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

MODERN BEAUTY

2012/13 中期報告 Interim Report

Stock Code 股份代號：919

True Beauty

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Our Mission

Modern Beauty aims to bring its customers an unique beauty and wellness adventure. We furbish allure and esteem either through the services delivered from our service centres or through the products delivered from our retail network. At Modern Beauty, people is the cornerstone to ensure productivity is sustainable in the pipeline. Building on our successes achieved in Hong Kong, we will explore further opportunities to expand our operations in Mainland China and Asia, and will deliver more promising return to our shareholders in the coming future.

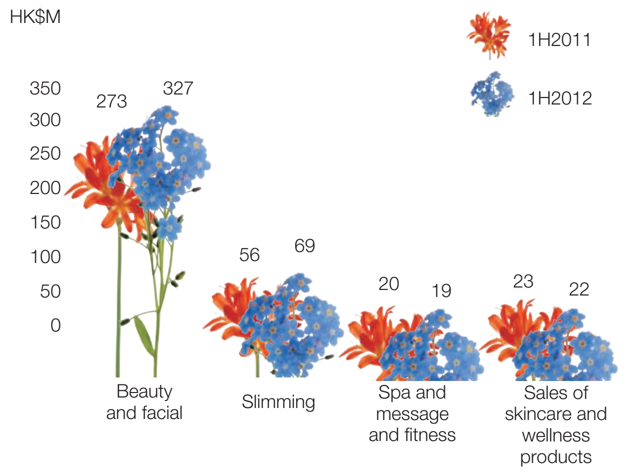
Financial Highlights

FINANCIAL HIGHLIGHTS

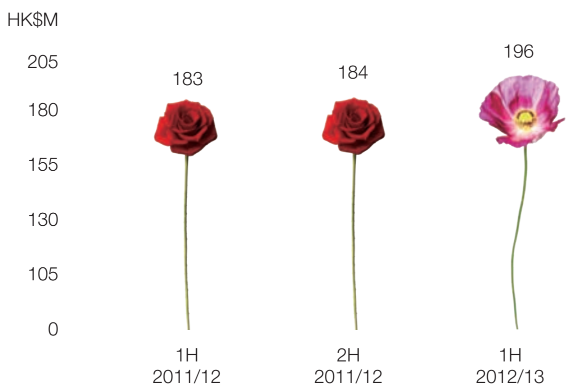
- Group's turnover increased by 17.0% to HK$436,099,000.
- Profit for the period attributable to owners of the Company increased by 24.3% to HK$43,785,000.
- Basic earnings per share for the period under review was HK5.01 cents as compared to the basic earnings per share of HK4.87 cents for the same period last year.
- Interim dividend and special dividend of HK3 cents and HK1.1 cents per share respectively.

TURNOVER

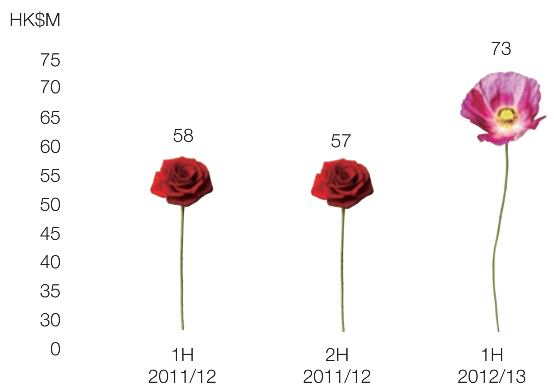
SALES MIX



EMPLOYEE BENEFIT EXPENSES



OCCUPANCY COSTS



Chairperson's Statement

I hereby present the interim results report of Modern Beauty Salon Holdings Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 September 2012 (the "period under review") on behalf of the Company's directors (singly "Director" or collectively "Directors" or "the Board").

BUSINESS REVIEW

During the period under review, plagued by the ongoing European sovereign debt crisis and the sluggish recovery of the global economy, the employment market as well as consumer confidence continued to be weak. In addition, the series of beauty treatment incidents within the industry during the period led to a significant increase in customers' concerns over the quality and safety of beauty and facial and slimming services and products. Despite all these, with years of experience in delivering quality services and the tireless efforts of our professional team, the Group was able to meet different challenges in the market and achieved an impressive business performance. During the period under review, the Group recorded a turnover amounting to HK$436,099,000, representing an increase of 17.0% from HK$372,802,000 in the previous corresponding period.

In terms of earnings, after taking into account a loss arising from the fair value adjustment of investment properties located at Minden Avenue, Kowloon, Hong Kong during the period, the Group's net profit increased by 24.3% to HK$43,783,000 as compared to the same period last year. The formal agreement of the disposal of the abovementioned properties was entered into in August 2012 and completed in November 2012. In light of the persisting uncertainty in the European market during the period, the Board is of the opinion that the disposal will reduce the risks and improve the Group's liquidity. Excluding such extraordinary item, the Group's net profit increased by HK$23,566,000 or 68.3% as compared to the corresponding period last year, demonstrating a remarkable overall business development.

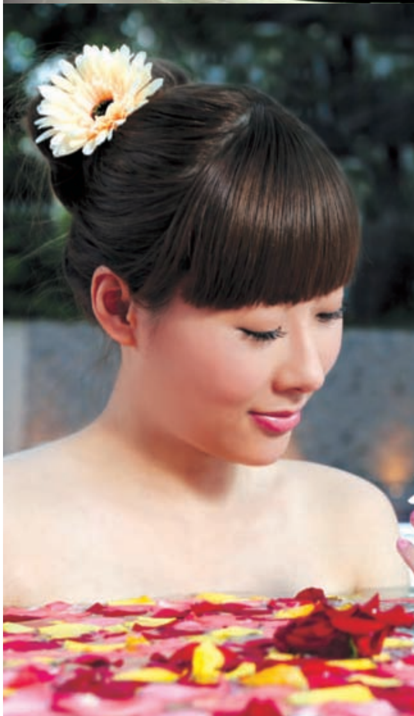
HONG KONG

With years of dedication, the Group has built up a sound reputation and gained trust from its customers. Although customers' expectation towards the quality of beauty and facial and slimming services has further increased after several beauty treatment incidents in Hong Kong during the period, by leveraging on our extensive experience in delivering quality services over the years, the Group's beauty and facial and slimming business have remained unaffected and we continued to win the trust and support from our customers. During the period under review, the Group's services businesses in Hong Kong recorded a turnover of HK$338,213,000 and receipts from sales of prepaid beauty packages amounting to HK$303,199,000 (representing an increase of 17.5% and a decrease of 4.9% respectively as compared to the same period last year).

Regarding product sales, the Group has opened 4 new product sales points in Hong Kong during the period so as to expand its local coverage and further promote its self-owned brands "p.e.n", "be", "FERRECARE" as well as other brands of which we are the distributor. The Group has been committed to selling only skincare products made with safe ingredients and in compliance with stringent production standards. Thus, in order to ensure our customers can use safely in long term, our products are mainly made in either Europe or Australia. The product sales business of the Group developed steadily; yet with a relatively low consumer spending on beauty products under the economic uncertainty, as well as being affected by the series of beauty treatment incidents within the industry during the period, the revenue of that business recorded a decrease of 10.8% to HK$17,097,000, as compared to the same period last year. With the good reputation and the Group's plan on expanding the business by launching a new product brand "Bioline", the Group is confident that the product sales business will be back to a growth trend shortly.

MAINLAND CHINA

The revenue of the Group's beauty business in Mainland China continued to record a steady growth during the period under review despite the keen competition in the industry. With swift changes in the consumer market in China and the continual pressure on operating costs brought by the intensifying inflation in the society, the Group will adopt a prudent and stable strategy regarding its business development in China. As of 30 September 2012, the Group had a total of 8 service centres in China which are located in Beijing, Shanghai and Guangzhou.




p.e.n
p.e.n
MODERN BEAUTY SALON

SINGAPORE AND MALAYSIA

The Group has successfully tapped into the Singapore and Malaysia markets through acquisition last year. During the period under review, the Group has increased its number of beauty service centres in Singapore by 2 to a total of 12, while the number of beauty service centres in Malaysia remained unchanged at 3. The Singapore and Malaysia region recorded a slowdown in economic growth due to uncertainties over the prospects of the global economy. Thanks to the Group's high-quality beauty services, the economic condition did not have a material effect on the Group's local business during the period under review and the Group achieved steady development. The Group will keep a close eye on the local market trends and develop our business accordingly in order to strengthen our position in the local beauty service market.

AWARDS

Under the leadership of our experienced team, the Group has continued to provide professional beauty and facial and slimming services and manufacture skincare products with strict quality assurance, earning wide industry recognition for our quality. After being awarded the "Hong Kong Outstanding Enterprises" from Economic Digest last year, the Group was again awarded the "The Outstanding Brand Awards" 2012 during the period under review. The Group was also the winner of the "The Credible Enterprise of China" Accreditation 2012 co-organized by accreditation bodies such as the Reputation Institute (China) as well as the China Enterprise Reputation & Credibility Association (Overseas). The accreditation is in compliance with the national laws as well as the guidelines on brand researches issued by the national authorities, and is currently the sole corporate accreditation in the China market. The beauty and facial and slimming businesses of the Group has won recognition in the society, which will help enhance the brand recognition, competitiveness, as well as the market share of the Group.

Meanwhile, I also had the honor of being presented with several prestigious awards during the period, including the "Distinct Listed Company Leader" award co-organized by the Hong Kong Commercial Daily and Glorious China Association, "Distinguished CEO of the Year" from Capital CEO, as well as being awarded Honorary Fellow by the Professional Validation Centre of Hong Kong Business Sector. I am deeply honored by the praise and recognition the society has bestowed upon me, and I will be committed to continuing my active contribution towards the industry.

OUTLOOK

During the period under review, the series of beauty treatment incidents within the industry increased the public awareness towards the safety of beauty treatments, and regulatory measures are expected to be implemented to safeguard the consumers. In the short run, the Group predicts that its business may be affected as the customers, influenced by the reported beauty treatment incidents, may reduce their frequencies of using beauty and facial and slimming services. However, capitalizing on its high-quality service and good reputation, the Group is confident in the prospect of its operation, and believes that the impact of the industry incidents on the Group is only temporary. The Group has always placed customer safety as its priority. The quality of all skincare and wellness products used and sold by the Group have been internationally certified to contain safe ingredients. The Group also regularly provides various technical trainings to its service team in order to ensure the professional standards of its staff. Therefore, even if regulatory authorities did implement various measures to regulate the beauty industry, the Group believes that the subsequent effect on its business operations and operating costs is limited.

APPRECIATION

I strongly believe that premium service and staff professionalism are instrumental to the success of the Group. I would like to express my sincere gratitude to the management team and staff of the Group for their dedication and invaluable contribution to the sustainable development of the Group, and to customers and shareholders for their support and trust towards the Group during the period under review. Looking ahead, the Group will continue to pay effort in providing professional beauty services and to develop its various businesses steadily, in order to strive for outstanding financial performance and promising return to maximise the shareholder value of the Group.

Ms. Tsang Yue Joyce
Chairperson and Chief Executive Officer

Hong Kong, 21 November 2012

Management Discussion and Analysis

BUSINESS REVIEW

Hong Kong

The Group's beauty and facial and slimming services mainly targeted at the female market. With an increase in the female working population in Hong Kong, beauty and facial and slimming services are becoming more popular. Meanwhile, customers also have higher expectations towards the product and service quality as well as the effectiveness of the treatments. The Group continuously identified and introduced advanced beauty facilities and highly effective skincare products in response to the changes in demand. We have also provided our service team with relevant trainings in order to deliver safe and highly effective beauty and facial and slimming services to our customers. Due to the rapid development in beauty and facial and slimming technology, other medium and small-scale beauty centres are unable to afford purchasing high quality beauty equipments on long term. Professional beauty equipments are conducive to raising the capability of the Group, thus boosting our brand status as well as our customers' confidence in the Group. Moreover, the charge for such highly effective services is higher, resulting in a greater rate of return. In the long run, such business strategy will have a positive effect on the Group's operations and development. During the period under review, our service income and receipts from prepaid beauty packages in Hong Kong amounted to HK$338,213,000 and HK$303,199,000 respectively, representing a respective year-on-year increase of 17.5% and decrease of 4.9%.

Regarding the sales of skincare and wellness products, during the period under review, the revenue from product sales amounted to HK$17,097,000 (for the same period last year: HK$19,176,000). The Group has been implementing a number of brand strategies with an aim of targeting customers from different age and social groups. The products of our self-owned brands, including "be", "p.e.n" and "FERRECARE", and of other brands of which we are the distributor are mainly made in Europe and Australia. These products contain safe and reliable ingredients and the quality of which has been internationally recognized, coupled with the skincare advice provided by our professional staff, our products have garnered great support from our customers. In order to keep up with the business development of product sales, during the period under review, the Group has established 4 new points of sale for "p.e.n" products to expand our local coverage and further promote our products as well as consolidate our market position. As of 30 September 2012, the Group has 20 stores under the names of "p.e.n" shops, "be Beauty Shop" and "Ferrecare Concept Store" in Hong Kong.

Mainland China

The Group operates its beauty services centres in Mainland China through 3 wholly-owned subsidiaries established in Beijing, Shanghai and Guangzhou respectively. As at 30 September 2012, the Group has established 8 beauty services centres in Mainland China, with a total weighted average gross floor area of approximately 38,000 square feet. The robust economic growth in the society has accelerated the market development of beauty and facial and slimming services and has resulted in increasingly keen competition. The key to a brand's success lies in its service quality and the experience of its team. In order to strengthen the Group's brand position in the Mainland China market, the Group will continue to provide quality services and build up the local customers' confidence in us. We will also keep a close eye on the development of the beauty and facial and slimming markets in Mainland China with the goal of setting a solid foundation for the Group's future business expansion in China. In face of the intensifying inflation and market volatility, the Group will continue to implement cost control measures and prudently consider various business opportunities with the goal of progressing with solid steps. Effective cost control measures coupled with our dedicated efforts in the Group's operations over the years have paved the way for gradual success of our Mainland China business. During the period under review, our Mainland China business has recorded a turnover and net profit of HK$21,108,000 and HK$3,344,000 respectively, representing an increase of 16.1% and 561.9% respectively as compared to the same period last year.

Singapore and Malaysia

The Group commenced the development of its beauty and facial and slimming service businesses in Singapore and Malaysia after the acquisition of the same at the end of the previous financial year, and has successfully expanded its market coverage. During the period under review, the local business has contributed HK$59,573,000 and HK$13,109,000 in turnover and net profit to the Group respectively. Due to uncertainties in the global economy, local consumer sentiment is sluggish as compared to the burgeoning Mainland China market, thus the growth of the Group's local business is expected to be slow. Accordingly, the Group will proceed with its local business development in a steady manner and will prudently consider every expansion opportunity. Meanwhile, the Group will continue to ensure its service quality, and expand its beauty and facial and slimming services and product sales businesses 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 returns to the Group.

FINANCIAL REVIEW

Turnover

Turnover of the Group was mainly contributed by the beauty and facial and slimming services. For the six months period ended 30 September 2012, turnover of the Group increased by 17.0% to HK$436,099,000 as compared to the same period last year as a result of the Group's regional expansion of its beauty and facial and slimming businesses.

Set out below is a breakdown on the turnover of the Group by service lines and product sales during the period under review (with restated comparative figures for the corresponding period in 2011):

	(Unaudited) For the six months ended 30 September				
	2012		2011		
Sales mix	**HK$'000**	**Percentage of turnover**	HK$'000	Percentage of turnover	**Change**
Beauty and facial	326,895	74.9%	273,147	73.2%	+19.7%
Slimming	68,632	15.7%	56,231	15.1%	+22.1%
Spa and massage	17,824	4.1%	18,175	4.9%	-1.9%
Fitness	1,126	0.3%	2,094	0.6%	-46.2%
Beauty and wellness services	414,477	95.0%	349,647	93.8%	+18.5%
Revenue from sales of skincare and wellness products	21,622	5.0%	23,155	6.2%	-6.6%
Total	436,099	100.0%	372,802	100.0%	+17.0%

The provision of beauty and wellness services by the Group over the years has gained trust and support from customers. During the period under review, although the industry was challenged by the society's doubt on the standard of the beauty and facial and slimming services, the Group maintained an outstanding performance by leveraging on its good reputation and high value-added services. The Group's turnover from beauty and facial services increased by 19.7% to HK$326,895,000 (2011: HK$273,147,000) as compared to the same period last year; while turnover from the slimming service also increased to HK$68,632,000 in the period under review, up by approximately 22.1% from about HK$56,231,000 in the same period of 2011.

In order to promote the services and products of the Group more effectively and further strengthen our market position, the Group added 1 beauty service centre and 4 product sales points in total during the period under review, so as to expand the customer coverage. Meanwhile, the Group also kept pace with the market by spending continuous efforts in identifying the latest beauty technologies for customers and introducing effective, safe and reliable beauty and facial and slimming services. With correct brand positioning and diversified services, the Group gained long-term support from customers. Hence, with the effect of the series of beauty treatment incidents within the industry during the period, the Group's sales of prepaid beauty package suffered a mere slight decrease of 4.6% during the period under review to HK$387,440,000, as compared to HK$406,247,000 for the same period last year.

Set out below is an analysis on the deferred revenue:

	(Unaudited) For the six months ended 30 September							
	2012				2011			
Movement of deferred revenue	**Hong Kong HK$'000**	**Mainland China HK$'000**	**South East Asia HK$'000**	**Total HK$'000**	Hong Kong HK$'000	Mainland China HK$'000	South East Asia HK$'000	Total HK$'000
Beginning of the period	**426,917**	**17,497**	**204,209**	**648,623**	393,662	20,033	153,932	567,627
Exchange differences	**–**	**(31)**	**3,284**	**3,253**	–	316	(2,206)	(1,890)
Receipts from sales of prepaid beauty packages	**303,199**	**17,874**	**66,367**	**387,440**	318,689	15,838	71,720	406,247
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty packages	**(338,213)**	**(20,335)**	**(55,929)**	**(414,477)**	(287,807)	(17,560)	(44,280)	(349,647)
End of the period	**391,903**	**15,005**	**217,931**	**624,839**	424,544	18,627	179,166	622,337

Employee benefit expenses

In order to attract and retain the talents to enhance the competitive advantages of the Group, employee benefit expenses (including staff's salaries and bonuses as well as directors' remunerations) represented the largest component of the Group's operating expenses. The Group's remuneration policies are in line with the prevailing market practices and are determined based on 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. During the period under review, employee benefit expenses increased by about 7.4% from HK$182,903,000 for the same period last year to approximately HK$196,368,000, which was attributable to the continuous growth of our operations and our dedication to improve the remuneration of the staff so as to attract and retain the talents. Employee benefit expenses accounted for 45.0% of our turnover, as compared to 49.1% for the same period last year.

Occupancy costs

During the period under review, the Group's occupancy costs were approximately HK$72,817,000 (for the same period in 2011: HK$58,302,000), accounting for approximately 16.7% of our turnover (for the same period in 2011: 15.6%).

As of 30 September 2012, the Group operated a total of 38 service centres in Mainland China and Hong Kong with a total weighted average gross floor area of 297,000 square feet, representing a decrease of 3.6% as compared to 308,000 square feet in 2011/12.

The Group completed the acquisition of the business of the beauty service centres in Singapore and Malaysia last financial year. During the period under review, the Group set up 2 more beauty service centres in Singapore. As of 30 September 2012, the Group had 12 and 3 beauty service centres in Singapore and Malaysia respectively, with a total weighted average gross floor area of approximately 25,000 square feet and approximately 9,000 square feet respectively.

Other operating expenses

Other operating expenses mainly include bank charges, depreciation, advertising costs, utilities and building management fees. Bank charges dropped by 6.0% to HK$18,024,000, which was attributable to the decrease in sales of new prepaid beauty packages and skincare and wellness products during the period under review. Depreciation decreased to HK$14,734,000, or by 16.9% which was mainly attributable to that certain assets and fixtures were completely depreciated during the period under review. Advertising costs increased to HK$6,585,000, as compared to HK$4,312,000 for the same period last year. During the period under review, the percentage of advertising costs to total turnover increased to a small extent from 1.2% for the same period last year to 1.5%, while the turnover and profit grew rapidly with a higher profit margin, demonstrating the correct adoption of our marketing strategies and successful building up of sound reputation for the Group in the beauty industry.

Net profit and net profit margin

For the six months ended 30 September 2012, the net profit was approximately HK$43,783,000, representing an increase of 24.3% as compared to HK$35,217,000 for the same period last year. Net profit margin increased to 10.0% for the period under review from 9.4% for the same period last year. Due to the recent uncertain factors caused by the European market, the Group disposed of the property at No. 5 Minden Avenue, Tsim Sha Tsui, Kowloon during the period in order to reduce the risks and improve the liquidity. To be in line with the business development of the Group, the management intended to use such net proceeds to fund potential acquisition and/or as general working capital. Excluding the loss of HK$14,300,000 arising from the fair value adjustment of investment properties, the Group's net profit generated from operations was HK$58,083,000 during the period, representing a rapid increase of 68.3% compared with HK$34,517,000 for the same period last year. The Group will continue to exercise prudent control on its costs and expand its business when opportunities arise in order to achieve the long-term value-added objective for shareholders' best return.

Basic earnings per share for the period under review was HK5.01 cents as compared to the earnings per share of HK4.87 cents for the same period last year.

Interim dividend and special dividend

The Board has approved to pay an interim dividend and a special dividend of HK3 cents and HK1.1 cents per share respectively for the six months ended 30 September 2012, totaling HK$35,834,000 (interim dividend for 2011: HK3.38 cents and special dividend for 2011: Nil, totaling HK$24,455,000).

The total interim and special dividends of HK4.1 cents will be paid on or around 9 January 2013 to the shareholders whose names appeared on the register of shareholders of the Company at the close of business on 18 December 2012.

Closure of register of members

The register of members of the Company will be closed from 14 December 2012 to 18 December 2012, both days inclusive, during which period no transfer of share will be effected. In order to qualify for the interim and special dividends, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 13 December 2012.

Liquidity, capital structure and treasury policies

During the period under review, we maintained a strong financial position. The total equity of the Company as at 30 September 2012 was HK$278,073,000. Cash and bank balances as at 30 September 2012 amounted to HK$426,588,000 (31 March 2012: HK$484,426,000) with no bank borrowings. The Group generally finances its liquidity requirements through the receipts from sales of prepaid beauty packages and collection of credit card prepayment from banks.

During the period under review, except for the fund required for operation, the majority of the Group's cash was held under fixed and savings deposits in banks at an annualized yield of approximately 0.5%. During the period under review, the Group did not have any other security or capital investments, derivative investments, or hedging for foreign currencies.

Capital expenditure

The total capital expenditure of the Group during the six months ended 30 September 2012 was approximately HK$22,013,000, which was used for acquiring equipment and machinery for the expansion of service and retail networks in various regions. The capital expenditure for the same period last year was approximately HK$23,075,000.

Contingent liabilities and capital commitment

The Group had capital commitment mainly for the acquisition of machinery, equipment and plant. The Board considered that there was no material contingent liabilities as at 30 September 2012. The Group had capital commitment of HK$29,006,000 as at 30 September 2012 (31 March 2012: HK$12,389,000) in respect of the acquisition of plant and equipment.

Charges on assets

As of 30 September 2012, the Group had pledged bank deposits of HK$47,145,000 (31 March 2012: HK$7,141,000) 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 foreign currencies also affected the operating costs as the Group expanded its business to China and Southeast Asian regions. Therefore, the management will closely assess the foreign currency risk exposures faced by the Group, and will take the necessary actions to properly hedge such exposures.

Significant acquisition and disposal

On 30 August 2012, Rise Luck Development Limited, an indirect wholly-owned subsidiary of the Group (the "Vendor") entered into the provisional agreement with Dragon Advantage Limited (the "Purchaser") for the disposal of the property located at No. 5 Minden Avenue, Tsimshatsui, Hong Kong (the "Property") at the consideration of HK$162,000,000. The Purchaser and its ultimate beneficial owners were third parties independent of the Group and its connected persons and there was no previous transaction entered into between the Group and the Purchaser before the disposal of the Property.

Due to the recent uncertain factors caused by the European market, the Directors are of the view that the disposal would benefit the Group by reducing risks and also improve the liquidity of the Group. The Group received net proceeds from the disposal (after deducting other expenses in relation to the disposal) of approximately HK$160,380,000 and it is intended that such net proceeds will be used for funding potential acquisition and/or general working capital purpose. The management of the Group is in the course of assessing certain potential acquisition targets.

The Directors, including the independent non-executive Directors, consider that the terms of the disposal are on normal commercial terms, fair and reasonable and the disposal is in the interests of the Company and the shareholders as a whole.

Details of the disposal were set out in the announcement of the Group dated 30 August 2012. The disposal was completed on 15 November 2012.

Human resources and training

Total employee benefit expenses including directors' emoluments for the period under review amounted to HK$196,368,000, representing a 7.4% increase as compared to HK$182,903,000 for the same period last year. The Group had a workforce of 1,981 staff as of 30 September 2012 (the same period last year: 1,835 staff), including 1,386 front-line service centre staff in Hong Kong, 123 in Mainland China and 258 in other Southeast Asian regions (Singapore and Malaysia). Back office staff totaled 153 in Hong Kong, 21 in Mainland China and 40 in Southeast Asian regions respectively.

To ensure our service quality, the Group regularly offers appropriate trainings to its staff, including the safe application of the latest beauty technology, exchanging of tips on service techniques, and in-depth introduction of our services and products. The trainings are designed by the Group's senior management, who are even responsible for certain teaching and sharing of experiences. During the training, the Group also encourages its staff to raise questions and express their opinions, which facilitates the interaction between the senior management and the general staff. Meanwhile, the sound communication between the management and the staff enables the management to understand the daily operations of the Group in a more efficient manner.

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 employees. The Remuneration Committee also reviews the remuneration policies and packages of executive directors and the senior management. 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. 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 30 September 2012, a total of 6,300,000 share options have been granted to certain directors, senior management and employees of the Group.

CORPORATE SOCIAL RESPONSIBILITY

The Group has been providing beauty and facial and slimming services over the years, and such extensive experience have guided us to attach great importance to the safety of our services and products. The Group exercises stringent quality control on its products, of which the ingredients and hygienic packaging have all been certified to be up to international standards. The advanced machines used in our services have also passed various safety tests and have attained international safety standards.

In addition, the professionalism of our staff is also a key to service safety. The Group has established the Beauty Expert International College in 2002 and our professional teachers have nurtured numerous highly skilled and well-rounded students. The teachers of the college possess years of experience in cosmetology training with different international professional accreditations, while the students can also take a number of internationally recognized examinations in order to acquire experience. The college enables the Group to recruit elites and talents as well as to arrange appropriate trainings or further studies for suitable staff, thus achieve a win-win situation. Upon completing their programme, the students not only have the opportunity to join our Group's professional team, but also are able to explore their career path in other beauty businesses and contribute to the industry.

Concerning environmental protection, as part of our effort to provide a comfortable service environment while strongly support environmental protection, the Group has specific policies stipulating how to minimize the use of air conditioning and reduce our water consumption at service centres.

OUTLOOK

The Group is committed to ensuring the safety and quality of its services and products. Such commitment not only boosted customers' confidence in the Group, but also brought along sound reputation which laid a solid foundation for the future development of the Group and thus deliver better potential returns to our shareholders.

The Group is keeping pace with time by continuously identifying and introducing safe and advanced beauty and facial and slimming equipments and products in order to meet the customers' expectations for high efficient services. With an aim to expand our customer coverage, after in-depth understanding of the target brands and upon prudent consideration, the Group decided to launch a new skincare and slimming product brand "Bioline" in the coming season. We planned to sell the products in all "p.e.n" shops as well as 4 designated service centres in the initial phrase of its launch to test the market reaction before gradually promoting and developing the brand. "Bioline" is positioned to be a high-end brand, with its products made in Italy and its quality have attained international standards. It is believed that the brand will be well received by the customers after its launch and draw in new clienteles for the Group as well as contribute to the growth of our profit.

Regarding the distribution of our service centres, as the lease of the service centre at Asia Standard Tower, Queen's Road Central, Central, Hong Kong will soon expire in December 2012, the Group decided to relocate the service centre to 11/F, World-Wide House. World-Wide House is situated at the heart of Central with MTR station nearby, which provides our customers with convenient access and facilitates the promotion of the Group's brand as well as the development of our business operations.

In recent years, the status and purchasing power of women in Asia have been substantially enhanced with a growing demand for beauty and facial and slimming services. The Group has seized this opportunity to tap into the Mainland China, Singapore and Malaysia markets, and our business has developed smoothly so far. Aside from our ongoing development in these newly expanded markets and the consolidation of our position in local markets, the Group intends to explore the beauty and facial and slimming markets in Taiwan and Macau should the appropriate opportunity arises, so as to expand our operating territory and enhance our market share in the industry.

Corporate Information

BOARD OF DIRECTORS

Ms. Tsang Yue, Joyce (Chairperson)
Mr. Yip Kai Wing
Mr. Leung Man Kit
Ms. Yeung See Man
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. Leung Man Kit
Mr. Yip Kai Wing

COMPANY SECRETARY

Mr. Wong Shu Pui

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

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

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

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

As at 30 September 2012, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules, were as follows:

Long positions in shares and underlying shares in the Company

Name	Capacity in which interests are held	Interests in shares	Equity Derivatives (Share Options)	Equity Derivatives (Convertible Note)	Total Interests	Approximate Percentage of Issued Share Capital of the Company[1]
Mr. Lee Soo Ghee	Beneficial Owner	650,000	–	–	650,000	0.07%
	Interest of spouse[3]	646,760,190	–	87,619,048	734,379,238	84.03%
Ms. Tsang Yue, Joyce	Founder of a discretionary trust	646,760,190	–	87,619,048	734,379,238	84.03%
	Interest of spouse[2]	650,000	–	–	650,000	0.07%
Mr. Yip Kai Wing	Beneficial Owner	185,000	500,000[4]	–	685,000	0.08%
	Interest of spouse[5]	–	200,000	–	200,000	0.02%

Notes:

1. The percentage has been compiled based on the total number of shares of the Company in issue as at 30 September 2012 (i.e. 873,996,190 shares).

2. 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.

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

4. The period during which the equity derivatives (share options) under the name of Mr. Yip Kai Wing is exercisable is set out in the section headed "Share Option Scheme" below.

5. Mr. Yip Kai Wing is the spouse of Ms. Ng Kwai Ho and is deemed to be interested in the shares in which Ms. Ng Kwai Ho is deemed or taken to be interested for the purpose of the SFO (Ms. Ng Kwai Ho is the grantee of an option in respect of 200,000 shares of HK$0.10 each of the Company under the Share Option Scheme adopted by the shareholders of the Company on 20 January 2006).

Save as disclosed above, as at 30 September 2012, none of the Directors and the chief executives of the Company nor their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required 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 pursuant to section 352 of the SFO, to be entered in the register referred to therein, or notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above and in the section headed "Share Option Scheme", at no time during the period under review was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or the chief executives of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 30 September 2012, the interests or short positions of substantial shareholders and other persons of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, were as follows:

Long positions of substantial shareholders in the shares and underlying shares of the Company

Name	Capacity in which interests are held	Interests in shares	Equity Derivatives (Convertible Note)	Total Interests	Approximate Percentage of Issued Share Capital of the Company[1]
Ms. Tsang Yue, Joyce	Founder of a discretionary trust	646,760,190	87,619,048	734,379,238	84.03%
	Interest of spouse[2]	650,000	–	650,000	0.07%
Mr. Lee Soo Ghee	Beneficial owner	650,000	–	650,000	0.07%
	Interest of spouse[3]	646,760,190	87,619,048	734,379,238	84.03%

Notes:

1. The percentage has been compiled based on the total number of shares of the Company in issue as at 30 September 2012 (i.e. 873,996,190 shares).

2. 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.

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

Apart from the above, no other interest or short position in the shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO as at 30 September 2012.

SHARE OPTION SCHEME

On 20 January 2006, the Company has established a share option scheme ("Share Option Scheme") and 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 ("Shares") at an exercise price of HK$1.33 per option and exercisable for a period of one to six years after the vesting period of four to nine years commencing from the date of grant. The life of 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 optimise their performance and efficiency and attract and retain them whose contributions are important to the long-term growth and profitability of the Group.

(b) Participants of the Share Option Scheme

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

(c) Maximum Number of Shares Available for Issue under the Share Option Scheme

Except with the approval of the shareholders of the Company at general meeting, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the issued share capital of the Company as at 9 February 2006 or 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option 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 of the Company at general meeting, no option shall be granted to any participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue.

(e) Basis of Determining the Exercise Price

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

(f) Period of the Share Option Scheme

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

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

Name	Balance as at 1 April 2012	No. of options granted during the period under review	Reclassification	No. of options cancelled/ lapsed during the period under review	No. of options as at 30 September 2012	Date of grant	Period during which options are exercisable	Exercise price	Approximate percentage of share per issued share (Note 1)
Executive Director									
Mr. Yip Kai Wing	125,000	–	–	–	125,000	23/10/2006	23/10/2010 to 22/10/2016	HK$1.33	0.01%
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	0.02%
Others	1,545,000	–	–	(95,000)	1,450,000	23/10/2006	23/10/2010 to 22/10/2016	HK$1.33	0.17%
Others	2,163,000	–	–	(133,000)	2,030,000	23/10/2006	23/10/2014 to 22/10/2016	HK$1.33	0.23%
Others	2,472,000	–	–	(152,000)	2,320,000	23/10/2006	23/10/2015 to 22/10/2016	HK$1.33	0.27%
Total	6,680,000	–	–	(380,000)	6,300,000				

Note:

1. The relevant percentages are calculated by reference to the Shares in issue on 30 September 2012, i.e. 873,996,190 shares.

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

During the six months ended 30 September 2012, 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 principles of good corporate governance consistent with prudent management and enhancement of shareholder value, which emphasize transparency, accountability and independence. During the six months ended 30 September 2012, the Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules, except for the deviation from Code provision A.2.1 as discussed in the section headed "Chairman and Chief Executive Officer" below.

Chairman and Chief Executive Officer

Code provision A.2.1 of the Code stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual. Currently, Ms. Tsang Yue, Joyce is both 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 senior management of the Group.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code 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 2012.

Update on Directors' Information Under Rule 13.51B(1) of The Listing Rules

Wong Shu Pui ("Mr. Wong")

On 11 December 2012, Mr. Wong resigned as an executive director of the Company in order to concentrate on his work as company secretary and legal counsel of the Company.

Yeung See Man ("Ms. Yeung")

On 11 December 2012, Ms. Yeung was appointed as executive director of the Company. Ms. Yeung entered into a service agreement with the Company for a term of 3 years commencing on 11 December 2012 which may be terminated by either party giving to the other one month's prior notice in writing. There will be no director's fee or director's remuneration payable to Ms. Yeung by the Company.

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. Wong Man Hin, Raymond 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. 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 Board has established an audit committee ("Audit Committee") with defined terms of reference, which are on no less exacting terms than those set out in the Code.

The Audit Committee reviews the Group's financial reporting, internal controls and corporate governance issues and makes relevant recommendations to the Board. The Audit Committee is chaired by Ms. Liu Mei Ling, Rhoda, an Independent Non-executive Director and all Audit Committee members are Independent Non-executive Directors.

The Audit Committee has reviewed and approved the Group's interim results for the six months ended 30 September 2012 in conjunction with the Company's auditors prior to their approval by the Board.

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

Hong Kong, 21 November 2012

Independent Review Report

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 25 to 43 which comprises the condensed consolidated statement of financial position of the Company as at 30 September 2012 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.

Without qualifying our review conclusion, we draw to your attention to the fact that the comparative condensed consolidated statement of comprehensive income, the comparative condensed consolidated statement of cash flows, comparative condensed consolidated statement of changes in equity and relevant comparative explanatory notes disclosed in the interim financial information for the six months period ended 30 September 2011 have not been reviewed in accordance with standards applicable to review engagements issued by the HKICPA.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong
21 November 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2012

	Note	Six months ended 30 September 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited and restated)
Turnover	5	**436,099**	372,802
Other income	6	**655**	1,079
Cost of inventories sold		**(12,726)**	(9,282)
Advertising costs		**(6,585)**	(4,312)
Building management fees		**(9,290)**	(7,320)
Bank charges		**(18,024)**	(19,183)
Employee benefit expenses		**(196,368)**	(182,903)
Depreciation		**(14,734)**	(17,734)
Occupancy costs		**(72,817)**	(58,302)
Other operating expenses		**(35,074)**	(31,366)
Operating profit		**71,136**	43,479
Interest income		**1,016**	393
Finance costs	7	**(328)**	(1)
Fair value changes of investment properties		**(14,300)**	700
Profit before tax		**57,524**	44,571
Income tax expense	8	**(13,741)**	(9,354)
Profit for the period	9	**43,783**	35,217
Other comprehensive income for the period, net of tax:			
Exchange differences on translating foreign operations		**(949)**	(28)
Total comprehensive income for the period		**42,834**	35,189
Profit for the period attributable to:			
Owners of the Company		**43,785**	35,220
Non-controlling interests		**(2)**	(3)
		43,783	35,217
Total comprehensive income for the period attributable to:			
Owners of the Company		**42,836**	35,192
Non-controlling interests		**(2)**	(3)
		42,834	35,189
Earnings per share (HK cents)			
— Basic	11	**5.01**	4.87
— Diluted	11	**4.59**	4.87

Condensed Consolidated Statement of Financial Position

At 30 September 2012

	Note	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	**83,479**	75,830
Investment properties		**162,000**	176,300
Deposits	13	**26,928**	23,032
Deferred tax assets		**13,205**	13,662
		285,612	288,824
Current assets			
Inventories		**18,778**	13,159
Trade and other receivables, deposits and prepayments	13	**246,172**	217,466
Current tax assets		**5,143**	7,728
Pledged bank deposits		**47,145**	7,141
Cash and bank balances		**426,588**	484,426
		743,826	729,920
Total assets		**1,029,438**	1,018,744
EQUITY			
Capital and reserves			
Share capital	14	**87,400**	87,400
Reserves		**190,610**	184,678
Equity attributable to owners of the Company		**278,010**	272,078
Non-controlling interests		**63**	65
Total equity		**278,073**	272,143
LIABILITIES			
Non-current liabilities			
Finance lease payables		**9**	18
Convertible note	15	**3,942**	4,538
		3,951	4,556

Condensed Consolidated Statement of Financial Position (Continued)

At 30 September 2012

	Note	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Current liabilities			
Trade and other payables, deposits received and accrued expenses	16	**90,302**	72,412
Deferred revenue	17	**624,839**	648,623
Finance lease payables		**19**	19
Convertible note	15	**2,763**	2,738
Current tax liabilities		**29,491**	18,253
		747,414	742,045
Total liabilities		**751,365**	746,601
Total equity and liabilities		**1,029,438**	1,018,744
Net current liabilities		**(3,588)**	(12,125)
Total assets less current liabilities		**282,024**	276,699

Approved by the Board of Directors on 21 November 2012

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012

	(unaudited) Attributable to owners of the Company										
	Share capital	Share premium	Share-based compensation reserve	Merger reserve	Foreign currency translation reserve	Property revaluation reserve	Convertible note 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	HK$'000
At 1 April 2011, as previously reported	72,352	146,875	3,277	(53,982)	2,991	29,798	–	102,893	304,204	79	304,283
Effect of the Business Combination *(Note 2)*	–	–	–	(70,939)	(3,392)	–	–	51,577	(22,754)	–	(22,754)
At 1 April 2011, as restated	72,352	146,875	3,277	(124,921)	(401)	29,798	–	154,470	281,450	79	281,529
Total comprehensive income for the period	–	–	–	–	(28)	–	–	35,220	35,192	(3)	35,189
Share-based payments	–	–	370	–	–	–	–	–	370	–	370
Lapse of share options	–	–	(80)	–	–	–	–	80	–	–	–
2011 final dividends paid	–	–	–	–	–	–	–	(20,837)	(20,837)	–	(20,837)
Changes in equity for the period	–	–	290	–	(28)	–	–	14,463	14,725	(3)	14,722
Balance at 30 September 2011, as restated	72,352	146,875	3,567	(124,921)	(429)	29,798	–	168,933	296,175	76	296,251
Balance at 1 April 2012	**87,400**	**289,999**	**3,687**	**(374,921)**	**833**	**29,798**	**84,870**	**150,412**	**272,078**	**65**	**272,143**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(949)**	**–**	**–**	**43,785**	**42,836**	**(2)**	**42,834**
Share-based payments	**–**	**–**	**241**	**–**	**–**	**–**	**–**	**–**	**241**	**–**	**241**
Lapse of share options	**–**	**–**	**(223)**	**–**	**–**	**–**	**–**	**223**	**–**	**–**	**–**
2012 final dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(37,145)**	**(37,145)**	**–**	**(37,145)**
Changes in equity for the period	**–**	**–**	**18**	**–**	**(949)**	**–**	**–**	**6,863**	**5,932**	**(2)**	**5,930**
Balance at 30 September 2012	**87,400**	**289,999**	**3,705**	**(374,921)**	**(116)**	**29,798**	**84,870**	**157,275**	**278,010**	**63**	**278,073**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Net cash generated from operating activities	**39,754**	82,669
Net cash used in investing activities	**(62,017)**	(26,688)
Net cash used in financing activities	**(37,726)**	(20,847)
Net (decrease)/increase in cash and cash equivalents	**(59,989)**	35,134
Cash and cash equivalents at beginning of the period	**478,242**	449,495
Effect of foreign exchange rate changes	**2,010**	(1,902)
Cash and cash equivalents at end of the period	**420,263**	482,727

Notes to the Condensed Financial Statements

For the six months ended 30 September 2012

1. GENERAL INFORMATION

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

The Company and its subsidiaries are principally engaged in the provision of beauty and wellness services and 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. 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 (the "Listing Rules").

These condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2012. 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 2012.

Acquisition of the entire equity interest in Zegna Management Limited ("Zegna", hereinafter referred to as the "Business Combination")

Pursuant to the sale and purchase agreement dated 5 July 2011 ("SPA") entered into between BE Universal Limited ("BE Universal", a subsidiary of the Company) as purchaser and Ms. Tsang as vendor, BE Universal conditionally agreed to acquire the entire equity interest in Zegna together with its subsidiaries (collectively referred to as the "Zegna Group") from Ms. Tsang at a consideration of HK$250,000,000 which is to be satisfied by the issue of convertible note at conversion price of HK$1.05 per share ("CN").

On 30 September 2011, BE Universal and Ms. Tsang entered into a supplemental sale and purchase agreement ("Supplemental SPA") to amend and supplement certain terms of the SPA including (i) the businesses of two subsidiaries of Zegna, namely Modern Beauty Salon (S) Pte. Limited ("MBSS") and Splendid Overseas Pte. Limited to be taken up by another newly set-up subsidiary; (ii) MBSS shall execute a deed of waiver in favour of Euro King Limited ("Euro King", a then subsidiary of Zegna) to discharge and release its obligations to settle any amounts due to MBSS as ascertained in a special audit up to a maximum amount of HK$70,000,000; and (iii) the entire issued share capital of Euro King shall be transferred by Zegna to Ms. Tsang (or her nominee) at nil consideration, representing deemed partial consideration of the Business Combination; in fact that Euro King shall not form part of the Zegna Group in the Business Combination. Details of the SPA and Supplemental SPA relating to the Business Combination are set out in the announcement and circular of the Company dated 5 July 2011 and 30 September 2011 respectively.

2. BASIS OF PREPARATION *(Continued)*

Acquisition of the entire equity interest in Zegna Management Limited ("Zegna", hereinafter referred to as the "Business Combination") *(Continued)*

Although the Group resulting from the Business Combination did not exist until 10 January 2012, having regard the Group and the Zegna Group were both under the common control of Ms. Tsang prior to the Business Combination, the directors of the Company consider that meaningful information with regard to the historical performance of the Group, therefore the purchase of Zegna is considered as a business combination of entities and businesses under common control, which has been accounted for using merger accounting with reference to the Accounting Guideline 5 "Merger Accounting For Common Control Combinations" ("AG 5") issued by the HKICPA, as if the Business Combination had occurred from the date when the Group and Zegna first came under the common control of Ms. Tsang. As a result, the 2011 comparative figures in the condensed consolidated financial information have been restated accordingly.

The following summarise the combined results of operations of the Group and the Zegna Group for the six months ended 30 September 2011 to reflect the impact of the Business Combination:

	The Group (as previously reported before the Business Combination) HK$'000 (unaudited)	**Effect of the Business Combination** HK$'000 (unaudited)	**The Group (as restated after the Business Combination)** HK$'000 (unaudited)
For the six months ended 30 September 2011			
Results:			
Turnover	325,466	47,336	372,802
Profit for the period	32,663	2,554	35,217

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 period beginning on 1 April 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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.

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.

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 2012. Segment profits or losses do not include other income, interest income, finance costs, fair value changes of investment properties, unallocated costs, which comprise corporate administrative expenses, and income tax expense. Segment assets do not include investment properties, current tax assets and deferred tax assets.

The Group accounts for inter-segment 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 2012:			
Revenue from external customers	**414,477**	**21,622**	**436,099**
Inter-segment revenue	**–**	**9,374**	**9,374**
Segment profit	**78,194**	**9,256**	**87,450**
As at 30 September 2012:			
Segment assets	**833,530**	**15,560**	**849,090**
Six months ended 30 September 2011 (Restated):			
Revenue from external customers	349,647	23,155	372,802
Inter-segment revenue	–	6,487	6,487
Segment profit	46,458	12,686	59,144
	(audited)	(audited)	(audited)
As at 31 March 2012:			
Segment assets	816,668	4,386	821,054

4. SEGMENT INFORMATION *(Continued)*

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Reconciliations of segment profit or loss:		
Total profit or loss of reportable segments	**87,450**	59,144
Other income	**655**	1,079
Interest income	**1,016**	393
Finance costs	**(328)**	(1)
Fair value changes of investment properties	**(14,300)**	700
Unallocated costs	**(16,969)**	(16,744)
Income tax expense	**(13,741)**	(9,354)
Consolidated profit for the period	**43,783**	35,217

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	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Total receipts for sales of prepaid beauty packages	**387,440**	406,247
Revenue from provision of beauty and wellness services and expiry of prepaid beauty packages	**414,477**	349,647
Sales of skincare and wellness products	**21,622**	23,155
	436,099	372,802

6. OTHER INCOME

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Commission income	**368**	795
Magazine subscription income	**24**	28
Other income	**263**	256
	655	1,079

7. FINANCE COSTS

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Finance lease charges	**1**	1
Interest on convertible note wholly repayable within five years (Note 15)	**327**	–
	328	1

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Current tax — Hong Kong Profits Tax		
— Provision for the period	**10,297**	1,170
Current tax — Overseas		
— Provision for the period	**2,970**	1,775
	13,267	2,945
Deferred tax	**474**	6,409
	13,741	9,354

Hong Kong Profits Tax is provided at 16.5% (2011: 16.5%) based on the assessable profits for the period.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

No provision for PRC Enterprise Income Tax has been made for the period ended 30 September 2012 (2011: Nil) since the Group's PRC subsidiaries have sufficient tax losses brought forward to set off against current period's assessable profit.

9. PROFIT FOR THE PERIOD

The Group's profit for the period is stated after charging the following items:

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Auditors' remuneration		
— Current period	**982**	1,146
Directors' remuneration	**10,559**	5,372

10. DIVIDENDS

On 21 November 2012, the Board has approved the payment of an interim dividend and a special dividend of HK3 cents and HK1.1 cents (interim dividend for 2011: HK3.38 cents and special dividend for 2011: Nil) per ordinary share respectively for the six months ended 30 September 2012.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Earnings		
Earnings for the purpose of calculating basic earnings per share	**43,785**	35,220
Finance costs saving on conversion of convertible note outstanding	**327**	–
Earnings for the purpose of calculating diluted earnings per share	**44,112**	35,220
Number of shares		
Issued ordinary shares at 1 April and weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**873,996,190**	723,520,000
Effect of dilutive potential ordinary shares arising from convertible note outstanding	**87,619,048**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**961,615,238**	723,520,000

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the Group acquired property, plant and equipment of approximately HK$22,013,000 (2011 (Restated): HK$23,075,000).

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Non-current assets		
Rental and other deposits	**26,928**	23,032
Current assets		
Trade receivables	**56,909**	51,915
Trade deposits retained by banks and credit card companies (Note)	**134,834**	125,953
Rental and other deposits, prepayments and other receivables	**54,210**	39,248
Amounts due from related companies (Note 20(b))	**219**	350
	246,172	217,466
	273,100	240,498

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 the banks' credit cards, in accordance with the merchant agreements entered into between the Group and the banks/credit card companies.

The Group's turnover comprises mainly cash and credit card sales. The credit terms with banks/credit card companies are within 180 days (31 March 2012: 180 days) from the date of billings.

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

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
0–30 days	**25,014**	24,292
31–60 days	**12,150**	12,200
61–90 days	**10,040**	10,581
91–180 days	**7,961**	3,991
Over 180 days	**1,744**	851
	56,909	51,915

14. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
As at 31 March 2012 and 30 September 2012	10,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
As at 31 March 2012 and 30 September 2012	873,996,190	87,400

15. CONVERTIBLE NOTE

The Company has issued CN with value of HK$250,000,000 to Ms. Tsang on 10 January 2012 to settle the consideration of the Business Combination. Ms. Tsang is entitled to convert the CN in whole or in part (in the amount not less than a whole multiple of HK$1,000,000 or if the remaining outstanding amount of the CN is in a lesser amount, such lesser amount) into new ordinary shares of the Company at the conversion price of HK$1.05 per share at any time between the date of issue of the CN and 9 January 2017. No conversion right attached to the CN may be exercised if following such exercise, the public float of the Company will fall below the minimum requirement as prescribed under the Listing Rules. The value of the CN which remains outstanding on the maturity date shall be automatically converted into the new ordinary shares of the Company at the then prevailing conversion price. However, in the event that such conversion would result in the Company's failure to comply with the public float requirement as prescribed under the Listing Rules, there shall not be any conversion in respect of such value of the CN and the balance of the CN not converted into the shares of the Company, shall be redeemed by the Company at a redemption amount equals to 100% of the value of the said balance of the CN.

The CN bears interest of 2% per annum and shall be payable annually on each 31 March. Details of CN are disclosed in the Company's announcement and circular dated 5 July 2011 and 30 September 2011 respectively.

15. CONVERTIBLE NOTE *(Continued)*

The value of the CN has been split into the liability element and an equity component, as follows:

	HK$'000
Value of CN issued	250,000
Equity component	(230,626)
Liability component at date of issue	19,374
Interest charged	318
Converted into ordinary shares of the Company	(12,416)
Liability component at 31 March 2012 (audited)	7,276
Interest charged	327
Interest paid	(898)
Less: Amount due within one year (unaudited)	(2,763)
Amount due over one year (unaudited)	3,942

The interest charged for the year/period is calculated by applying an effective interest rate of 9.15% to the liability component.

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

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Trade payables	**1,889**	1,276
Other payables, deposits received and accrued expenses	**88,324**	71,024
Amount due to ultimate controlling party (Note 20(b))	**2**	2
Amounts due to related companies (Note 20(b))	**87**	110
	90,302	72,412

16. TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES *(Continued)*

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

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Within 90 days	**1,855**	1,142
Over 90 days	**34**	134
	1,889	1,276

17. DEFERRED REVENUE

An ageing analysis of the deferred revenue is as follows:

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Within 1 year	**515,716**	516,355
More than 1 year but within 2 years	**70,985**	63,423
More than 2 years but within 3 years	**38,138**	68,845
	624,839	648,623

18. COMMITMENTS

(a) Lease commitments

At 30 September 2012, the total future minimum lease payments under non-cancelable operating leases are payable as follows:

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Not later than one year	**149,993**	124,908
Later than one year and not later than five years	**121,533**	115,127
	271,526	240,035

(b) Capital commitments

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

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Contracted but not yet provided for		
— Acquisition of plant and equipment	**29,006**	12,389

19. 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 insignificant or unspecified amounts. The directors are of the opinion that such complaints and claims are remote and have no material financial impact to the Group.

20. 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:

	Note	Six months ended 30 September **2012** **HK$'000** **(unaudited)**	2011 HK$'000 (unaudited and restated)
Rental expenses paid to related companies:			
All Link International Limited	(i)	**53**	–
East Union Industries Limited	(i)	**744**	275
Golden National Limited	(i)	**3,900**	4,800
Joy East Limited	(i)	**276**	87
Luck Elegant Industrial Limited	(i)	**390**	210
Lucky Forever Limited	(i)	**2,300**	–
United Industries Limited	(i)	**1,406**	302
Well Faith International Enterprise Limited	(i)	**5,551**	1,865
Wise World Limited	(i)	**804**	367
		15,424	7,906
Interest charge on convertible note issued to ultimate controlling party:			
Ms. Tsang		**327**	–
Salaries and other benefits in kind paid to related parties:			
Related party A	(ii)	**794**	387
Related party B	(iii)	**626**	623
Related party C	(iii)	**76**	14
Related party D	(iv)	**223**	189
		1,719	1,213

Notes:

(i) The amounts represented rental expenses paid for areas leased from related companies for use as office, retail shops, beauty service centres anfd warehouses at a monthly rental mutually agreed by both parties. The related companies are controlled by Ms. Tsang.

(ii) Related party A is the spouse of Ms. Tsang.

(iii) Related party B and C are the sons of Ms. Tsang.

(iv) Related party D is the spouse of a director, Mr. Yip Kai Wing.

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

(b) Balances with related parties

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

(c) Key management compensation

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Fees	**390**	345
Salaries and allowances	**10,100**	4,974
Retirement benefit scheme contribution	**51**	26
Share-based payments	**18**	27
	10,559	5,372

21. EVENTS AFTER THE REPORTING PERIOD

On 30 August 2012, Rise Luck Development Limited ("Rise Luck"), a wholly-owned subsidiary of the Company entered into a provisional sale and purchase agreement with an independent third party ("Purchaser"), pursuant to which, Rise Luck agreed to dispose of its investment properties to the Purchaser at a consideration of HK$162 million (the "Disposal"). The Disposal was completed on 15 November 2012.

22. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The interim financial statements was approved and authorised for issue by the Board of Directors on 21 November 2012.

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