of prepaid beauty packages in Singapore and Malaysia amounted to HK$148.3 million and HK$101.3 million respectively, as compared with HK$180.3 million and HK$123.0 million for the same period last year.

The drop in revenue is mainly due to the continuous depreciation of the Singapore Dollars against Hong Kong Dollars during the second half of the year under review, and also due to the local intense competition. We will continue to pursue the business expansion of its beauty and facial and slimming services and product sales business in Singapore and Malaysia when appropriate opportunity arises in order to strengthen and enhance our brand status and brand awareness in the local market and to bring more fruitful long term return to the Group.

Taiwan

During the first half of FY2014, the Group set up two service centres in Taiwan. We will continue to maintain a prudent approach in developing the local business.

FINANCIAL REVIEW

Turnover

Set out below is a breakdown on the turnover of the Group by service lines and product sales during FY2015 (with comparative figures for FY2014):

	For the year ended 31 March				
	2015		2014		
Sales mix	***HK$'000***	**Percentage of turnover**	*HK$'000*	Percentage of turnover	**Change**
Beauty and facial	**635,734**	**72.7%**	636,930	73.3%	**–0.2%**
Slimming	**148,592**	**17.0%**	139,340	16.0%	**+6.6%**
Spa and massage	**46,468**	**5.3%**	51,649	6.0%	**–10.0%**
Fitness	**–**	**–**	177	0.0%	**–100.0%**
Beauty and wellness services	**830,794**	**95.0%**	828,096	95.3%	**+0.3%**
Sales of skincare and wellness products	**43,441**	**5.0%**	40,710	4.7%	**+6.7%**
Total	**874,235**	**100.0%**	868,806	100.0%	**+0.6%**

Turnover of the Group was mainly contributed by the beauty, facial and slimming services. During the year under review, the Group's turnover from beauty and wellness services increased by about 0.3% from approximately HK$828.1 million in FY2014 to approximately HK$830.8 million in the year under review.

The Group reported that the sales of new prepaid beauty packages of the Group amounted to HK$749.9 million, representing a slight decrease of 2.9% compared with HK$772.2 million for the same period last year, while cash and cash equivalents in hand were maintained at a healthy level. Deferred revenue will be recognised and credited to turnover in the upcoming financial years according to actual situations.

Set out below is an analysis on the deferred revenue:

Movement of deferred revenue	**For the year ended 31 March**									
	2015					2014				
	Hong Kong	**Mainland China**	**Taiwan**	**Singapore and Malaysia**	**Total**	Hong Kong	Mainland China	Taiwan	Singapore and Malaysia	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year	**537,836**	**12,509**	**772**	**137,334**	**688,451**	535,364	14,071	–	198,179	747,614
Exchange differences	**–**	**(21)**	**54**	**(2,770)**	**(2,737)**	–	295	13	(3,581)	(3,273)
Gross receipts from sales of prepaid beauty packages	**617,027**	**27,661**	**3,874**	**101,361**	**749,923**	617,304	30,359	1,518	123,025	772,206
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty package	**(651,513)**	**(27,497)**	**(3,508)**	**(148,276)**	**(830,794)**	(614,832)	(32,216)	(759)	(180,289)	(828,096)
At end of the year	**503,350**	**12,652**	**1,192**	**87,649**	**604,843**	537,836	12,509	772	137,334	688,451

Employee benefit expenses

Employee benefit expenses (including staff's salaries and bonuses as well as directors' remunerations) represented the largest component of the Group's operating costs. During the year under review, employee benefit expenses decreased by about 1.1% from HK$413.1 million in FY2014 to approximately HK$408.5 million. Employee benefit expenses accounted for 46.7% of our turnover in FY2015, as compared to 47.5% for FY2014. The total headcount of the Group as at 31 March 2015 decreased by 4.1% to 1,752, as compared to a headcount of 1,826 for the same period last year. The drop of employee benefits expenses and headcount is mainly due to the continuous cost efficiency that we endeavor to pursue. The Group's remuneration policies are in line with the prevailing market practices and are determined based on the individual performance and experience. For the purpose of motivating and rewarding our staff, discretionary bonus and share options are granted to eligible employees based on individual performance and the Group's results. The Group introduced the elite system since the first quarter of 2010, whereby excellent staff with outstanding performance will receive discretionary bonus in recognition of their contribution.

Occupancy costs

As of 31 March 2015, the Group operated a total of 42 service centres in Mainland China, Hong Kong and Taiwan with a total weighted average gross floor area of approximately 294,300 square feet, representing an decrease of 1.5% as compared to 298,800 square feet in FY2014. The number of product sales points of the Group was 76 during the year under review (FY2014: 83). As of 31 March 2015, the Group had 14 and 3 beauty service centres in Singapore and Malaysia respectively, with a total weighted average gross floor area of approximately 28,000 square feet and approximately 8,900 square feet respectively (FY2014: approximately 25,600 square feet and approximately 8,900 square feet respectively). The Group's occupancy costs in FY2015 were approximately HK$163.6 million (FY2014: HK$160.5 million), accounting for approximately 18.7% of our turnover (FY2014: 18.5%).

Depreciation

Depreciation for the year under review increased 8.9% to HK$47.8 million as compared with HK$43.9 million for FY2014. The increase is mainly due to the depreciation incurred in the renovations, beauty equipment and fixtures of the new big sized services centres opened from the beginning to the middle of the financial year of 2015.

Other operating expenses

Other operating expenses include bank charges, advertising costs, utilities and building management fees. Bank charges recorded changes in line with sales of new prepaid beauty packages, which slightly increased by 0.7% to HK$37.6 million. Advertising costs decreased to HK$8.3 million from HK$11.0 million for the same period last year. Advertising cost as a percentage of turnover decreased from 1.3% in FY2014 to 0.95% in FY2015. The decrease reflected the Group's ability to enjoy cost advantage in advertising cost as it could spread such costs across an enlarged service centre network that covers Hong Kong, the PRC, Singapore, Malaysia and Taiwan. Advertising cost is allocated in effective way to raise brand awareness and capture a greater market share.

Profit for the year

Profit for the year under review attributable to equity shareholders of the Company increased from approximately HK$54.8 million in FY2014 to approximately HK$68.8 million. Net profit margin attributable to equity shareholders of the Company increased from 6.3% in FY2014 to 7.9% in FY2015. The Group will continue to expand its business when opportunities arise in order to achieve the long-term value-added objective of maximizing shareholders' returns. Basic earnings per share was HK7.88 cents as compared to basic earnings per share of HK6.28 cents for the same period last year.

Dividend per share

The Board recommended payment of a final dividend of HK2.1 cents per share subject to approval of the shareholders at the forthcoming Annual General Meeting. Together with the interim dividends of HK3.4 cents per share paid during the year under review, the total dividend paid for the year ended 31 March 2015 will be HK5.5 cents per share.

Liquidity, financial resources and capital structure

The Group generally finances its liquidity requirements through the receipts from sales of prepaid beauty packages and settlement of credit card prepayment transactions with banks. During the year under review, we maintained a strong financial position with abundant cash and bank balances of approximately HK$397.2 million (FY2014: HK$440.9 million) with no bank borrowings. Our cash is primarily used as working capital and to finance our normal operating expenses, as well as to pay for the purchase of skincare and wellness products, materials and consumable used in the provision of beauty and wellness services. During the year under review, except for the fund required for operation, the majority of the Group's cash was held under fixed and savings deposits as in line with the Group's prudent treasury policies.

Capital expenditure

The total capital expenditure of the Group during the year under review was approximately HK$31.6 million, as compared to HK$60.1 million for the same period last year. The amount was mainly used for the additions of leasehold improvements, motor vehicles and equipment and machinery in connection with the expansion and integration of its service network in Hong Kong, Mainland China and Southeast Asian regions.

Contingent liabilities and capital commitment

The Board considered that there was no material contingent liabilities as at 31 March 2015. The Group had capital commitment of HK$7.6 million as at 31 March 2015 (31 March 2014: HK$5.2 million), mainly for the acquisition of plant and equipment.

Charges on assets

As of 31 March 2015, the Group had pledged bank deposits of HK$53.8 million (31 March 2014: HK$52.2 million) in favour of certain banks to secure banking facilities granted to certain subsidiaries in the Group.

Foreign exchange risk exposures

The Group's transactions were mainly denominated in Hong Kong Dollars. However, the exchange rates of Hong Kong Dollars against Renminbi, Singapore Dollars and Ringgit Malaysia also affected the operating costs as the Group expanded its business to Mainland China and Southeast Asian regions. The management will closely monitor the risk exposures faced by the Group, and will take necessary actions to minimise potential risks and strike a balance between our exposure and return so as to properly hedge such exposures.

Human resources and training

The Group had a workforce of 1,752 staff as of 31 March 2015 (31 March 2014: 1,826 staff), including 1,278 front-line service centre staff in Hong Kong, 99 in Mainland China and 174 in Southeast Asian regions (Singapore, Malaysia and Taiwan). Back office staff totaled 140 in Hong Kong, 19 in Mainland China and 42 in Southeast Asian regions. The Group reviews its remuneration policies on a regular basis with reference to the legal framework, market conditions and performance of the Group and individual staff. The Remuneration Committee also reviews the remuneration policies and packages of executive directors and the senior management. Share options and discretionary bonus are also granted to eligible employees based on the Group's results and individual performance of the employees. The Group has adopted the share option scheme since 20 January 2006. As at 31 March 2015, 6,120,000 share options had been granted to certain directors, senior management and employees of the Group. Pursuant to the remuneration policies of the Group, employees' remunerations comply with the legal requirements of all jurisdictions in which we operate, and are in line with the market rates. During the year under review, total employee benefit expenses including directors' emoluments amounted to HK$408.5 million, representing a 1.1% decrease as compared to HK$413.1

million in FY2014. To enhance the service quality and core skills of our staff members, the Group regularly organises training programs designed by the Group's senior management for its staff. In addition, the seminars also facilitate the interaction and communication between the Group's management and the general staff.

OUTLOOK

FY2015 has proven to be a challenging year as the persistent slowdown of China's economic growth weakened the local consumption sentiment. Hong Kong also faced with intense political controversy. Among European countries, the ongoing debt crisis has hurt the local economy as well. Nonetheless, the Group was able to record growth in revenue and reported a satisfactory profit during the period under review. These positive results are mainly attributable to our continuous dedication to offer the best and safest services and products to our customers, and the willingness to invest on its beauty and wellness business.

In July of 2014, we formed a joint venture with an Australian partner. The joint venture operates a factory in Melbourne and owns the brand called "Advanced Natural" in Australia. The joint venture engages not only in the manufacture of the"Advanced Natural" beauty and skincare products, but also wholesales and/or retails of these products internationally in Europe, Australia, Middle-East, Mainland China and Southeast Asian regions. This allows the Group to extend tremendously in geographical scope of the product business and leverage the profound experience of our partner in the said areas to tap into opportunities in bringing greater returns to the Shareholders.

We have teamed up with a partner to set up a factory in Dongguan. The factory serves two main purposes to the Group. Firstly, the factory serves to develop and manufacture skincare and wellness products for our customers in Mainland China. Secondly, to cope with the ever increasing byzantine complexity of the import product licensing regulations in China, the factory serves to import raw materials of skincare products from Europe, Australia and different parts of the world to Mainland China, and then carry out filling and packaging in the factory. As a result, the procedure of importing foreign skincare products to Mainland China will be sped up tremendously to suit the increasing need of our consumers in Mainland China.

The above two newly orchestrated operations heralds a new era to our Group and will offer momentous impetus to our product business in future.

In the coming year, the Group will continue to endeavor to improve the operational efficiency of beauty and wellness business so as to enhance its market competitiveness, profitability and to pay a healthy dividend.

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

During the year under review, the Company did not redeem, and neither the Company nor any of its subsidiaries purchased or sold, any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting ("AGM") of the Company is scheduled to be held on Wednesday, 26 August 2015. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 24 August 2015 to Wednesday, 26 August 2015, both days inclusive, during which period no transfer of Share will be effected. In order to be eligible to attend and vote at the AGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 21 August 2015.

The proposed final dividend is subject to the passing of an ordinary resolution by the Shareholders at the AGM. The record date for entitlement to the proposed final dividend is Monday, 7 September 2015. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 3 September 2015 to Monday, 7 September 2015, both days inclusive, during which period no transfer of Share will be effected. In order to qualify for the proposed final dividend, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Wednesday, 2 September 2015. The payment of final dividend will be made on Friday, 2 October 2015.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value, which emphasize transparency, accountability and independence.

The Company has adopted the code provisions ("Code Provisions") set out in the Corporate Governance Code (taking effect from 1 April 2012) (the "Code") as set out in Appendix 14 to the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the year under review, the Company met the Code Provisions in the Code, except for the deviation from Code provision A.2.1, Code Provision A.6.7 and Code Provision C.1.2 as set out below.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

During the year under review, Ms. Tsang Yue, Joyce ("Ms. Tsang") was both the Chairperson and CEO of the Company. Code provision A.2.1 of the Code stipulates that the role of chairperson and chief executive should be separate and should not be performed by the same individual. 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 senior management of the Group.

CODE PROVISION A.6.7

Code Provision A.6.7 provides that Independent Non-executive Directors and other Non-executive Directors of the Company should attend general meetings and develop a balanced understanding of the views of the shareholders.

Mr. Wong Man Hin, Raymond, an Independent Non-executive Director of the Company, was absent from the Annual General Meeting of the Company held on 29 August 2014 due to personal reason.

Mr. Hong Po Kui, Martin, an Independent Non-executive Director of the Company, was absent from the Annual General Meeting of the Company held on 29 August 2014 due to personal reason.

Mr. Lam Tak Leung, an Independent Non-executive Director of the Company, was absent from the Annual General Meeting of the Company held on 29 August 2014 due to personal reason.

CODE PROVISION C.1.2

Code Provision C.1.2 provides that management of the Company should provide all members of the board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

For some months of FY2015, the management of the Company missed in providing all members of the board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail due to job reallocation of staff in the Accounting Department of the Company. The management of the Company will ensure compliance with this Code Provision in the future.

SCOPE OF WORK OF KPMG

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2015 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

AUDIT COMMITTEE

The composition of the Audit Committee is as follows:

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

The Audit Committee has reviewed and approved the Group's annual results for the year ended 31 March 2015 prior to their approval by the Board.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under "Latest Listed Company Information" and on the website of the Company at www.modernbeautysalon.com under "Investor Relations – Statutory Announcements". The Annual Report and the Notice of Annual General Meeting will be despatched to the shareholders on or about 24 July 2015 and will be available at the Stock Exchange's and the Company's websites at the same time.

On behalf of the Board,
TSANG YUE, JOYCE
Chairperson & Chief Executive Officer

Hong Kong, 26 June 2015

As at the date of this announcement, the Board consists of Three Executive Directors, Ms Tsang Yue, Joyce, Mr Yip Kai Wing and Ms Yeung See Man and Four Independent Non-executive Directors, Ms Liu Mei Ling, Rhoda, Mr Wong Man Hin, Raymond, Mr Hong Po Kui, Martin and Mr Lam Tak Leung.