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

Stock Code 股份代號：919

Modern Beauty

2015/16 Interim Report 中期報告

Content

Financial and Operational Highlights

- The Group's revenue decreased by 12.2% to HK$402.7 million as compared to the same period last year.
- Gross receipts from sales of prepaid beauty packages decreased from approximately HK$387.5 million for the same period last year to approximately HK$350.4 million for the period under review.
- Profit for the period under review attributable to equity shareholders was approximately HK$5.7 million, representing a decrease of 87.4% compared with approximately HK$45.5 million for the same period last year.
- The Board recommended the payment of an interim dividend of HK0.4 cent per ordinary share for the period under review.
- The Group operated a total of 42 service centres in mainland China, Hong Kong and Taiwan with a total weighted average gross floor area of approximately 291,000 square feet.
- The Group had 16 and 3 beauty service centres in Singapore and Malaysia respectively, with a total weighted average gross floor area of approximately 28,000 square feet and approximately 8,900 square feet respectively.
- Customer number in Hong Kong and Singapore reached approximately 387,000 and 104,000 respectively.

Chairperson's Statement

I hereby present the interim results of Modern Beauty Salon Holdings Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 September 2015 (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, due to the continuous economic uncertainties in Europe and the retarded economic growth in mainland China, the retail and consumption sentiment was adversely affected, which in turn affected the performance of beauty and wellness services industry and its product sales. For the six months ended 30 September 2015, revenue of the Group decreased by 12.2% to HK$402,735,000 as compared to the same period last year due to the weakened consumption sentiments in different business regions as a result of volatile financial market and weakened economy. Compared to the same period last year, the Group's revenue from beauty and facial services for ladies decreased by 14.8% to HK$256,161,000 (2014: HK$300,683,000), while revenue from beauty and facial services for men increased by 0.6% to HK$32,667,000 (2014: HK$32,485,000). Revenue from the slimming service decreased to HK$59,008,000 in the period under review, down by approximately 23.3% from approximately HK$76,935,000 in the same period of 2014. Meanwhile, spa and massage revenue for the Group in the period under review increased by 40.4% to HK$37,817,000. As for the product revenue, it decreased by 20.8% to HK$17,067,000 as compared to the same period last year, which was mainly attributed to the restructuring of our product portfolio in order to suit the customer needs.

Chairperson's Statement

Hong Kong

Due to the volatile financial market and weakened economy in Hong Kong, people are becoming more conservative on their spending. Our beauty, slimming and wellness service business in Hong Kong was inevitably affected. In view of this economic environment, apart from the continuation of delivering high quality services to our customers, the Group will consolidate and restructure our service centers upon expiry of lease term. During the period under review, our service income and receipts from prepaid beauty packages in Hong Kong amounted to HK$313,465,000 and HK$296,772,000 respectively, representing a decrease of 5.9% and 5.3% respectively, as compared to the same period last year.

Mainland China

In light of the economic slowdown in mainland China, the Group will remain cautious and prudent in developing the mainland China business. Nonetheless, we still believe that the beauty, slimming and wellness market in mainland China will continue to prosper by strong demand since a larger portion of the population moves up to the bourgeoisie. More stores in the mainland China will be open if we find suitable location. During the period under review, our service income and receipts from prepaid beauty packages in mainland China amounted to HK$13,965,000 and HK$12,863,000 respectively, representing a decrease of 5.0% and 10.0% respectively, as compared to the same period last year.

Notwithstanding the retarded growth of economy in mainland China during the period under review, we still believe that our brand name has secured a presence in mainland China with a solid foundation that we have established for years in Beijing, Shanghai and Guangzhou. Plans to open more stores in mainland China is afoot.

Singapore and Malaysia

The performance of Singapore and Malaysia is adversely affected by the policies of the local governments. For Singapore, from June 2015, if a local person's aggregate interest-bearing outstanding balance on all credit cards and unsecured credit facilities exceeds 24 times of his monthly income for 3 consecutive months, his credit lines will be suspended. This means that he will not be allowed to charge new amounts to his existing credit cards and/or unsecured credit facilities. For Malaysia, from April 2015, GST of 6% has been imposed on local services providers, including beauty services. These policies have hurt the local consumption sentiments significantly. During the period under review, our Singapore and Malaysia operations reported a revenue of HK$57,396,000. Receipts from sales of prepaid beauty packages amounted to HK$37,768,000, while revenue from services rendered amounted to HK$55,673,000, decreased by 35.0% and 36.6% respectively when compared with the same period last year.

Despite that new policies of the local governments have hurt the local beauty industries, the Group will continue to carry out its local business development prudently and we believe that the local people will accustom to the new policies and the consumption sentiments will recover as time goes by.

Outlook

With the global economic uncertainties ahead, the Group will make continuous efforts to practise a prudent financial management and improve the operational efficiency by implementing cost control initiatives, and make a strategic move to consolidate the existing service centers and open new service centers in suitable region and district.

In July 2014, we formed a joint venture with an Australian partner. The joint venture engages not only in the manufacture of the "Advanced Natural" beauty and skincare products, but also wholesales and/or retails of these products internationally in Europe, Australia, Middle-East, mainland China and Southeast Asia. During the period under review, in face of the economic uncertainties in Europe, the sales performance from Europe was deeply affected. On the other hand, we are looking for other business opportunities in other region and countries. During the period under review, we successfully distributed our "Advanced Natural" products in the Kingdom of Saudi Arabia. Leveraging on the profound experience of our partner in developing international markets, it is expected that greater returns will be bought to the shareholders from this joint venture.

Chairperson's Statement

During the period under review, O2O mobile app was launched which served as a convenient platform for our members who want to make bookings on their phones in accordance with their own needs. It also serves as a marketing media to advertise our latest services and promotion campaign so as to bring more customers to our service center. Looking ahead, in the second half of this financial year, we will also launch a B2C online product sales platform so that our products can be sold directly to those who make online orders, which are expected to increase our products sales contribution in future.

Looking ahead, we will give due consideration on evaluating new investment opportunities in terms of their overall long-term efficiency. Leveraging on our competent management team, healthy cash flow, and sound financial situation, we are well-positioned to bring our strengths and potentials into full play and meet future challenges.

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 skincare products. Coupled with effective marketing tactics, we have attained a remarkable success and are highly respected and recognized by the industry. During the period under review, the Group is proud of being a winner of the "Professional Anti-aging Product Award", "Professional Essence Award" and "Professional Whitening Product Award" presented by "Sisters Beauty Pro" magazine. Also, I am proud of being awarded the Medal of Honor by the Government of the HKSAR.

Appreciation

Last but not least, on behalf of the board, I would like to take this opportunity to express my sincere thanks to the management team and staff of the Group for their efforts, professionalism and contributions to the Group. I would also like to extend grateful appreciation to customers and shareholders for their long-lasting support towards the Group during the period under review. For the foreseeable future, the Group will continue to provide professional beauty services and to adopt prudent and progressive businesses development strategy to achieve long-term growth.

Ms. Tsang Yue Joyce
Chairperson and Chief Executive Officer

Hong Kong, 30 November 2015

Management Discussion and Analysis

Business Review

Hong Kong

The year 2015 so far has proven to be another challenging period as volatile financial market and weakened economy in Hong Kong made people more conservative on their spending. Our beauty, slimming and wellness service business in Hong Kong was inevitably affected. Nevertheless, leveraging on our excellent service management that facilitate greater quality assurance, our management is confident of the future prospects of our business.

The Group is currently operating 32 beauty and spa service centers with a total gross floor area of approximately 251,100 square feet, decreased by 4.5% when compared with the figure of 262,800 square feet as at 30 September 2014. Various comprehensive high quality beauty, slimming and facial services are offered to the general public including, inter alia, skincare, slimming, hairstyling, cosmetics, manicures, pedicures, electrology and aesthetics services. Since 2013, we have also provided wedding photography services to our customers. To further strengthen our beauty services for our customers, we offer a number of innovative and sophisticated beauty, slimming and anti-aging treatments and machineries, such as Viora REACTION™ machine which facilitates breakthrough skin tightening and cellulite reduction treatment by using variable radio frequencies with vacuum technology to intensify the treatment process and allow for deeper (and safe) penetration of the skin, together with a built-in cooling system to keep the skin cool while the device does the hard work. It is designed to treat those stubborn cellulite marks at the core, while strengthening existing collagen fibers. The result is a more toned, firmer appearance to the skin.

During the period under review, we launched an O2O mobile app which serves as a convenient platform for our members who want to make bookings on their phones in accordance with their own needs. It also serves as a marketing media to advertise our latest services and promotion campaign.

With regard to the sales of skincare and wellness products, as of 30 September 2015, the Group had a total of 17 stores under the names of "p.e.n" and "be Beauty Shop", locating across Hong Kong, Kowloon and the New Territories. More than 80 varieties of products are available for sale under different series of skincare service, including "Y.U.E", "Advanced Natural", "Bioline", "BeYu", "Malu Wilz", which can fulfill the needs of customers with different skin types.

During the period under review, our service income and receipts from prepaid beauty packages in Hong Kong amounted to HK$313,465,000 and HK$296,772,000 respectively, representing a decrease of 5.9% and 5.3% respectively, as compared to the same period last year.

Mainland China

Our mainland China operations are conducted through three wholly owned foreign enterprises established in Beijing, Shanghai and Guangzhou in the People's Republic of China. These three wholly owned foreign enterprises operate a total of 8 service centres at the three cities referred to. During the period under review, our service income and receipts from prepaid beauty packages in mainland China amounted to HK$13,965,000 and HK$12,863,000 respectively, representing a decrease of 5.0% and 10.0% respectively, as compared to the same period last year.

Notwithstanding the retarded growth of economy in mainland China during the period under review, we still believe that the beauty, slimming and wellness market in mainland China will continue to prosper by strong demand since a larger portion of the population moves up to the bourgeoisie. Our brand name has secured a presence in mainland China with a solid foundation that we have established for years in Beijing, Shanghai and Guangzhou. Plans to open more stores in mainland China are afoot.

Management Discussion and Analysis

Singapore and Malaysia

The Group operated a total of 19 beauty and wellness service centres in Singapore and Malaysia, increased by 2 stores compared with the same period last year. During the period under review, our Singapore and Malaysia operations reported a revenue of HK$57,396,000. Receipts from sales of prepaid beauty packages amounted to HK$37,768,000, while revenue from services rendered amounted to HK$55,673,000, decreased by 35.0% and 36.6% respectively when compared with the same period last year. The drops are mainly due to the new policies of the local governments of Singapore and Malaysia. For Singapore, from June 2015, if a local person's aggregate interest-bearing outstanding balance on all credit cards and unsecured credit facilities exceeds 24 times of his monthly income for 3 consecutive months, his credit lines will be suspended. This means that he will not be allowed to charge new amounts to his existing credit cards and/or unsecured credit facilities. For Malaysia, from April 2015, a GST of 6% has been imposed on local services providers, including beauty services. These policies have hurt the local consumption sentiments significantly. The Group will continue to carry out its local business development prudently and we believe that the local people will accustom to the new policies and the consumption sentiments will recover as time goes by.

Taiwan

Currently, the Group is operating 2 service centres in Taiwan. We will continue to maintain a prudent approach in developing the local business.

Financial Review

Revenue

Revenue of the Group was mainly contributed by the beauty, facial and slimming services. For the six months ended 30 September 2015, revenue of the Group decreased by 12.2% to HK$402,735,000 as compared to the same period last year due to the weakened consumption sentiments in different business regions as a result of volatile financial market and weakened economy. Set out below is a breakdown of the revenue of the Group by service lines and product sales during the period under review:

	For the six months ended 30 September				
	2015		2014		
Sales mix	**HK$'000**	**Percentage of revenue**	HK$'000	Percentage of revenue	Change
Beauty and facial	**288,828**	**71.7%**	333,168	72.6%	-13.3%
Slimming	**59,008**	**14.7%**	76,935	16.8%	-23.3%
Spa and massage	**37,817**	**9.4%**	26,937	5.9%	+40.4%
Fitness	**15**	**0.0%**	84	0.0%	-82.1%
Beauty and wellness services	**385,668**	**95.8%**	437,124	95.3%	-11.8%
Sales of skincare and wellness products	**17,067**	**4.2%**	21,561	4.7%	-20.8%
Total	**402,735**	**100.0%**	458,685	100.0%	-12.2%

Compared to the same period last year, the Group's revenue from beauty and facial services for ladies decreased by 14.8% to HK$256,161,000 (2014: HK$300,683,000), while revenue from beauty and facial services for men increased by 0.6% to HK$32,667,000 (2014: HK$32,485,000).

Revenue from the slimming service decreased to HK$59,008,000 in the period under review, down by approximately 23.3% from approximately HK$76,935,000 in the same period of 2014. Meanwhile, spa and massage revenue for the Group in the period under review increased by 40.4% to HK$37,817,000.

Management Discussion and Analysis

As for the product revenue, it decreased by 20.8% to HK$17,067,000 as compared to the same period last year, which was mainly attributed to the restructuring of our product portfolio in order to suit the customer needs.

Employee benefit expenses
Employee benefit expenses represent the largest component of the Group's operating expenses, decreased by approximately 0.03% to HK$206,523,000 comparing to HK$206,594,000 for the same period last year. The total headcount of the Group as at 30 September 2015 decreased by 4.8% to 1,761, as compared to a headcount of 1,850 for the same period last year. The drop of employee benefits expenses and headcount is mainly due to the continuous cost efficiency that we endeavor to pursue. In order to attract and retain the talents to enhance the competitive advantages of the Group, elite system has been launched since 2010 to provide comprehensive training to improve the 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. Employee benefits expenses accounted for 51.3% of our revenue, as compared to 45.0% for the same period last year.

Occupancy costs
During the period under review, the Group's occupancy costs were approximately HK$81,094,000 (2014: HK$82,463,000), accounting for approximately 20.1% of our revenue (2014: 18.0%). As of 30 September 2015, the Group operated a total of 42 service centres in mainland China, Hong Kong and Taiwan with a total weighted average gross floor area of 291,000 square feet, representing a decrease of 1.4% as compared to 295,000 square feet for the same period last year. As of 30 September 2015, the Group had 16 and 3 service centres in Singapore and Malaysia respectively, with a total weighted average gross floor area of approximately 28,000 square feet and approximately 8,900 square feet respectively.

Other operating expenses
Other operating expenses mainly include bank charges, depreciation, advertising costs, utilities, building management fees and foreign exchange gains and losses. Bank charges decreased by 7.4% to HK$17,672,000 during the period under review. Depreciation decreased to HK$23,584,000 or by 4.0% with some new shops opening and some older ones closing down. Advertising costs decreased to HK$3,003,000, as compared to HK$4,460,000 for the same period last year. The percentage of advertising costs to total revenue decreased by a small extent from 1.0% for the same period last year to 0.7%. Foreign exchange loss of HK$7,717,000 was incurred due to the depreciation of RMB and Singapore dollar during the period under review.

Net profit and net profit margin
For the six months ended 30 September 2015, the net profit was approximately HK$5,734,000, representing a decrease of 87.4% as compared to HK$45,496,000 for the same period last year. Net profit margin decreased from 9.9% for the same period last year to 1.4% for the period under review. The Group will continue to expand its business when opportunities arise in order to achieve the long-term value-added objective of maximizing shareholders' returns. Basic earnings per share for the period under review was HK0.65 cent as compared to the earnings per share of HK5.21 cents for the same period last year.

Interim dividend
The Board has approved to pay an interim dividend of HK0.4 cent per share for the six months ended 30 September 2015, totaling HK$3,496,000 (interim dividend for 2014: HK3.4 cents, totaling HK$29,716,000). The total interim dividend of HK0.4 cent will be paid on or around 8 January 2016 to the shareholders whose names appear on the register of shareholders of the Company at the close of business on 18 December 2015.

Closure of register of members
The register of members of the Company will be closed from 16 December 2015 to 18 December 2015, both days inclusive, during which period no transfer of share will be effected. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 15 December 2015.

Management Discussion and Analysis

Liquidity, capital structure and treasury policies
During the period under review, we maintained a strong financial position. The total equity of the Group as at 30 September 2015 was HK$157,834,000. Cash and bank balances as at 30 September 2015 amounted to HK$375,272,000 (31 March 2015: HK$397,248,000) 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 0.78%. During the period under review, the Group did not have any other security or capital investments, derivative investments, or hedging on foreign currencies.

Capital expenditure
The total capital expenditure of the Group during the six months ended 30 September 2015 was approximately HK$11,168,000, which was mainly used for the addition of leasehold improvements, motor vehicles and equipment and machinery in connection with the expansion and integration of its service and retail networks in various regions. The capital expenditure for the same period last year was approximately HK$15,887,000.

Contingent liabilities and capital commitment
The Group had capital commitment mainly for the acquisition of machinery, equipment and plant. The Board considered that there were no material contingent liabilities as at 30 September 2015. The Group had capital commitment of HK$1,517,000 as at 30 September 2015 (31 March 2015: HK$7,644,000) in respect of the acquisition of plant and equipment.

Charges on assets
As of 30 September 2015, the Group had pledged bank deposits of HK$53,776,000 (31 March 2015: HK$53,842,000) 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 mainland 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.

Human resources and training
Total employee benefit expenses including directors' emoluments for the period under review amounted to HK$206,523,000, representing a 0.03% decrease as compared to HK$206,594,000 for the same period last year. The Group had a workforce of 1,761 staff as of 30 September 2015 (2014: 1,850 staff), including 1,314 front-line service centre staff in Hong Kong, 96 in mainland China and 164 in Southeast Asian regions (Singapore, Malaysia and Taiwan). Back office staff totaled 134 in Hong Kong, 19 in mainland China and 34 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 also 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.

Management Discussion and Analysis

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 2015, a total of 6,120,000 share options had 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 recognized internationally. 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 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

In the context of continuous economic uncertainties in Europe and the retarded economic growth in mainland China, the retail and consumption sentiment have been adversely affected, which in turn affect the performance of beauty and wellness services industry and its product sales. Nonetheless, we have strived to control the operating costs as well as focusing on the maintenance of a healthy cash position. Therefore, in spite of the weakened business environment we are facing, we are still prudently optimistic about the Group's performance in the future.

In July 2014, we formed a joint venture with an Australian partner. The joint venture engages not only in the manufacture of the "Advanced Natural" beauty and skincare products, but also wholesales and/or retails of these products internationally in Europe, Australia, Middle-East, mainland China and Southeast Asia. During the period under review, in face of the economic uncertainties in Europe, the sales performance in Europe was deeply affected. On the other hand, we are looking for other business opportunities in other region and countries. During the period under review, we successfully distributed our "Advanced Natural" products in the Kingdom of Saudi Arabia. Leveraging on the profound experience of our partner in developing international markets, it is expected that greater returns will be bought to the shareholders from this joint venture.

Leveraging on our internal information technology development team, during the period under review, we launched an O2O mobile app which served as a convenient platform for our members who wants to make bookings on their phones in accordance with their own needs. It also serves as a marketing media to advertise our latest services and promotion campaign so as to bring more customers to our service center. Looking ahead, in the second half of the financial year ending 31 March 2016, we will also launch a B2C online product sales platform so that our products can be sold directly to those who make online orders, which are expected to increase our products sales in the future.

Corporate Information

Board of Directors
Ms. Tsang Yue, Joyce (Chairperson)
Mr. Yip Kai Wing
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)*
Mr. Lam Tak Leung *(Independent Non-executive Director)*

Authorised Representatives
Mr. Yip Kai Wing
Ms. Yeung See Man

Company Secretary
Mr. Wong Shu Pui

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

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

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

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George Town
Grand Cayman
Cayman Islands

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9 Kai Cheung Road
Kowloon Bay
Kowloon
Hong Kong

Auditor
KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Share Registrar and Transfer Office
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
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
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Website
www.modernbeautysalon.com

Corporate Governance and Other Information

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 30 September 2015, the interests and short positions of the Directors and chief executive 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") set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in Shares, underlying Shares and Debentures of 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]
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%
Yip Kai Wing	Beneficial Owner	185,000	500,000[3]	–	685,000	0.08%
	Interest of spouse[4]	–	200,000	–	200,000	0.02%
Yeung See Man	Beneficial Owner	172,000	300,000[5]	–	472,000	0.05%

Notes:

1. The percentage has been compiled based on the total number of shares of the Company in issue as at 30 September 2015 (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. The period during which the equity derivatives (share options) under the name of Mr. Yip Kai Wing are exercisable is set out in the section headed "Share Option Scheme" below.

4. Mr. Yip Kai Wing is the spouse of Ms. Ng Kwai Ho and is deemed to be interested in the derivative 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).

5. The period during which the equity derivatives (share options) under the name of Ms. Yeung See Man are exercisable is set out in the section headed "Share Option Scheme" below.

Save as disclosed above, as at 30 September 2015, none of the Directors and chief executive 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.

Corporate Governance and Other Information

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above and in the section headed "Share Option Scheme" below, 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 chief executive 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 and Short Positions in the Shares and Underlying Shares

As at 30 September 2015, 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 and other persons 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]
Tsang Yue, Joyce	Founder of a discretionary trust	646,760,190	87,619,048	734,379,238[4]	84.03%
	Interest of spouse[2]	650,000	–	650,000	0.07%
Lee Soo Ghee	Beneficial owner	650,000	–	650,000	0.07%
	Interest of spouse[3]	646,760,190	87,619,048	734,379,238[4]	84.03%
TMF (Cayman) Ltd.[5]	Trustee (other than a bare trustee)	646,760,190	87,619,048	734,379,238[4]	84.03%
Kelday International Limited[5]	Nominee for another person (other than a bare trustee)	646,760,190	87,619,048	734,379,238[4]	84.03%
Allied Chance Management Limited[5]	Interest of corporation controlled by it	646,760,190	87,619,048	734,379,238[4]	84.03%
Allied Wealth Limited[5]	Beneficial owner	178,760,190	87,619,048	266,379,238[6]	30.48%
Silver Compass Holdings Corp[5]	Beneficial owner	367,200,000	–	367,200,000[6]	42.01%
Silver Hendon Enterprises Corp[5]	Beneficial owner	100,800,000	–	100,800,000[6]	11.53%
Value Partners Group Limited	Interest of corporation controlled by the substantial shareholder	45,232,000	–	45,232,000	5.17%

Corporate Governance and Other Information

Notes:

1. The percentage has been compiled based on the total number of shares of the Company in issue as at 30 September 2015 (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. These shares were the same parcel of shares held by a trust of which Ms. Tsang Yue, Joyce was the founder. TMF (Cayman) Ltd. was the trustee of the trust. See note 5.

5. Allied Wealth Limited, Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp. are indirect wholly-owned subsidiaries of Allied Chance Management Limited. Allied Chance Management Limited is in turn a direct wholly-owned subsidiary of Kelday International Limited. TMF (Cayman) Ltd. is the ultimate holding company of Allied Chance Management Limited and Kelday International Limited.

6. These shares were included in the above-mentioned total interest in shares and underlying shares of 734,379,238. See note 4 and note 5.

Apart from the above, no other interest or short position in the shares or underlying shares of the Company was recorded in the register required to be kept under section 336 of the SFO as at 30 September 2015.

Share Option Scheme

On 20 January 2006, the Shareholders adopted a share option scheme ("2006 Scheme").

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 2006 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.

Summary of the 2006 Scheme is set out as follows:

(a) Purpose of the 2006 Scheme

The purpose of the 2006 Scheme is to give Participants (as defined in sub-paragraph (b) herein below) an opportunity to have a personal stake in the Company and help motivate Participants 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 2006 Scheme

Any directors (including executive directors, non-executive directors and independent non-executive directors) and employees (whether fulltime or part-time) of the Group and any advisors, consultants, of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

(c) Total Number of Shares Available for Issue under the 2006 Scheme

The maximum number of shares of HK$0.10 each of the Company ("Shares") which may be issued upon exercise of all options to be granted under the 2006 Scheme and any other share option schemes of the Company shall not in aggregate exceed ten (10) per cent of the relevant class of Shares in issue on 9 February 2006, the date of listing of the Shares on the Stock Exchange (the "Listing Date") (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option (as defined in the 2006 Scheme) (the "Scheme Mandate Limit"). Option lapsed in accordance with the terms of the 2006 Scheme and any other share option scheme of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

Corporate Governance and Other Information

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2006 Scheme and other share option schemes of the Company shall not exceed thirty (30) per cent of the relevant class of Shares in issue from time to time. No options shall be granted under share option scheme of the Company (including the 2006 Scheme) if this will result in the thirty (30) per cent limit being exceeded.

The total number of Shares available for issue under the 2006 Scheme is 62,360,000 which represents 7.1% of the issued shares of the Company as at the date of this interim report.

(d) Maximum Entitlement of Each Participant under the 2006 Scheme
Except with the approval of the Shareholders in general meeting, the maximum number of Shares to a specifically identified single Participant who accepts the offer of an option in accordance with the 2006 Scheme ("Grantee"), issued and to be issued upon exercise of options granted under the 2006 Scheme and any other share option scheme of the Company shall not in any twelve (12)-month period exceed one (1) per cent of the Shares in issue.

(e) The period within which the Shares must be taken up under an option
An option may be exercised by the Grantee at any time during the period to be notified by the Board to each Grantee at the time of making an offer which shall commence on the date falling six (6) months after the date of grant and expiring not later than ten (10) years from the date of grant.

(f) The minimum period, if any, for which an option must be held before it can be exercised
Six (6) months after the date of grant.

(g) The amount, if any, payable on application or acceptance of the option
HK$1.00

(h) Basis of Determining the Exercise Price
The price per Share at which a grantee may subscribe for Shares on the exercise of an option pursuant to the 2006 Scheme shall be determined by the Board in its absolute discretion but in any event shall at least be the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of grant (provided that the new issue price shall be used as the closing price for any business day falling within the period before the listing of the Shares, where the Company has been listed for less than five (5) business days as at the date of grant); and

(iii) the nominal value of the Shares.

(i) The remaining life of the 2006 Scheme
The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the 2006 Scheme and in such event no further options will be offered or granted. Subject to the aforesaid, the 2006 Scheme shall be valid and effective for a period of ten (10) years commencing on 20 January 2006 (i.e. until 19 January 2016).

Corporate Governance and Other Information

(j) Movements of the options granted under the 2006 Scheme during the period under review were as follows:

Name	No. of options as at 1 April 2015	No. of options granted during the period under review	Reclassification	No. of options exercised/ cancelled/ lapsed during the period under review	No. of options as at 30 September 2015	Date of grant	Period during which options are exercisable	Exercise price	Approximate percentage of share per issued share (Note 1)
Executive Director									
Yip Kai Wing	125,000	–	–	–	125,000	23/10/2006	23/10/2010 to 22/10/2016	HK$1.33	0.01%
Yip Kai Wing	175,000	–	–	–	175,000	23/10/2006	23/10/2014 to 22/10/2016	HK$1.33	0.02%
Yip Kai Wing	200,000	–	–	–	200,000	23/10/2006	23/10/2015 to 22/10/2016	HK$1.33	0.02%
Yeung See Man	75,000	–	–	–	75,000	23/10/2006	23/10/2010 to 22/10/2016	HK$1.33	0.01%
Yeung See Man	105,000	–	–	–	105,000	23/10/2006	23/10/2014 to 22/10/2016	HK$1.33	0.01%
Yeung See Man	120,000	–	–	–	120,000	23/10/2006	23/10/2015 to 22/10/2016	HK$1.33	0.01%
Others	1,330,000	–	–	–	1,330,000	23/10/2006	23/10/2010 to 22/10/2016	HK$1.33	0.15%
Others	1,862,000	–	–	–	1,862,000	23/10/2006	23/10/2014 to 22/10/2016	HK$1.33	0.21%
Others	2,128,000	–	–	–	2,128,000	23/10/2006	23/10/2015 to 22/10/2016	HK$1.33	0.24%
Total	6,120,000	–	–	–	6,120,000				

Note:

1. The relevant percentages are calculated by reference to the Shares in issue on 30 September 2015 i.e. 873,996,190 shares.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period under review, 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.

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

During the period under review, the Company had met the Code Provisions in the Code, except for the deviation from Code provision A.2.1 as discussed in the section headed "Chairperson and Chief Executive Officer" below and from Code Provision A.6.7 as set out in the section headed "Non-Compliance with Code Provision A.6.7" below.

Chairperson and Chief Executive Officer

During the period under review, Ms. Tsang Yue, Joyce ("Ms. Tsang") had been both the Chairperson and Chief Executive Officer of the Company. Code provision A.2.1 of the Code stipulates that the role of chairperson and chief executive should be separate and should not be performed by the same individual. After reviewing the management structure, the Board is of the opinion that Board decisions are collective decisions of all Directors made by way of voting and not decisions of the Chairperson of the Board alone. Further, there is a clear division of responsibilities between the management of the Board and the day-to-day management of the business of the Company, which relies on the support of the senior management. As such, the power of management of the Company is not concentrated in any one individual. The Board considers that the present structure will not impair the balance of power and authority between the Board and the senior management of the Group.

Non-Compliance with Code Provision A.6.7

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

Mr. Hong Po Kui, Martin, an Independent Non-executive Director of the Company, was absent from the Annual General Meeting of the Company held on 26 August 2015 due to personal reason.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company (the "Directors"). Having made specific enquiry of all Directors, all Directors confirmed that they had complied with, and there had been no non-compliance with, the required standard set out in the Model Code and its code of conduct regarding the Directors' securities transactions during the period under review.

Board Committees

The Board has established the following committees with defined terms of reference, which are on no less exacting terms than those set out in the Code:

- Remuneration Committee
- Nomination Committee
- Audit Committee

Each Committee has authority to engage outside consultants or experts as it considers necessary to discharge the Committee's responsibilities. Minutes of all committees meetings are circulated to their members. To further reinforce independence and effectiveness, all Audit Committee members are Independent Non-executive Directors ("INEDs"), and the Nomination and Remuneration Committees have been structured with a majority of INEDs as members.

Remuneration Committee
The composition of the Remuneration Committee is as follows:

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

Executive Director
Ms. Tsang Yue, Joyce

The responsibilities of Remuneration Committee is set out in its written terms of reference which include reviewing and determining the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management according to the policies as prescribed. Such policies are to link total compensation for senior management with the achievement of annual and long term performance goals. By providing total compensation at competitive industry levels for delivering on-target performance, the Group seeks to attract, motivate and retain the key executives essential to its long term success.

Nomination Committee
The composition of the Nomination Committee is as follows:

Executive Director
Ms. Tsang Yue, Joyce *(Chairman)*

Independent Non-executive Directors
Ms. Liu Mei Ling, Rhoda
Mr. Wong Man Hin, Raymond
Mr. Hong Po Kui, Martin

The Board established the Nomination Committee with written terms of reference which cover recommendations to the Board on the appointment of Directors, evaluation of Board composition, assessment of the independence of INEDs and the management of Board succession.

The basis for the Nomination Committee to select and recommend candidates emphasize appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and possible time commitments to the Board and the Company.

Audit Committee
The composition of the Audit Committee is as follows:

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

The Audit Committee reviews the Group's financial reporting, internal controls and corporate governance issues and makes relevant recommendations to the Board. All Audit Committee members possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee had reviewed and approved the Group's interim results for the period under review prior to their approval by the Board.

By Order of the Board
Modern Beauty Salon Holdings Limited

Tsang Yue, Joyce
Chairperson and Chief Executive Officer

Hong Kong, 30 November 2015

Review Report

KPMG

Review report to the Board of Directors of Modern Beauty Salon Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have reviewed the interim financial report set out on pages 23 to 44 which comprises the consolidated statement of financial position of Modern Beauty Salon Holdings Limited (the "Company") as of 30 September 2015 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, 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 report as at 30 September 2015 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Consolidated Statement of Profit or Loss

For the six months ended 30 September 2015

	Note	Six months ended 30 September 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Revenue	5	**402,735**	458,685
Other income	6	**1,150**	842
Cost of inventories sold		**(15,134)**	(13,734)
Advertising costs		**(3,003)**	(4,460)
Building management fees		**(7,762)**	(8,128)
Bank charges		**(17,672)**	(19,083)
Employee benefit expenses		**(206,523)**	(206,594)
Depreciation		**(23,584)**	(24,568)
Occupancy costs		**(81,094)**	(82,463)
Other operating expenses		**(43,361)**	(41,713)
Profit from operations		**5,752**	58,784
Interest income		**1,720**	1,407
Finance costs	7(a)	**(121)**	(189)
Fair value changes on investment properties		**590**	–
Fair value change on purchase consideration		**885**	–
Share of profit of an associate		**2**	55
Share of profit/(loss) of a joint venture		**118**	(70)
Profit before taxation	7	**8,946**	59,987
Income tax expense	8	**(3,212)**	(14,491)
Profit for the period		**5,734**	45,496
Attributable to:			
Equity shareholders of the Company		**5,667**	45,498
Non-controlling interests		**67**	(2)
Profit for the period		**5,734**	45,496
Earnings per share (HK cents)	9		
Basic		**0.65**	5.21
Diluted		**0.60**	4.75

The notes on pages 29 to 44 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 17(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2015

	Six months ended 30 September	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**5,734**	45,496
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(832)**	868
Other comprehensive income for the period	**(832)**	868
Total comprehensive income for the period	**4,902**	46,364
Attributable to:		
Equity shareholders of the Company	**4,835**	46,366
Non-controlling interests	**67**	(2)
Total comprehensive income for the period	**4,902**	46,364

The notes on pages 29 to 44 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 September 2015

	Note	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**108,087**	122,427
Investment properties		**13,010**	12,420
Interest in an associate		**81**	79
Interest in a joint venture	11	**5,014**	5,146
Deposits	12	**26,806**	29,309
Deferred tax assets		**16,615**	14,256
		169,613	183,637
Current assets			
Inventories		**21,749**	23,499
Trade and other receivables, deposits and prepayments	12	**219,884**	221,363
Tax recoverable		**15,206**	15,811
Pledged bank deposits		**53,776**	53,842
Cash and bank balances	13	**375,272**	397,248
		685,887	711,763
Current liabilities			
Trade and other payables, deposits received and accrued expenses	14	**91,397**	92,129
Deferred revenue	15	**567,844**	604,843
Convertible note	16	**1,840**	3,680
Dividend payable	17(a)	**18,354**	–
Tax payable		**12,588**	16,662
		692,023	717,314
Net current liabilities		**(6,136)**	(5,551)
Total assets less current liabilities		**163,477**	178,086

Consolidated Statement of Financial Position
At 30 September 2015

	Note	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Non-current liabilities			
Convertible note	16	575	454
Deferred tax liabilities		1,716	1,787
Purchase consideration payable for an acquisition	18(b)	3,352	4,673
		5,643	6,914
NET ASSETS		157,834	171,172
CAPITAL AND RESERVES			
Share capital	17(b)	87,400	87,400
Reserves		70,217	83,563
Total equity attributable to equity shareholders of the Company		157,617	170,963
Non-controlling interests		217	209
TOTAL EQUITY		157,834	171,172

The notes on pages 29 to 44 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2015

	Note	(Unaudited) Attributable to equity shareholders of the Company											
		Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Warrants reserve HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Convertible note reserve HK$'000	Property revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2014		87,400	289,999	4,384	170	(374,921)	1,272	84,870	–	52,072	145,246	59	145,305
Changes in equity for the six months ended 30 September 2014:													
Profit for the period		–	–	–	–	–	–	–	–	45,498	45,498	(2)	45,496
Other comprehensive income													
– Exchange differences on translation of subsidiaries		–	–	–	–	–	1,115	–	–	–	1,115	–	1,115
– Exchange differences on translation of a joint venture		–	–	–	–	–	(247)	–	–	–	(247)	–	(247)
Total comprehensive income		–	–	–	–	–	868	–	–	45,498	46,366	(2)	46,364
Share-based payments		–	–	227	–	–	–	–	–	–	227	–	227
Lapse of share options		–	–	(73)	–	–	–	–	–	73	–	–	–
Decrease in the Group's interests in a subsidiary		–	–	–	–	–	–	–	–	(5)	(5)	5	–
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	–	–	5	5
2014 final dividends declared	17(a)(ii)	–	–	–	–	–	–	–	–	(17,480)	(17,480)	–	(17,480)
Balance at 30 September 2014		87,400	289,999	4,538	170	(374,921)	2,140	84,870	–	80,158	174,354	67	174,421
Balance at 1 April 2015		**87,400**	**289,999**	**4,606**	**170**	**(374,921)**	**1,434**	**84,870**	**3,552**	**73,853**	**170,963**	**209**	**171,172**
Changes in equity for the six months ended 30 September 2015:													
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,667**	**5,667**	**67**	**5,734**
Other comprehensive income													
– Exchange differences on translation of subsidiaries		**–**	**–**	**–**	**–**	**–**	**(582)**	**–**	**–**	**–**	**(582)**	**–**	**(582)**
– Exchange differences on translation of a joint venture		**–**	**–**	**–**	**–**	**–**	**(250)**	**–**	**–**	**–**	**(250)**	**–**	**(250)**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**(832)**	**–**	**–**	**5,667**	**4,835**	**67**	**4,902**
Share-based payments		**–**	**–**	**114**	**–**	**–**	**–**	**–**	**–**	**–**	**114**	**–**	**114**
Increase in the Group's interests in a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**59**	**59**	**(59)**	**–**
2015 final dividends declared	17(a)(ii)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(18,354)**	**(18,354)**	**–**	**(18,354)**
Balance at 30 September 2015		**87,400**	**289,999**	**4,720**	**170**	**(374,921)**	**602**	**84,870**	**3,552**	**61,225**	**157,617**	**217**	**157,834**

The notes on pages 29 to 44 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2015

	Note	Six months ended 30 September 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Operating activities			
Cash generated from operations		**1,197**	38,321
Tax paid		**(9,628)**	(16,296)
Net cash (used in)/generated from operating activities		**(8,431)**	22,025
Investing activities			
Purchase of property, plant and equipment		**(11,168)**	(13,591)
Other cash flows arising from investing activities		**78**	(716)
Net cash used in investing activities		**(11,090)**	(14,307)
Financing activities			
Cash flows arising from financing activities		**(1,840)**	(1,840)
Net cash used in financing activities		**(1,840)**	(1,840)
Net (decrease)/increase in cash and cash equivalents		**(21,361)**	5,878
Cash and cash equivalents at beginning of period	13	**397,248**	440,850
Effect of foreign exchange rates changes		**(615)**	936
Cash and cash equivalents at end of period	13	**375,272**	447,664

The notes on pages 29 to 44 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 September 2015

1 General information

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

The Company and its subsidiaries (the "Group") 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

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2015, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2016. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 March 2015. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As at 30 September 2015, the Group had net current liabilities of HK$6,136,000. Notwithstanding the net current liabilities of the Group at 30 September 2015, the Group's condensed consolidated financial statements have been prepared on a going concern basis because the directors are of the opinion that the Group would have adequate funds to meet its obligation, as and when they fall due, having regard to the following:

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

(ii) the deferred revenue of HK$567,844,000 represents prepayment of beauty and wellness packages and will be recognised as income rather than refunded.

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

2 Basis of preparation (Continued)

The interim financial report is unaudited, but has been reviewed by KPMG 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. KPMG's independent review report to the Board of Directors is included on page 22.

The financial information relating to the financial year ended 31 March 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2015 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 June 2015.

3 Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

– *Annual Improvements to HKFRSs 2010-2012 Cycle*

– *Annual Improvements to HKFRSs 2011-2013 Cycle*

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 annual financial statements for the year ended 31 March 2015. Segment profits do not include other income, interest income, finance costs, fair value changes on investment properties and purchase consideration, share of profits/(losses) of an associate and a joint venture, unallocated costs, which comprise corporate administrative expenses, and income tax expense. Segment assets do not include properties held for corporate uses, interests in an associate and a joint venture, deferred tax assets and tax recoverable. Segment liabilities do not include dividend payable, tax payable, convertible note, deferred tax liabilities, amounts due to related companies, amount due to the ultimate controlling party and purchase consideration payable for an acquisition.

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4 Segment information (Continued)

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

	Beauty and wellness services HK$'000 (unaudited)	Skincare and wellness products HK$'000 (unaudited)	Total HK$'000 (unaudited)
For the six months ended 30 September 2015			
Revenue from external customers	**385,668**	**17,067**	**402,735**
Reportable segment profit	**19,610**	**7,231**	**26,841**
As at 30 September 2015			
Reportable segment assets	**782,043**	**7,647**	**789,690**
Reportable segment liabilities	**649,620**	**9,532**	**659,152**
For the six months ended 30 September 2014			
Revenue from external customers	437,124	21,561	458,685
Reportable segment profit	72,692	4,170	76,862
As at 31 March 2015			
Reportable segment assets	822,869	8,933	831,802
Reportable segment liabilities	684,225	12,658	696,883

(b) Reconciliations of reportable segment profit

	Six months ended 30 September	
	2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Reportable segment profit	**26,841**	76,862
Other income	**1,150**	842
Interest income	**1,720**	1,407
Finance costs	**(121)**	(189)
Fair value changes on investment properties	**590**	–
Fair value change on purchase consideration	**885**	–
Share of profit of an associate	**2**	55
Share of profit/(loss) of a joint venture	**118**	(70)
Unallocated costs	**(22,239)**	(18,920)
Income tax expense	**(3,212)**	(14,491)
Consolidated profit for the period	**5,734**	45,496

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5 Revenue

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

The amount of each significant category of revenue recognised during the period is as follows:

	Six months ended 30 September	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue recognised from provision of beauty and wellness services and expiry of prepaid beauty packages	**385,668**	437,124
Sales of skincare and wellness products	**17,067**	21,561
	402,735	458,685

6 Other income

	Six months ended 30 September	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Commission income	**20**	94
Government grants	**–**	39
Net gain on disposals of property, plant and equipment	**–**	4
Rental income	**268**	268
Others	**862**	437
	1,150	842

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For the six months ended 30 September 2015

7 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 September	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on convertible note wholly repayable within five years (note 16)	**121**	189

(b) Other items

	Six months ended 30 September	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Auditor's remuneration		
– Current	**1,862**	1,499
Directors' remuneration	**6,137**	6,184
Foreign exchange loss, net	**7,717**	1,537
Loss on disposal of a subsidiary	**–**	47
Net loss on disposals of property, plant and equipment	**427**	–

8 Income tax expense

	Six months ended 30 September	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax	**2,823**	5,487
Current tax – Overseas	**3,025**	7,605
Deferred taxation	**(2,636)**	1,399
	3,212	14,491

Hong Kong Profits Tax is calculated at 16.5% (30 September 2014: 16.5%) of the estimated 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.

9 Earnings per share

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

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $5,667,000 (30 September 2014: $45,498,000) and the weighted average of 873,996,190 ordinary shares (30 September 2014: 873,996,190 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $5,788,000 (30 September 2014: $45,687,000) and the weighted average number of 961,615,238 ordinary shares (30 September 2014: 961,615,238 ordinary shares), calculated as follows:

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

	Six months ended 30 September	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit attributable to ordinary equity shareholders	**5,667**	45,498
After tax effect of effective interest on the liability component of convertible note	**121**	189
Profit attributable to ordinary equity shareholders (diluted)	**5,788**	45,687

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

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
Weighted average number of ordinary shares	**873,996,190**	873,996,190
Effect of conversion of convertible note	**87,619,048**	87,619,048
Weighted average number of ordinary shares (diluted)	**961,615,238**	961,615,238

The Company's share options and unlisted warrants as at 30 September 2015 and 2014 do not give rise to any dilution effect to the earnings per share.

10 Property, plant and equipment

Acquisitions

During the six months ended 30 September 2015, the Group acquired property, plant and equipment with a cost of approximately HK$11,168,000 (30 September 2014: HK$15,887,000).

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For the six months ended 30 September 2015

11 Interest in a joint venture

During the period ended 30 September 2014, the Group entered into agreements with an individual ("the seller") to acquire 49% equity interest in Care Plus International Pty Limited, which is incorporated in Australia, ("the joint venture") with a subsequent acquisition of an additional 2% equity interest in the joint venture in 2016. The joint venture is an unlisted corporate entity whose quoted market price is unavailable.

Pursuant to the agreements, the consideration for the acquisition of the 49% equity interest comprises a cash consideration of AUD1 (equivalent to HK$7) payable immediately and a further contingent amount to be settled in 2018 (if applicable) depending upon the fulfilment of certain pre-determined conditions. In connection with the acquisition, the joint venture acquired the beauty and skincare businesses from another Australian entity, which is wholly owned by the seller. The principal activities of the joint venture are the manufacturing and trading of beauty and wellness products.

As the financial and operational processes of the entity require the unanimous consent of the Group and the individual, this investment has been accounted for as a joint venture under HKFRS 11, *Joint Arrangements*, as at 30 September 2015 and 31 March 2015.

As determined by an independent valuer, the fair value of the Group's share of the acquired business (including tangible and intangible assets, and goodwill) of the joint venture was AUD733,000 (equivalent to HK$5,320,000) as at 30 July 2014, the effective date of the acquisition.

As at 30 September 2015, the fair value of the additional 2% equity interest in the joint venture was HK$150,000 (31 March 2015: HK$94,000) which has been recognised under "Trade and other receivables, deposits and prepayments".

12 Trade and other receivables, deposits and prepayments

	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Non-current assets		
Deposits	**26,806**	29,309
Current assets		
Trade receivables	**50,537**	55,053
Trade deposits retained by banks/credit card companies (note)	**133,378**	135,774
Rental and other deposits, prepayments and other receivables	**35,811**	30,419
Amounts due from related companies (note 21(b))	**158**	117
	219,884	221,363
	246,690	250,672

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

12 Trade and other receivables, deposits and prepayments (Continued)

At the end of the reporting period, the ageing analysis of trade receivables (net of allowance for doubtful debts), based on the invoice date, is as follows:

	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
0 – 30 days	**22,123**	21,517
31 – 60 days	**10,744**	9,684
61 – 90 days	**9,617**	11,537
91 – 180 days	**7,157**	10,606
Over 180 days	**896**	1,709
	50,537	55,053

The Group's revenue comprises mainly cash and credit card sales. Trade receivables are due within 7 – 180 days (31 March 2015: 7 – 180 days), from the date of billing.

13 Cash and bank balances

	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Cash at bank and in hand	**163,365**	246,163
Short-term bank deposits	**211,907**	151,085
Cash and bank balances	**375,272**	397,248

14 Trade and other payables, deposits received and accrued expenses

	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Trade payables	**1,680**	2,361
Other payables, deposits received and accrued expenses	**89,628**	89,679
Amount due to the ultimate controlling party (note 21(b))	**2**	2
Amounts due to related companies (note 21(b))	**87**	87
	91,397	92,129

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14 Trade and other payables, deposits received and accrued expenses (Continued)

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

	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Within 90 days	**688**	2,352
Over 90 days	**992**	9
	1,680	2,361

15 Deferred revenue

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

	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Within 1 year	**567,844**	603,032
More than 1 year but within 2 years	**–**	1,811
	567,844	604,843

16 Convertible note

The Company has issued convertible note ("CN") with face value of HK$250,000,000 to Ms. Tsang on 10 January 2012 to settle the consideration for the Company's acquisition of the entire equity interest in Zegna Management Limited. 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 at 2% per annum and shall be payable annually on each 31 March.

Upon the issuance, the value of the CN has been split into the liability component and the equity component of HK$19,374,000 and HK$230,626,000 respectively.

16 Convertible note (Continued)

On 6 March 2012, CN with face value of HK$158,000,000 were converted into 150,476,190 ordinary shares of the Company. The equity component of the CN was decreased to HK$84,870,000 upon the conversion.

Movements of the liability component are as follows:

	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Liability component at 1 April 2015/1 April 2014	**4,134**	5,628
Interest charged	**121**	346
Interest paid	**(1,840)**	(1,840)
Liability component at 30 September 2015/31 March 2015	**2,415**	4,134
Less: Amount due within one year	**(1,840)**	(3,680)
Amount due more than one year but within five years	**575**	454

The interest charged for the six months ended is calculated by applying an effective interest rate of 9.15% to the liability component of the CN.

The directors estimate the carrying amount of the liability component of the CN at 30 September 2015 of $2,415,000 (31 March 2015: $4,134,000) is not materially different from its fair value at that date.

17 Capital, reserves and dividends

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period:

	Six months ended 30 September 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Interim dividend declared and paid after the interim period of HK0.4 cent per ordinary share (30 September 2014: HK3.4 cents per ordinary share)	**3,496**	29,716

The interim dividends have not been recognised as a liability at the end of the interim reporting period.

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17 Capital, reserves and dividends (Continued)

(a) Dividends (Continued)

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period:

	Six months ended 30 September 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Final dividend in respect of the previous financial year, approved during the following interim period, of HK2.1 cents per ordinary share (30 September 2014: HK2.0 cents per ordinary share)	**18,354**	17,480

(b) Share capital

	At 30 September 2015		At 31 March 2015	
	No. of shares (unaudited)	Amount HK$'000 (unaudited)	No. of shares (audited)	Amount HK$'000 (audited)
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000,000**	**1,000,000**	10,000,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each	**873,996,190**	**87,400**	873,996,190	87,400

On 21 May 2013, the Company and two independent third parties entered into two subscription agreements in respect of the placement of 42,500,000 unlisted warrants of the Company to each subscriber at a price of HK$0.002 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK$0.1 each at a subscription price of HK$1.05 at anytime during a period of 36 months commencing from the date of issue of the warrant, subject to adjustment upon occurrence of certain events. The placement was completed on 21 June 2013 with the warrants expiring on 20 June 2016. No warrants were exercised during the period under review.

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18 Fair value measurement of financial instruments

Financial assets and liabilities measured at fair value

(a) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 30 September 2015 HK$'000 (unaudited)	**Fair value measurements as at 30 September 2015 categorised into Level 3 HK$'000 (unaudited)**	Fair value at 31 March 2015 HK$'000 (audited)	Fair value measurements as at 31 March 2015 categorised into Level 3 HK$'000 (audited)
Recurring fair value measurement				
Financial liability:				
Purchase consideration payable for an acquisition	**3,352**	**3,352**	4,673	4,673

(b) Information about Level 3 fair value measurements

As mentioned in note 11 in respect of the acquisition, the fair value of the contingent consideration was HK$3,352,000 as at 30 September 2015 (31 March 2015: HK$4,673,000) and is recognised as a financial liability under "Purchase consideration payable for an acquisition".

The fair value of purchase consideration payable for an acquisition is determined by an independent external valuer based on the latest financial forecast of the joint venture and other relevant information.

18 Fair value measurement of financial instruments (Continued)

Financial assets and liabilities measured at fair value (Continued)

(b) Information about Level 3 fair value measurements (Continued)

The movements during the period under review in the balance of Level 3 fair value measurements are as follows:

	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Purchase consideration payable for an acquisition:		
At 1 April 2015/1 April 2014	**4,673**	–
Acquisition of a joint venture	**–**	5,548
Fair value change on purchase consideration	**(885)**	114
Foreign exchange difference	**(436)**	(989)
At 30 September 2015/31 March 2015	**3,352**	4,673
Gain for the period/year included in profit or loss for liability held at the end of the reporting period	**1,321**	875

19 Commitments

(a) Operating lease commitments

At 30 September 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Not later than one year	**139,871**	150,390
Later than one year and not later than five years	**105,601**	138,609
	245,472	288,999

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For the six months ended 30 September 2015

19 Commitments (Continued)

(b) Capital commitments

Capital commitments outstanding at 30 September 2015 not provided for in the consolidated financial statements are as follows:

	At 30 September 2015 HK$'000 (unaudited)	At 31 March 2015 HK$'000 (audited)
Contracted but not yet provided for:		
– Acquisition of plant and equipment	**1,517**	7,644

20 Contingent liabilities

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

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For the six months ended 30 September 2015

21 Material related party transactions and balances

(a) Material related party transactions

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

	Note	Six months ended 30 September 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Rental expenses paid to related companies:	(i)		
– All Link International Limited		**184**	184
– East Union Industries Limited		**826**	826
– Golden National Limited		**4,498**	4,498
– Joy East Limited		**367**	367
– Luck Elegant Industrial Limited		**1,688**	413
– Lucky Forever Limited		**8,761**	8,782
– United Industries Limited		**4,198**	4,234
– Well Faith International Enterprise Limited		**6,931**	6,931
– Wise World Limited		**918**	918
		28,371	27,153
Rental income received from a related company:	(ii)		
– Grateful Heart Charitable Foundation Limited		**268**	268
Interest charge on convertible note issued to ultimate controlling party:			
– Ms. Tsang		**121**	189
Salaries and other benefits in kind paid to related parties:			
Related party A	(iii)	**896**	898
Related party B	(iv)	**669**	739
Related party C	(v)	**253**	243
		1,818	1,880

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21 Material related party transactions and balances (Continued)

(a) Material related party transactions (Continued)

Notes:

(i) The amounts represented rental expenses paid for areas leased from related companies for use as office, retail shops, beauty service centres, warehouses and staff quarters at a monthly rental mutually agreed by both parties. Ms. Tsang is the ultimate controlling party of the related companies.

(ii) The amount represented rental income received for area leased to a related company for use as office at a monthly rental mutually agreed by both parties. Ms. Tsang is the member of the related company.

(iii) Related party A is the spouse of a director, Ms. Tsang.

(iv) Related party B is the son of a director, Ms. Tsang.

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

(b) Balances with related parties

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

(c) Key management personnel compensation

	Six months ended 30 September	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Fees	**526**	510
Salaries and allowances	**5,545**	5,594
Retirement benefit scheme contributions	**51**	51
Equity-settled share-based payments	**15**	29
	6,137	6,184

22 Approval of interim financial report

The interim financial report was approved and authorised for issue by the Board of Directors on 30 November 2015.

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