

# In Side-out

Beauty Enrichment  
內斂外豔 豐盛人生

## Financial highlights

Group's turnover increased by 32.2% to HK\$276.9 million.

Receipts from sales of prepaid beauty packages increased by 11.8% to HK\$292.4 million.

Interim dividend of HK1.4 cents per share.

## 財務摘要

本集團的營業額上升32.2%  
至276,900,000港元。

銷售預付美容套票收入上升11.8%  
至292,400,000港元。

中期股息每股1.4港仙。



**MODERN**  
BEAUTY SALON  
HOLDINGS LIMITED

現代美容控股有限公司





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## 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.

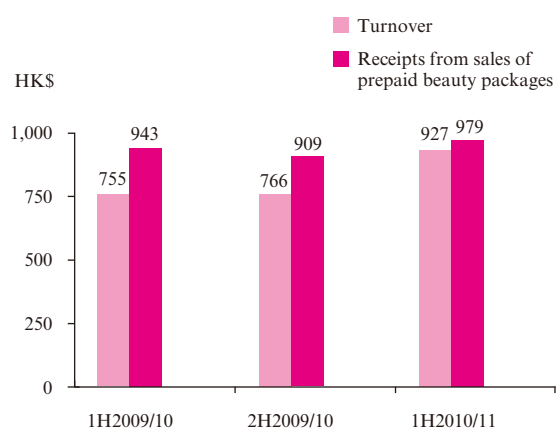
**FINANCIAL HIGHLIGHTS**

- Group's turnover increased by 32.2% to HK\$276.9 million.
- Receipts from sales of prepaid beauty packages increased by 11.8% to HK\$292.4 million.
- Profit for the period attributable to owners of the Company was approximately HK\$6.8 million.
- Interim dividend of HK1.4 cents per share.

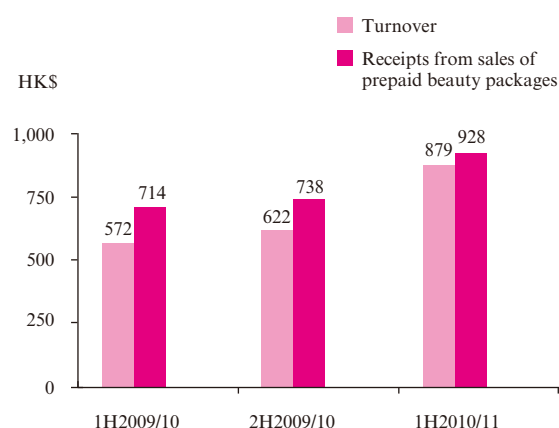
**OPERATIONAL HIGHLIGHTS**

- Hong Kong business comprised 29 beauty and spa service centres with a weighted average total gross floor area of 258,000 square feet.
- Customer number in Hong Kong reached approximately 269,400, including approximately 15,800 male customers.
- Mainland China business comprised 10 service centres respectively in Guangzhou, Shanghai and Beijing, with approximately 29,200 customers in total.

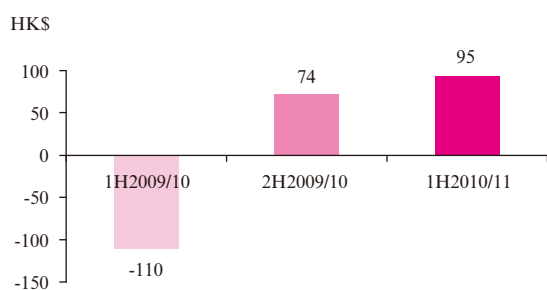
**AVERAGE SALES PER CUSTOMER**



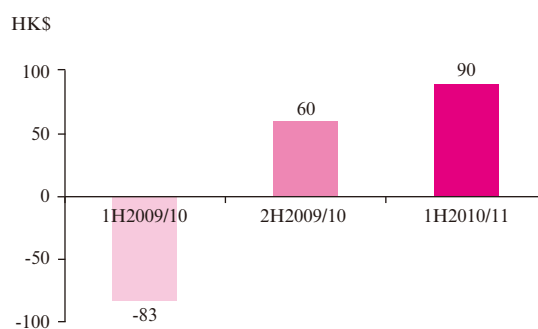
**AVERAGE SALES PER GROSS FLOOR AREA**



**EBITDA PER CUSTOMER**



**EBITDA PER GROSS FLOOR AREA**





Pamper Yourself  
**You Deserve**  
Young Skin

## Tsang Yue, Joyce *Chairperson & Chief Executive Officer*



### RESULTS

I am pleased to present the interim results of Modern Beauty Salon Holdings Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 September 2010 on behalf of the Board of Directors (the "Board").

Ever since United States' monetary policy of quantitative easing has invigorated the property market and the stock market in the territory to another boom cycle, hot money inflows into Hong Kong blesses Hong Kong consumer market with promising opportunities. Driven by a number of external factors, there is improving consumer sentiment and increasing demand for high-quality beauty and high-quality skincare services

in Hong Kong. During the period under review, the Group has successfully blossomed into profitability and reported a turnover of HK\$276,937,000, representing a growth of HK\$67,461,000 or 32.2% when compared to the figure for the same period last year and recorded a profit of HK\$6,779,000. Notwithstanding such encouraging results, we persist in adhering to a prudent financial management during the review period. Our operating costs is controlled at HK\$269,775,000, which

represents a slight increase of 1.4% over the same period of 2009/2010.

As a market leader in the beauty industry, we are renowned and respected for unwavering dedication to protect the reputation of the beauty industry, and for unswerving efforts to protect the interests of consumers. We have received overwhelmingly positive responses for the "White Knight Rescue Action", which has been implemented since 2009. By carrying out this action plan, we have restored the lost confidence of the existing and potential customers in the beauty industry.

At the same time, the computer facilities of the Group are thoroughly upgraded through successful introduction of an electronic verification system. The existing customers may access our website by using our online platform, through widely popular mobile electronic devices such as iPhone or other brands of smart phones. A wide variety of our quality services, ranging from the preference of different service centers, the choice of service time to the selection of designated professional personnel for the provision of services, may now be instantly and readily processed and reserved online within a couple of minutes.

### HONG KONG BUSINESS

During the period under review, in light of the robust economy of

Hong Kong and increasing consumer spending, there is rising demand high-quality beauty and wellness services.

The sales of our beauty and wellness service has increased by 40.5% amounting to HK\$247,356,000.



## Chairperson's Statement



As of 30 September 2010, the number of our customers in Hong Kong jumped by 6.5% to about 269,400, with 15,800 of whom being male customers (2009/10: the number of male customers amounted to 14,800). This reflects that the Group's marketing strategy to optimize customers and enhance products has reaped fruits and achieved desired results.

During the period under review, the Group has 29 beauty and wellness service centres, with a total weighted average gross floor area of approximately

258,000 square feet, representing a decrease of 16.5% when compared with the same period last year.

### MAINLAND CHINA BUSINESS

The performance of the business in Mainland China is steady. Despite swift changes in the PRC consumer market and ferocious competition amongst peer industry players, during the period under review, the Group's business in certain service centres of Mainland China has managed to turn around to profitability.

We have a total of 10 beauty and wellness centres in Beijing, Shanghai and Guangzhou, with a total weighted average gross floor area of approximately 57,000 square feet. During the period under review, the number of customers grew by 19.7% to 29,200. The rising wages and the influx of competitors have exposed us to more immense pressure on operating costs.



## OUTLOOK

Although Hong Kong's economy continues to thrive vibrantly, the global economic outlook remains uncertain. The Group will make incessant efforts to practise a prudent financial management by implementing cost control initiatives, and make a strategic move to strive for steady growth. Looking ahead, while reinforcing the existing core business, we will carefully select suitable shopping malls to establish a number of medium-sized shops in different areas to sell our products, so as to promote our new range of high-quality skincare and wellness products.

Both of "be" (the Group's own brand of high-quality skincare products) and "FERRECCARE" (a concept store providing a wide diversity of tailor-made services) have tapped into leading market position in Hong Kong and secured widespread



market awareness and acceptance amongst our customers. The Group will also take great steps in fostering a multi-brand strategy and roll out an Australian and an Italian brand of high-quality skincare products in the second half of 2010/2011 in order to target on customers from different age groups, workplaces and social classes. We believe that a new trend in beauty and skincare is to accomplish optimal results and everlasting effects through balancing the body both externally and internally. In addition, upon the completion of the project in Minden Avenue, Tsim Sha Tsui, we will launch a one-stop medical aesthetics research centre in order to cater for such market demand.

Given that the market for fitness services is saturated, we will devote our resources to develop two other business segments (namely anti-aging and medical aesthetics services) and to achieve our strategy of efficient use of resources, while continuing to provide services in this aspect to the existing customers.

To capture the growing customer demand for beauty and wellness services in Mainland China, we will continue to bolster the existing services in order to provide high-quality beauty services and

high-quality beauty care products for customers and in hence to increase cash flow.

To keep ahead of the changes in the consumption behaviours in Mainland China, we will make great leaps in launching different marketing strategies and measures, so as to capture business opportunities and meet future challenges. We will continue to cooperate with those who are interested in joining the beauty industry through franchise model, and endeavour to offer all support to achieve a win-win result.

The global economy is gradually revitalizing from the financial tsunami in 2008 and the economy of the Southeast Asian region has recovered rapidly. To seize business opportunities in these regions, the Group considers to expand its business through mergers and acquisitions of other beauty service centres in order to enlarge its market share and to deliver the best returns for the shareholders of the Group.





### SOCIAL RESPONSIBILITY

Since the electronic verification system developed by our own research and development department put into service in December 2009, the processing efficiency of the booking services of the guests has improved. By reducing paper consumption and costs of printing, it helps to raise environmental awareness, reduce logging of trees, and enhance customers' concerns for immediate problems of global warming.

### AWARDS

With the Group's enthusiasm for the beauty industry and commitment to provide the best services to customers, we are always dedicated to the research and development of high-quality beauty products. Coupled with effective marketing tactics, we have attained a remarkable success and are highly respected and recognized by the

industry. Through two decades of hard work and efforts, the Group is proud of being a winner of the "Outstanding Award of Executive Brand of Capital" presented by "Capital" magazine for five times over the past six years.

### APPRECIATION

Although we have gone through the toughest time of the financial crisis, there are still uncertainties in the external environment as the economic recovery is yet without solid basis. In the management of the existing business, it is a tradition for the Group to stick itself to financial prudence. We will give due consideration on evaluating new investment opportunities in term of their overall long-term efficiency. Taking advantage of our competent management team, strong cash flow, and sound financial situation, we are well-positioned to bring our strengths

and potentials into full play and meet future challenges as the economy prospers stably.

Last but not least, on behalf of the Board, I would like to take this opportunity to express my sincere thanks to the colleague for their efforts, professionalism and contributions in the past year to weather such difficult time. I would also like to extend grateful appreciation to our shareholders, customers, business partners and investors for their enduring support to us.

**Ms. Tsang Yue Joyce**  
*Chairperson and Chief Executive Officer*

Hong Kong, 25 November 2010

	Unaudited		Change
	First half of 2010/11	First half of 2009/10	
Receipts from sales of prepaid beauty packages (HK\$ million)	<b>292.4</b>	261.4	11.9%
Hong Kong	<b>277.3</b>	242.6	14.3%
Mainland China	<b>15.1</b>	18.8	(19.7%)
Revenue from services rendered (HK\$ million)	<b>262.8</b>	193.8	35.6%
Hong Kong (Note)	<b>247.4</b>	176.1	40.5%
Mainland China (Note)	<b>15.4</b>	17.7	(13.0%)
Number of services centres	<b>39</b>	45	(13.3%)
Hong Kong	<b>29</b>	35	(17.1%)
Mainland China	<b>10</b>	10	–
Weighted average total gross floor area (square feet)	<b>315,000</b>	366,000	(13.9%)
Hong Kong	<b>258,000</b>	309,000	(16.5%)
Mainland China	<b>57,000</b>	57,000	–
Number of customers	<b>298,600</b>	277,300	7.7%
Hong Kong	<b>269,400</b>	252,900	6.5%
Mainland China	<b>29,200</b>	24,400	19.7%
Number of staff	<b>1,592</b>	1,666	(4.4%)
Frontline beauty staff	<b>1,407</b>	1,505	(6.5%)
Back office staff	<b>185</b>	161	14.9%

Note: Inclusive of "revenue recognized upon expiry of prepaid beauty packages"

### BUSINESS REVIEW – HONG KONG BUSINESS

#### Enhancing the strengths of the Group by managing market risks

Hong Kong's economy continues to rebound, yet hidden worries still exist. During the period under review, closures of certain beauty and yoga chain stores have indirectly placed the Group under market risk exposures and pressures in short run. On the other hand, banks have further tightened their credit policy towards beauty, yoga and fitness industry, thus, it takes the business in this industry a relatively longer time to be reimbursed for credit card prepaid charging payments. Despite that the implementation of these measures are aimed at protecting the interests of consumers and banks themselves, it has increased our finance costs. Nevertheless, backed by the Group's strong management team and sufficient pool of cash, customers have casted vote of confidence in our prepaid beauty packages. In addition, banks have granted the Group more favourable bank levy rate after reviewing the Group's goodwill and cash balance position, thereby mitigating the overall pressures confronted by the Group amidst the prevailing market risks.

#### Survival of the strong players and elimination of the weak players after the boom

We are in an information explosion era. Customers can access to the most latest and fastest update of beauty and skincare information through the Internet, luring an increasing customer demand for high-quality beauty products and skincare services. The tapping into the beauty industry requires an excellent management team and strong cash reserve, in addition to continuously upgrade of expertise in the beauty industry, as well as acquisition of sophisticated aesthetics medical facilities in order to cater for customer demand. The management believes that beauty industry market is undergoing a stage of survival of the strong players and elimination of the weak players. As a leading player of the industry, we will take advantage of this opportunity to enhance our market share and improve the return to our shareholders.

Locations	First half of 2010/11	First half of 2009/10
Hong Kong Island	12	15
Kowloon	7	9
New Territories	10	11
Number of services centres (in total)	29	35
Number of be Beauty Shops and FERRECCARE Concept Store (in total)	10	15

Technology is rapidly evolving. With the popularity of personal mobile data devices, our real-time online ordering system services is well-received by younger generation nowadays. Together with the Group's effective marketing strategy, the total number of customers of Hong Kong business as at 30 September 2010 reached about 269,400, representing an increase of 6.5% when compared with the number of 252,900 as at 30 September 2009.

During the period under review, the number of the Group's services centres were reduced by 6 to 29, with a total weighted average gross floor area of approximately 258,000 square feet, down by 16.5% when compared with the figure of 309,000 square feet as at 30 September 2009.

As at 30 September 2010, the number of outlets in the Group's retail network point of "be Beauty Shop" and "FERRECCARE Concept Store" was maintained at 10, scattering across Hong Kong, Kowloon and New Territories. Those outlets principally offer distribution services of high-quality skincare and wellness products under our own brand of "be" and "FERRECCARE".

The Group employs a very strict quality control on its skincare and wellness products and offers a diverse mix of skincare products which are tailor-made to suit different skin types. We have seven targeted skincare lines, 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. Our customer is highly satisfied with our products and our employees in “be Beauty Shop” and “FERRECARE Concept Store” are well trained to provide professional skincare advice to customers. We now offer more than 80 varieties of products to customers.

During the period under review, through the successfully introduction of our electronic real-time endorsement and verification system, customers may enter our system to purchase our beauty services within just a couple of seconds. This electronic real-time endorsement and verification system is developed in-house by the Group with limited resources, yet the cost-effectiveness is far beyond our expectation. This system not only boosts the efficiency of frontline staff and the management of the existing resources of the Group, but also reduces paper consumption and printing costs. The management expects that this project will help raise environmental awareness, reduce logging of trees, and enhance customers’ concerns about immediate problems of global warming, thus sharing our efforts to protect the planet.

Even though there is ample fitness services providers in the market, the Group will still allot appropriate resources in providing fitness services for our members. However, as the Group is now adopting an operating direction towards better allocation of resources and business optimization, we will gradually divert the resources from fitness services to the development of anti-aging and medical aesthetics services. The management believes that with the growing aging population in Hong Kong, the customer demand for aging and medical aesthetics services will keep surging. In this light, we are set to uplift our market share in this horizon.

### BUSINESS REVIEW – MAINLAND CHINA BUSINESS

Mainland China market is huge, but its customer mobility is relatively high due to high population mobility. In addition, the beauty industry in Mainland China is ferociously competitive amid the quality of services is uneven, thus, customers are more cautious in choosing beauty service provider. Nonetheless, under arduous business environment, as at 30 September 2010, the Group's business in Mainland China reported a turnover of HK\$16,218,000 and a loss of HK\$1,017,000.

During the period under review, the Group had 10 service centres in Beijing, Shanghai and Guangzhou, with a total weighted average gross floor area of about 57,000 square feet. These centres provide customers with professional and quality integrated services, including beauty and facial care, spa, massage and slimming services, which are targeted on high-consumption professionals and more affluent middle-class with continuous growth, with a view to increase our luxury customer base.

Number of service centres:

Locations	First half of 2010/11	First half of 2009/10
Beijing	4	4
Shanghai	3	3
Guangzhou	3	3
Total:	10	10

Although the Mainland China market has immense business opportunities, there are challenges going forward. To keep abreast of this rapidly changing business environment, the Group has put forward different marketing strategies to expand potential customer base. As at 30 September 2010, the number of customers in Mainland China soared by 19.7% to 29,200 comparing to 24,400 as at 30 September 2009. This reflects that our marketing strategies and the standard of services have earned widespread affirmation and recognition.

During the period under review, the service centres in Mainland China recorded steady income stream from prepaid beauty packages, amounting to HK\$15,041,000, down by 20.2% when compared with the same period last year. Revenue from provision of beauty and wellness services and expiry of prepaid beauty packages of HK\$15,413,000 was reported, representing a decrease of 12.7% when compared with the same period last year.

### Operational Highlights

#### Service Enhancement

The Group completed the acquisition of a property with a gross floor area of approximately 13,000 square feet in Minden Avenue, Tsim Sha Tsui in June 2009. The management plans to renovate the property and set up a one-stop medical aesthetics research centre specializing in providing medical aesthetics, professional skincare and quality beauty care service, as well as sales of skincare and wellness products, so as to capture market demand. The Group believes that rolling out of this project will enhance our market leadership and our market share.

## FINANCIAL REVIEW

Turnover	(Unaudited) For the six months ended 30 September 2010		2009		Change
	HK\$'000	Percentage of turnover	HK\$'000	Percentage of turnover	
Revenue from provision of beauty and wellness services and expiry of prepaid beauty packages	262,769	94.9%	193,760	92.5%	35.6%
Sales of skincare and wellness products	14,168	5.1%	15,716	7.5%	(9.8%)
<b>Total turnover</b>	<b>276,937</b>	<b>100.0%</b>	<b>209,476</b>	<b>100.0%</b>	<b>32.2%</b>

**Turnover**

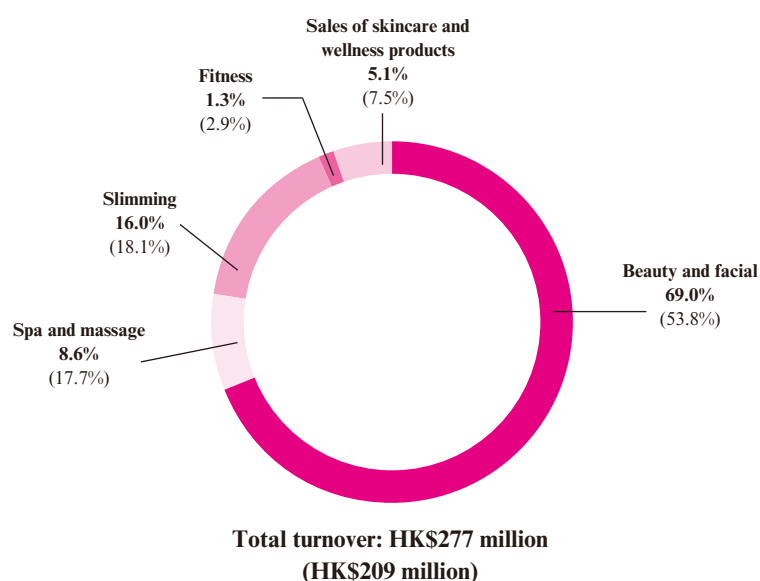
As at 30 September 2010, the Group attained promising results. Turnover steadily grew to HK\$276,937,000, up by 32.2% when compared with the figure of HK\$209,476,000 for the same period last year. Revenue from the provision of beauty and wellness services and expiry of prepaid beauty packages, accounting for the largest share of the Group's total turnover, also rose by HK\$69,009,000 to HK\$262,769,000, up by 35.6%. This notable success was mainly attributable to the continued improving economic environment in Hong Kong, and the rising customer demand for high-quality beauty and wellness services; on the other hand, this achievement was also due to the management's unwavering dedication and persistent implementation of cost control measures.

In relation to Mainland China, the number of customers of the service centres as at 30 September 2010 was approximately 29,200, representing an increase of 19.7% when compared with the number of customers of 24,400 as at 30 September 2009. Receipts from sales of prepaid beauty packages decreased slightly to HK\$15,041,000. The Group recorded revenue from provision of beauty and wellness services and expiry of prepaid beauty packages of HK\$15,413,000, a decrease of 12.7% when compared with the figure of the same period of the previous year.

**Turnover by Business Segment**

Product Mix	(Unaudited) For the six months ended 30 September 2010		2009		Change
	HK\$'000	Percentage of turnover	HK\$'000	Percentage of turnover	
Beauty and facial	191,097	69.0%	112,777	53.8%	+69.4%
Spa and massage	23,914	8.6%	37,132	17.7%	-35.6%
Slimming	44,241	16.0%	37,874	18.1%	+16.8%
Fitness	3,517	1.3%	5,977	2.9%	-41.2%
Sales of skincare and wellness products	14,168	5.1%	15,716	7.5%	-9.8%
<b>Total turnover</b>	<b>276,937</b>	<b>100.0%</b>	<b>209,476</b>	<b>100.0%</b>	<b>+32.2%</b>

## 1H2010/11



Note: Comparable figures for six months ended 1H2009/10 are shown in brackets

Amongst the Group's five product mixes, sales amount of beauty and facial, being a business line which accounted for the largest contribution to the Group's revenue, showed an astounding growth of 69.4% or HK\$78,320,000 to HK\$191,097,000 during the period under review; in addition, slimming services business also grew by 16.8% to HK\$44,241,000. The inspiring result from two of our major business lines and product mixes has added growing momentum to drive an overall increase in the Group's total revenue.

## Sales of New Prepaid Beauty Packages

	(Unaudited) As at 30 September 2010			Unaudited As at 30 September 2009		
	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
<b>Movement of Deferred Revenue</b>						
Beginning of the period	355,376	21,189	376,565	234,586	19,828	254,414
Exchange differences	–	290	290	–	117	117
Receipts from sales of prepaid beauty packages	277,311	15,041	292,352	242,583	18,860	261,443
Revenue from provision of beauty and wellness services and expiry of prepaid beauty packages	(247,356)	(15,413)	(262,769)	(176,107)	(17,653)	(193,760)
End of the period	385,331	21,107	406,438	301,062	21,152	322,214

During the period under review, receipts from sales of new prepaid beauty packages reached HK\$292,352,000, representing an increase of 11.8% or HK\$30,909,000 when compared with revenue of HK\$261,443,000 for the same period last year. The increase was mainly driven by higher sales of new prepaid beauty packages (rose by HK\$34,728,000 to HK\$277,311,000) in Hong Kong. This achievement was attributable to the Group's through the enhancing of computer facilities and providing the best service solutions, which allow the customers to choose various high-quality beauty services conveniently by way of online subscription of prepaid beauty packages. Together with riding on effective marketing strategies, the Group attained desirable results in the areas of new prepaid beauty packages and consumption of customer services.

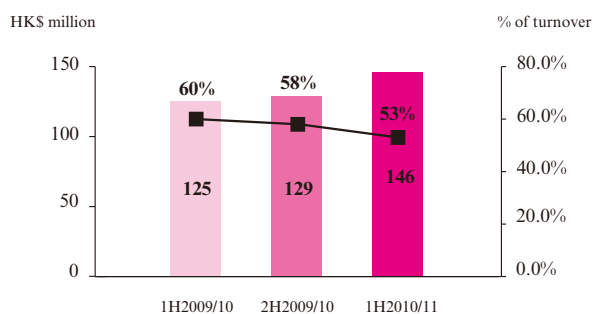
In connection with Mainland China, receipts from sales of new prepaid beauty packages generated by the 10 service centres in Beijing, Shanghai and Guangzhou amounted to HK\$15,041,000, accounting for 4.9% of the Group's total receipts.

### Analysis of Operating Expenses

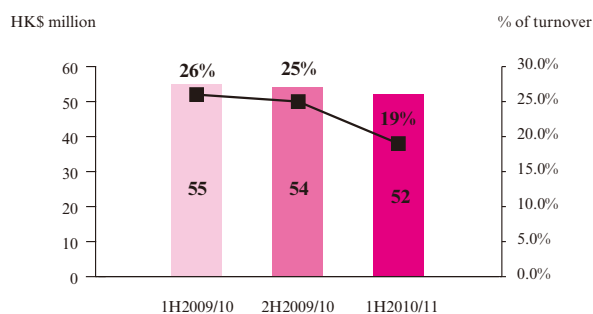
	(Unaudited)				
	For the six months 30 September				
	2010		2009		Change
HK\$'000	Percentage of turnover	HK\$'000	Percentage of turnover		
Employees benefit expenses	145,781	52.6%	125,304	59.8%	+16.3%
Occupancy costs	52,262	18.9%	54,517	26.0%	-4.1%
Depreciation and amortization	18,960	6.8%	21,744	10.4%	-12.8%
Income tax expense/(credit)	2,497	0.9%	(8,996)	-4.3%	-127.8%
Cost of inventories sold	8,705	3.1%	8,928	4.3%	-2.5%
Other operating expenses, including	44,067	15.9%	55,559	26.5%	-20.7%
– bank charges	13,482	4.9%	12,006	5.7%	+12.3%
– advertising costs	3,570	1.3%	5,361	2.6%	-33.4%
– utilities	5,780	2.1%	7,089	3.4%	-18.5%
– building management fees	6,910	2.5%	9,928	4.7%	-30.4%
– others	14,325	5.1%	21,175	10.1%	-32.3%



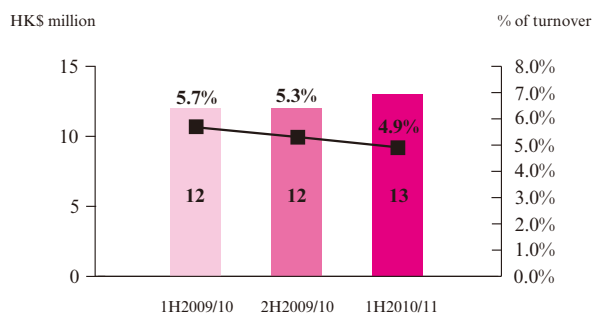
## EMPLOYEE BENEFIT EXPENSES



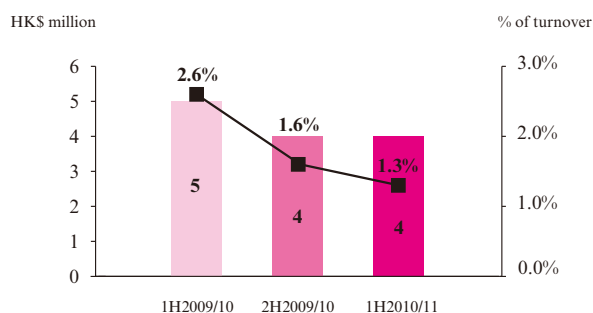
## OCCUPANCY COSTS



## BANK CHARGES



## ADVERTISING COSTS



Employees benefit expenses, representing the largest component of the Group's operating expenses, rose by approximately 16.3% to HK\$145,781,000 comparing to HK\$125,304,000 for the same period of the previous year. The total headcount of the Group as at 30 September 2010 dropped by 4.4% to 1,592 (including 1,408 and 184 staff in Hong Kong and Mainland China respectively), as compared to a headcount of 1,666 for the same period last year. In addition, the Group has launched an elite system since the first quarter of 2010 to provide comprehensive training to improve staff's customer services skills. Eminent employees with excellent performance will be entitled to discretionary bonuses offered by the management in recognition of their contribution. For the six months ended 30 September 2010, employees benefit expenses accounted for 52.6% of our turnover, comparing to 59.8% for the same period of 2009.

For the six months ended 30 September 2010, the Group's occupancy costs were decreased by HK\$2,255,000 to HK\$52,262,000, accounting for 18.9% of our total turnover. The occupancy costs for the same period last year amounted to HK\$54,517,000, accounting for 26.0% of our total turnover. During the period under review, the Group endeavoured to carry out resources reallocation through a comprehensive review of the performance of various service centres. On the one hand, the existing resources were optimized and reallocated by closing the service centres with poor performance. On the other hand, some of the service centres were consolidated into larger premises of more appropriate shopping arcades in the neighbour regions, which is one of the reasons leading to decline in occupancy costs. The number of service centres as at 30 September 2010 decreased by 6 to 39, with a total weighted average gross floor area of approximately 315,000 square feet. When compared with the number of service centres of 45 as at 30 September 2009, with a total weighted average gross floor area of approximately 366,000 square feet, the gross floor area was reduced by 13.9%.

Bank charges rose by 12.3% to HK\$13,482,000. Such increment is due to increase in sales of new prepaid beauty packages and skincare and wellness products during the period under review. Advertising costs decreased to HK\$3,570,000, comparing to HK\$5,361,000 for the same period last year. For the six months ended 30 September 2010, the percentage of advertising costs to total turnover dropped from 2.6% to 1.3%.

### **Net Profit and Margin**

By the considerable growth in turnover together with a good control on operating expenses, the Group's net profit attributable to owners of the Company for the six months ended 30 September 2010 was approximately HK\$6.8 million, as compared to loss of HK\$45.0 million for the same period last year. The Group's net profit margin was 2.4%. Basic earnings per share was HK0.94 cents as compared to loss per share of HK6.21 cents for the same period last year.

### **Interim Dividend**

The Board has approved to pay an interim dividend of HK1.4 cents per share (2009: no interim dividend was recommended) for the six months ended 30 September 2010, totalling HK\$10,129,280. The interim dividend of HK1.4 cents will be paid on 7 January 2011 to the shareholders whose names appear on the register of shareholders of the Company at the close of business on 24 December 2010.

### **Closure of Register of Members**

The register of members of the Company will be closed from 22 December 2010 to 24 December 2010, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 21 December 2010.

### **Liquidity, Financial Resources and Capital Structure**

The total equity of the Company as at 30 September 2010 was HK\$247,077,000. The Group generally finances its operation through cash generated from operations. The Group continued to maintain a strong financial position with cash and cash equivalents of HK\$284,070,000 as at 30 September 2010 (31 March 2010: HK\$244,905,000) with no bank borrowing. During the period under review, the majority of the Group's cash was held in fixed and savings deposits as in line with the Group's prudent treasury policy. As at 30 September 2010, the Group had net current assets of HK\$10,453,000 (31 March 2010: net current assets of HK\$7,913,000).

### **Capital Expenditure**

The total capital expenditure of the Group during the six months ended 30 September 2010 was approximately HK\$12,331,000. The amount was allocated for acquisition of equipment and machinery in connection with the relocation of service and retail network in Hong Kong and upgrade of the Group's computer facilities.

### **Contingent Liabilities and Capital Commitment**

The Board considered that there was no material contingent liabilities as at 30 September 2010. The Group had capital commitment of HK\$2,200,000 as at 30 September 2010 (31 March 2010: HK\$1,537,000) in respect of the acquisition of plant and equipment.

### **Charges on Assets**

As at 30 September 2010, the Group had pledged bank deposits of HK\$7,156,000 (31 March 2010: HK\$7,155,000) in favour of certain banks to secure banking facilities granted to certain subsidiaries in the Group.

### **Exchange Risk Exposures**

The Group's sales and purchases were mainly denominated in Hong Kong Dollars. Certain level of the Group's cash and cash equivalents were denominated in Renminbi. The continuous appreciation of Renminbi has exerted relative pressures on the Group's operating costs. The management will closely monitor the risk exposures faced by the Group, and will take the necessary actions to ensure that such exposures are properly hedged when it considers appropriate.

### **Significant Acquisition and Disposal**

There was no significant acquisition by the Group during the six months ended 30 September 2010.

### **Treasury Policies**

The Group adopts a prudent approach in its treasury policy. The Group's surplus funds are held under fixed and savings deposits in reputable banks to earn interest income at an annualized yield of approximately 0.06%. During the period under review, the Group did not have any other security or capital investments, derivative investments, or hedging for foreign currencies.

### **Human Resources**

The Group had a work force of 1,592 staff as at 30 September 2010 (30 September 2009: 1,666 staff), including 1,246 frontline service centre staff in Hong Kong and 161 in Mainland China. Back office staff totaled 162 in Hong Kong and 23 in Mainland China. Total employee benefits expenses including directors' emoluments for the period under review amounted to HK\$145,781,000.

The Group's remuneration policies are in line with the prevailing market practices and are determined based on individual performance and experience. The Group has been constantly reviewing staff remuneration to ensure 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 performance and the Group's results. In addition, the Group has brought into force the elite system since the first quarter of 2010, whereby excellent staff with outstanding performance will receive discretionary bonuses in recognition of their contribution. On 20 January 2006, the Group adopted the share option scheme. As at 30 September 2010, a total of 6,830,000 share options have been granted to certain directors, senior management and employees of the Group. To extend the warmest welcome to our customers, we have placed great emphasis on staff training and development by continuously providing the frontline beauty staff with professional training programs, so as to enhance the service skills of our employees.

## **OUTLOOK**

Looking ahead, although the economy in both Hong Kong and Mainland China is expected to grow steadily, there is still hidden uncertainties in the overall global economy. The external operating environment may continue to affect the performance of the Group. The Group will keep on maintaining a healthy cash status, monitoring and controlling the operating costs, checking constantly on the effective consumption usages of services for expansion, creating synergy between different business segments, and enhancing brand awareness by providing the most professional and attentive services to our customers. At an appropriate time, the Group will introduce strategic high-quality skincare and wellness products to meet market needs. We will also strive to explore into high-tech-oriented medical aesthetics treatments, so as to provide beauty and wellness services of significant and lasting effect, and in hence to vigorously expand into a wider customer base.

### **Hong Kong Market**

Thanks to the rebound of economy in Hong Kong, the customer demand for high-quality beauty and wellness services has become robust. The Group's business performance is exciting. The existing high-quality service has gained increasing customer loyalty and enhancing our staff's morale. We are optimistic about the performance of the Group in the coming year. While continuing to allocate appropriate resources to consolidate our beauty and wellness business segments, we will also actively bring in more high-quality skincare and wellness products in order to meet market needs and to expand market share.

Noting that the market for fitness services is saturated, we plan to invest part of the resources in two other segments including anti-aging and medical aesthetics services through resources optimization strategy, while continuing to provide these fitness services to the existing customers. We believe these new business segments have profitable prospects. To enhance the quality of customer services, our booking servicing centre will maintain contacts with customers on a regular basis and provide the latest beauty service and products information. Meanwhile, we will monitor the utilisation rate of the service centres to divert customers and make better allocation of the existing resources, so that customers can enjoy our high-quality services at a predetermined time.

In order to capture the huge market demand on high quality products, the Group will launch skincare and wellness products under Australian and Italian brands in the next six months. These brands are well-known for quality skincare products and we believe that they will improve our market share, in skincare and wellness product market. On the one hand, we plan to allocate resources to develop a comprehensive retail network for sale and promotion of these products in Hong Kong. On the other hand, we endeavor to offer tailor made skincare and wellness products under our brand "be" and "FERRECARE" to our customers.

#### **Mainland China Market**

The management is confident of the business in Mainland China. The Group will continue to uphold its franchise business strategy in Mainland China. Endeavours will be made to provide all support to people who are enthusiastic to enter the beauty industry in order to achieve win-win results through mutual assistance and cooperation.

Capitalizing on our well-established foundation, strong cash backing, excellent management team and professional frontline beauty staff, the Group is well-positioned to seize the right opportunities arising from brilliant economic outlook by expanding our business network, and in hence to maximize returns for shareholders.

### BOARD OF DIRECTORS

Ms. Tsang Yue, Joyce (*Chairperson*)\*  
Mr. Yip Kai Wing  
Mr. Tung Kwok Lui  
Mr. Wong Shu Pui  
Mr. Leung Man Kit, Jonathan  
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 REMUNERATION COMMITTEE

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

### MEMBERS OF NOMINATION 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](http://www.modernbeautysalon.com)

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES**

As at 30 September 2010, the interests or short positions of the Directors and chief executives of the Company in the shares ("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 (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are 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:

Name of Director	Capacity/ Nature of interest	Number of Shares	Number of Shares subject to options granted under the Share Option Scheme (Note 1)	Total number of Shares	Approximate percentage of issued Shares (Note 2)
Ms. Tsang Yue, Joyce (Note 3)	Interests of controlled corporations (Note 4)	468,000,000	–	468,000,000	64.68%
	Founder of discretionary trust	9,260,000	–	9,260,000	1.28%
	Beneficial owner	5,908,000	–	5,908,000	0.82%
	Interest of spouse (Note 5)	650,000	–	650,000	0.09%
Mr. Yip Kai Wing	Beneficial owner	185,000	500,000	685,000	0.09%

Notes:

- 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.
- The relevant percentages are calculated by reference to the Shares in issue on 30 September 2010, ie. 723,520,000 Shares.
- See "Update on Directors' Information Under Rule 13.51B(1) of the Listing Rules" below.
- 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.
- 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.

**Long positions in shares of the associated corporations of the Company**

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 September 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 they were 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 Executives' Interests or Short Positions in Shares, Underlying Shares or Debentures" above, at no time during the six months ended 30 September 2010, 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, as at 30 September 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	Capacity/Nature of interest	Number of Shares	Approximate percentage of issued Shares (Note 1)
Ms. Tsang Yue, Joyce (Note 2)	Interests of controlled corporations	468,000,000	64.68%
	Founder of discretionary trust	9,260,000	1.28%
	Beneficial owner	5,908,000	0.82%
	Interest of spouse	650,000 (Note 3)	0.09%
Mr. Lee Soo Ghee	Beneficial owner	650,000	0.09%
	Interest of spouse	483,168,000 (Note 4)	66.78%
Silver Compass Holdings Corp.	Beneficial owner	367,200,000 (Note 5)	50.75%
Silver Hendon Enterprises Corp.	Beneficial owner	100,800,000 (Note 5)	13.93%

#### Notes:

- The relevant percentages are calculated by reference to the Shares in issue on 30 September 2010, i.e. 723,520,000 Shares.
- See "Update on Directors' Information Under Rule 13.51B(1) of the Listing Rules" below.
- 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.
- 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.
- Both Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp. are wholly owned by Ms. Tsang Yue, Joyce.

Save as disclosed above, as at 30 September 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 ("Share Option Scheme") and the Board of Directors (the "Board") may, at their discretion, 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 Option 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 optimize 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 option 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 quotation 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 2010	No. of options granted during the period	Reclassification	No. of options cancelled/lapsed during the period	No. of shares acquired on exercise of options during the period	No. of options as at 30 September 2010	Date of grant	Period during which options are exercisable	Exercise price	Approximate percentage of share per issued share (Note 1)
<b>Directors</b>										
Mr. Lee Soo Ghee (Note 2)	337,500	-	-	(337,500)	-	-	23/10/2006	23/10/2010 to 22/10/2016	HK\$1.33	N/A
Mr. Lee Soo Ghee (Note 2)	472,500	-	-	(472,500)	-	-	23/10/2006	23/10/2014 to 22/10/2016	HK\$1.33	N/A
Mr. Lee Soo Ghee (Note 2)	540,000	-	-	(540,000)	-	-	23/10/2006	23/10/2015 to 22/10/2016	HK\$1.33	N/A
Mr. Yip Kai Wing	125,000	-	-	-	-	125,000	23/10/2006	23/10/2010 to 22/10/2016	HK\$1.33	0.02%
Mr. Yip Kai Wing	175,000	-	-	-	-	175,000	23/10/2006	23/10/2014 to 22/10/2016	HK\$1.33	0.02%
Mr. Yip Kai Wing	200,000	-	-	-	-	200,000	23/10/2006	23/10/2015 to 22/10/2016	HK\$1.33	0.03%
Mr. Kwong Chi Ching (Note 2)	50,000	-	(50,000)	-	-	-	23/10/2006	23/10/2010 to 22/10/2016	HK\$1.33	N/A
Mr. Kwong Chi Ching (Note 2)	70,000	-	(70,000)	-	-	-	23/10/2006	23/10/2014 to 22/10/2016	HK\$1.33	N/A
Mr. Kwong Chi Ching (Note 2)	80,000	-	(80,000)	-	-	-	23/10/2006	23/10/2015 to 22/10/2016	HK\$1.33	N/A
Others	1,682,500	-	50,000	(150,000)	-	1,582,500	23/10/2006	23/10/2010 to 22/10/2016	HK\$1.33	0.22%
Others	2,355,500	-	70,000	(210,000)	-	2,215,500	23/10/2006	23/10/2014 to 22/10/2016	HK\$1.33	0.31%
Others	2,692,000	-	80,000	(240,000)	-	2,532,000	23/10/2006	23/10/2015 to 22/10/2016	HK\$1.33	0.35%
<b>Total</b>	<b>8,780,000</b>	<b>-</b>	<b>-</b>	<b>(1,950,000)</b>	<b>-</b>	<b>6,830,000</b>				

Note:

- The relevant percentages are calculated by reference to the Shares in issue on 30 September 2010, i.e. 723,520,000 shares.
- See "Update on Directors' Information Under Rule 13.51B(1) of the Listing Rules" below.

### PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 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.

### CORPORATE GOVERNANCE PRACTICES

The Company is committed to establishing and maintaining high standards of corporate governance. The Board is in the opinion that the Company has applied the principles of all applicable code provisions of the Code on Corporate Governance Practice (the "Code") as set out in under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the six months ended 30 September 2010, except for the following deviations:

Code Provision A.2.1 of the Code stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lee Soo Ghee was the Chairperson and Chief Executive Office of the Company until his resignation on 16 April 2010 whilst Ms. Tsang Yue, Joyce is the Chairperson and Chief Executive Office of the Company since her appointment on 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.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as 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 relevant standard set out in the Model Code during the six months ended 30 September 2010.

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

#### **Tsang Yue, Joyce ("Ms. Tsang")**

*(Executive Director since 16 April 2010)*

On 16 April 2010, Ms. Tsang has been re-appointed as director, Chief Executive Officer, member of Nomination Committee, member of Remuneration Committee, Chairpersons of each of the Nomination Committee, Remuneration Committee and the Board of the Company. There is no service contract between the Company and Ms. Tsang in respect of her re-appointment of Executive Director. Ms. Tsang is entitled to receive an annual salary of HK\$5,400,000. There will be no director's fee payable to Ms. Tsang by the Company.

#### **Leung Man Kit, Jonathan ("Mr. Leung")**

*(Executive Director since 15 September 2010)*

On 15 September 2010, Mr. Leung has been appointed as director of the Company. There is no service contract between the Company and Mr. Leung in respect of his appointment of Executive Director. Mr. Leung is entitled to receive an annual salary of HK\$660,000. There will be no director's fee payable to Mr. Leung by the Company.

**Lee Soo Ghee (“Mr. Lee”)**

*(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 and Executive Director up to 15 September 2010)*

With effect from 16 April 2010, 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. Mr. Lee resigned as Executive Director of the Company due to change of management responsibilities on 15 September 2010.

**Kwong Chi Ching (“Mr. Kwong”)**

*(Executive Director up to 15 September 2010)*

On 15 September, 2010, Mr. Kwong resigned as Executive Director of the Company due to change of management responsibilities.

**REMUNERATION COMMITTEE**

The Company established the Remuneration Committee on 20 January 2006 with written terms of reference in compliance with the Code. The Remuneration Committee comprises the Chairperson of the Company and three Independent non-executive Directors. Mr. Lee Soo Ghee was the Chairperson of the Remuneration Committee 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. Ms. Tsang Yue, Joyce is currently the Chairperson of the Remuneration Committee.

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. The Remuneration Committee shall meet at least once a year to review the remuneration policies and packages for Directors and senior management of the Company. No Director shall take part in any discussions about his/her own remuneration.

**NOMINATION COMMITTEE**

The Company established the Nomination Committee on 20 January 2006 with written terms of reference in compliance with the Code. The Nomination Committee comprises the Chairperson of the Company and three Independent non-executive Directors. 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 appointment on 16 April 2010. Ms. Tsang Yue, Joyce is currently the Chairperson of the Nomination Committee.

The primary duty of the Nomination Committee is to make written recommendations to the Board on appointment of Directors and management of Board succession. The Nomination Committee shall meet at least once a year.

**AUDIT COMMITTEE**

The Company has established an audit committee (the “Audit Committee”) in compliance with Rule 3.21 of the Listing Rules with written terms of reference in compliance with the Code to review and supervise the financial reporting process and internal control systems of the Group. The Audit Committee comprises three Independent non-executive Directors of the Company. The interim results of the Group for the six months ended 30 September 2010 have been reviewed and approved by the Audit Committee, prior to their approval by the Board.

On behalf of the Board,

**TSANG YUE, JOYCE**

*Chairperson & Chief Executive Officer*

Hong Kong, 25 November 2010

## **RSM Nelson Wheeler**

中瑞岳華(香港)會計師事務所

Certified Public Accountants

### **INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF MODERN BEAUTY SALON HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

#### **INTRODUCTION**

We have reviewed the interim financial information of Modern Beauty Salon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 44 which comprises the condensed consolidated statement of financial position of the Company as at 30 September 2010 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**RSM Nelson Wheeler**

*Certified Public Accountants*

Hong Kong

25 November 2010

# Condensed Consolidated Statement of Comprehensive Income

Modern Beauty Salon Holdings Limited Interim Report 2010 **28-29**

For the six months ended 30 September 2010

	Note	Six months ended 30 September	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Turnover	5	276,937	209,476
Other income	6	1,945	4,332
Cost of inventories sold		(8,705)	(8,928)
Advertising costs		(3,570)	(5,361)
Building management fees		(6,910)	(9,928)
Bank charges		(13,482)	(12,006)
Employee benefits expenses		(145,781)	(125,304)
Depreciation and amortisation		(18,960)	(21,744)
Occupancy costs		(52,262)	(54,517)
Other operating expenses		(20,105)	(28,264)
Operating profit/(loss)		9,107	(52,244)
Interest income		169	91
Finance costs	7	–	(1,793)
Profit/(loss) before tax		9,276	(53,946)
Income tax (expense)/credit	8	(2,497)	8,996
Profit/(loss) for the period	9	6,779	(44,950)
Other comprehensive income for the period, net of tax:			
Exchange differences on translating foreign operations		401	41
Total comprehensive income/(loss) for the period		7,180	(44,909)
Profit/(loss) for the period attributable to:			
Owners of the Company		6,779	(44,950)
Non-controlling interests		–	–
		6,779	(44,950)
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		7,180	(44,909)
Non-controlling interests		–	–
		7,180	(44,909)
Dividends	10	10,129	–
Earnings/(loss) per share (HK cents)			
– Basic	11	0.94	(6.21)
– Diluted	11	N/A	N/A

# Condensed Consolidated Statement of Financial Position

At 30 September 2010

	Note	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited) (restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	194,540	201,059
Trade and other receivables, deposits and prepayments	13	18,339	24,037
Deferred tax assets		23,745	26,190
		<b>236,624</b>	251,286
<b>Current assets</b>			
Inventories		7,624	6,492
Trade and other receivables, deposits and prepayments	13	168,239	171,372
Current tax assets		4,521	5,566
Pledged bank deposits		7,156	7,155
Cash and cash equivalents		284,070	244,905
		<b>471,610</b>	435,490
<b>Total assets</b>		<b>708,234</b>	686,776
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	14	72,352	72,352
Reserves		174,703	186,847
Equity attributable to owners of the Company		247,055	259,199
Non-controlling interests		22	–
<b>Total equity</b>		<b>247,077</b>	259,199
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables, deposits received and accrued expenses	15	52,336	48,629
Deferred revenue	16	406,438	376,565
Current tax liabilities		2,383	2,383
		<b>461,157</b>	427,577
<b>Total liabilities</b>		<b>461,157</b>	427,577

# Condensed Consolidated Statement of Financial Position

Modern Beauty Salon Holdings Limited Interim Report 2010 **30-31**

At 30 September 2010

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited) (restated)
<b>Total equity and liabilities</b>	<b>708,234</b>	686,776
<b>Net current assets</b>	<b>10,453</b>	7,913
<b>Total assets less current liabilities</b>	<b>247,077</b>	259,199

Approved by the Board of Directors on 25 November 2010



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2010

	(Unaudited)								
	Attributable to owners of the Company								
	Share capital	Share premium	Share-based compensation reserve	Merger reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2009	72,352	146,875	3,248	(53,982)	2,046	128,373	298,912	-	298,912
Total comprehensive loss for the period	-	-	-	-	41	(44,950)	(44,909)	-	(44,909)
Share-based payments	-	-	668	-	-	-	668	-	668
Lapse of share options	-	-	(429)	-	-	429	-	-	-
Changes in equity for the period	-	-	239	-	41	(44,521)	(44,241)	-	(44,241)
Balance at 30 September 2009	72,352	146,875	3,487	(53,982)	2,087	83,852	254,671	-	254,671
Balance at 1 April 2010	72,352	146,875	3,264	(53,982)	2,246	88,444	259,199	-	259,199
<b>Total comprehensive income for the period</b>	-	-	-	-	401	6,779	7,180	-	7,180
<b>Partial disposal of a subsidiary</b>	-	-	-	-	-	(17)	(17)	22	5
<b>Share-based payments</b>	-	-	949	-	-	-	949	-	949
<b>Lapse of share options</b>	-	-	(936)	-	-	936	-	-	-
<b>Dividends paid</b>	-	-	-	-	-	(20,256)	(20,256)	-	(20,256)
Changes in equity for the period	-	-	13	-	401	(12,558)	(12,144)	22	(12,122)
Balance at 30 September 2010	72,352	146,875	3,277	(53,982)	2,647	75,886	247,055	22	247,077

# Condensed Consolidated Statement of Cash Flows

Modern Beauty Salon Holdings Limited Interim Report 2010 32-33

For the six months ended 30 September 2010

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Net cash generated from/(used in) operating activities	71,430	(4,069)
Net cash used in investing activities	(12,332)	(146,711)
Net cash (used in)/generated from financing activities	(20,256)	118,000
Net increase/(decrease) in cash and cash equivalents	38,842	(32,780)
Cash and cash equivalents at beginning of the period	244,905	137,826
Effect of foreign exchange rate changes	323	97
Cash and cash equivalents at end of the period	284,070	105,143

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# Notes to the Condensed Financial Statements

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For the six months ended 30 September 2010

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The registered office of the Company is 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 and its subsidiaries are principally engaged in the provision of beauty and wellness services and sales of skincare and wellness products.

The Group is controlled by Silver Compass Holdings Corp. ("SCHC"), a company 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 Corp. ("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. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2010. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2010 except as stated in note 3 below.

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2010. 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 period and prior years except as stated below.

### a. Classification of land leases

Amendments to HKAS 17 "Leases" deleted the guidance in HKAS 17 that when the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term.

The Group reclassifies a land lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership to the Group e.g. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the land.

For the six months ended 30 September 2010

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

#### a. Classification of land leases (Continued)

Amendments to HKAS 17 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the condensed financial statements as follows:

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Increase in property, plant and equipment	123,991	125,615
Decrease in leasehold land prepayments	(123,991)	(125,615)

#### b. Consolidation

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" contains the following requirements:

- Total comprehensive income is attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance. The previous HKAS 27 requires excess losses to be allocated to the owners of the Company, except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.
- Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the Company. The previous HKAS 27 does not have specific requirements for such transactions.
- When the disposal of a subsidiary results in a loss of control, the consideration of the sale and any investment retained in that subsidiary are required to be measured at their fair values. The previous HKAS 27 does not have specific requirements for such fair value measurements.

The above requirements of HKAS 27 (Revised) has been applied prospectively from 1 April 2010 and resulted in changes in the consolidated amounts reported in the condensed financial statements as follows:

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
Increase in profit for the period attributable to owners of the Company	17	–
Increase in earnings per share (HK cents)	0.01	–

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.

## Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

### 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.

The accounting policies of the operating segments are the same as those described in the Group's financial statements for the year ended 31 March 2010. Segment profits or losses do not include other income, interest income, finance costs, unallocated costs and income tax expense or credit. Segment assets do not include current tax assets and deferred tax assets. Segment liabilities do not include current 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.

	Beauty and wellness services HK\$'000 (unaudited)	Skincare and wellness products HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Six months ended 30 September 2010:			
Revenue from external customers	262,769	14,168	276,937
Intersegment revenue	–	9,979	9,979
Segment profit	12,459	7,087	19,546
As at 30 September 2010:			
Segment assets	670,021	9,947	679,968
Six months ended 30 September 2009:			
Revenue from external customers	193,760	15,716	209,476
Intersegment revenue	–	4,485	4,485
Segment profit/(loss)	(46,982)	6,244	(40,738)
	(audited)	(audited)	(audited)
As at 31 March 2010:			
Segment assets	652,856	2,164	655,020

For the six months ended 30 September 2010

## 4. SEGMENT INFORMATION (Continued)

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
<b>Reconciliations of segment profit or loss:</b>		
Total profit or loss of reportable segments	19,546	(40,738)
Other income	1,945	4,332
Interest income	169	91
Finance costs	–	(1,793)
Unallocated costs	(12,384)	(15,838)
Income tax (expense)/credit	(2,497)	8,996
Consolidated profit/(loss) for the period	6,779	(44,950)

## 5. TURNOVER

The Group's turnover which represents provision of beauty and wellness services and sales of skincare and wellness products are as follows:

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Total receipts for sales of prepaid beauty packages	292,352	261,443
Revenue from provision of beauty and wellness services and expiry of prepaid beauty packages	262,769	193,760
Sales of skincare and wellness products	14,168	15,716
	276,937	209,476

## Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

### 6. OTHER INCOME

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gross rental income	–	318
Magazine subscription income	129	1,702
Commission income	1,625	592
Other income	191	1,720
	<b>1,945</b>	<b>4,332</b>

### 7. FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on loan from ultimate controlling party	–	1,793

### 8. INCOME TAX (EXPENSE)/CREDIT

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
– Provision for the period	–	–
	–	–
Deferred tax	(2,497)	8,996
	<b>(2,497)</b>	<b>8,996</b>

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax is required since the subsidiaries of the Company either did not generate any assessable profits for the period or have sufficient tax losses brought forward to set off against current period's assessable profit.

For the six months ended 30 September 2010

**9. PROFIT/(LOSS) FOR THE PERIOD**

The Group's profit/(loss) for the period is stated after charging the following items:

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Auditors' remuneration		
Current period	954	992
Over-provision in prior year	(300)	–
	654	992
Directors' remuneration	6,228	4,494
Loss on disposal of property, plant and equipment	–	814

**10. DIVIDENDS**

On 25 November 2010, the Board has approved the payment of an interim dividend of HK1.4 cents (2009: Nil) per ordinary share for the six months ended 30 September 2010 to shareholders whose names appear on the register of shareholders of the Company on 24 December 2010. The interim dividend will be paid on 7 January 2011.

**11. EARNINGS/(LOSS) PER SHARE****Basic earnings/(loss) per share**

The calculation of basic earnings (2009: loss) per share attributable to owners of the Company is based on the profit for the six months ended 30 September 2010 attributable to owners of the Company of approximately HK\$6,779,000 (2009: loss of approximately HK\$44,950,000) and the weighted average number of ordinary shares of 723,520,000 (2009: 723,520,000) in issue during the period.

**Diluted earnings/(loss) per share**

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 September 2010.

**12. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 September 2010, the Group acquired property, plant and equipment of approximately HK\$12,331,000.



## Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

### 13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
<b>Non-current assets</b>		
Rental and other deposits	18,339	24,037
<b>Current assets</b>		
Trade receivables	54,180	62,276
Trade deposits retained by banks and credit card companies	86,249	86,249
Rental and other deposits, prepayments and other receivables	27,810	22,847
	168,239	171,372
	186,578	195,409

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

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

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
0-30 days	21,355	26,196
31-60 days	12,906	13,556
61-90 days	12,396	14,859
91-150 days	5,156	5,360
Over 150 days	2,367	2,305
	54,180	62,276

For the six months ended 30 September 2010

**14. SHARE CAPITAL**

	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each		
As at 31 March 2010 and 30 September 2010	10,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
As at 31 March 2010 and 30 September 2010	723,520,000	72,352

**15. TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES**

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Amounts due to related companies ( <i>Note 19(b)</i> )	3,818	2,588
Trade payables	511	409
Other payables, deposits received and accrued expenses	48,007	45,632
	<b>52,336</b>	<b>48,629</b>

Trade payables as at 30 September 2010 are aged within 120 days.

**16. DEFERRED REVENUE**

An ageing analysis of the deferred revenue is as follows:

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Within 1 year	267,120	270,234
More than 1 year but within 2 years	101,737	78,570
More than 2 years but within 3 years	37,581	27,761
	<b>406,438</b>	<b>376,565</b>

## Notes to the Condensed Financial Statements

For the six months ended 30 September 2010

### 17. COMMITMENTS

#### (a) Lease commitments

At 30 September 2010, the total future minimum lease payments under non-cancelable operating leases are payable as follows:

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Not later than one year	93,178	101,023
Later than one year and not later than five years	81,508	105,102
Over five years	–	503
	<b>174,686</b>	<b>206,628</b>

#### (b) Capital commitments

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Contracted for but not provided for – Acquisition of plant and equipment	2,200	1,537

### 18. 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 and personal injuries in relation to the services provided, including claims of unspecified amounts. The Directors are of the opinion that such complaints and claim have no material financial impact to the Group.

For the six months ended 30 September 2010

## 19. RELATED PARTY BALANCES AND TRANSACTIONS

**(a) Related party transactions**

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

	Notes	Six months ended 30 September	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Rental expenses paid to related companies:			
All Link International Limited	(i)	160	480
Golden National Limited	(i)	4,800	4,800
Chain Tech International Limited	(i)	168	168
Luck Elegant Industrial Limited	(i)	840	840
East Union Industries Limited	(i)	516	–
Joy East Limited	(i)	114	–
Well Faith International Enterprise Limited	(i)	2,585	–
Wise World Limited	(i)	480	–
		<b>9,663</b>	<b>6,288</b>
License fee paid to a related company:			
Grateful Heart Charitable Foundation Limited	(ii)	–	480
Sales of products to related companies:			
Euro King Limited	(iii)	271	–
Most Glory Limited	(iii)	–	55
		<b>271</b>	<b>55</b>
Purchase of products from a related company:			
Euro King Limited	(iii)	–	395

## Notes:

- (i) The amounts represented rental expenses paid for areas leased from related companies for use as office, retail shops, beauty service centres and warehouses at a monthly rental mutually agreed by both parties. The related companies are controlled by Ms. Tsang.
- (ii) The amount represented license fee paid for the use of trademark to a related company at a monthly license fee mutually agreed by both parties. The related company is controlled by Ms. Tsang.
- (iii) The amounts represented sales/purchase of products to/from related companies at a price mutually agreed by both parties. The related companies are controlled by Ms. Tsang.

For the six months ended 30 September 2010

**19. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)****(b) Balances with related companies**

The amounts due are unsecured, interest-free and repayable on demand. The related companies are controlled by Ms. Tsang.

**(c) Guarantee**

As at 30 September 2010, Ms. Tsang has indemnified certain companies within the Group of approximately 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**

	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fees	300	270
Salaries and allowances	5,669	3,990
Retirement benefit scheme contribution	37	42
Share-based payments	222	192
	<b>6,228</b>	<b>4,494</b>

**20. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

The interim financial statements was approved and authorised for issue by the Board of Directors on 25 November 2010.



STOCK CODE 股份代號 : 919

**MODERN BEAUTY SALON HOLDINGS LIMITED**

6/F, Sino Industrial Plaza,  
9 Kai Cheung Road, Kowloon Bay,  
Kowloon, Hong Kong  
Tel: (852) 2866 2377  
Fax: (852) 2804 6607  
Email: [ir@modernbeautysalon.com](mailto:ir@modernbeautysalon.com)  
Website: [www.modernbeautysalon.com](http://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](mailto:ir@modernbeautysalon.com)  
網址 : [www.modernbeautysalon.com](http://www.modernbeautysalon.com)



本中期報告以環保紙印刷

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