MODERN BEAUTY SALON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2008

FINANCIAL HIGHLIGHTS

- Turnover grew 28.0% to approximately HK$786.0 million.
- Profit for the year surged 27.8% to approximately HK$226.8 million.
- Net profit margin maintained at 28.9%.
- Basic earnings per share rose 27.3% to HK31.34 cents.
- Proposed final dividend per share of HK8.8 cents.

OPERATIONAL HIGHLIGHTS

- Addition of 13 service centres in Hong Kong and Mainland China. Service network expanded to 40 centres including 32 service centres in Hong Kong and 8 service centres in Mainland China.
- Weighted average total gross floor area increased by 24% to approximately 320,000 square feet.
- Customer base grew by 24% with approximately 42,000 new customers.
- As at 31 March 2008, the total customer base reached 221,000 approximately.

The Board of Directors (the "Board") of Modern Beauty Salon Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2008, with comparative figures for the previous year as follows. The annual results of the Group for the year ended 31 March 2008 have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
Turnover	*2*	**786,002**	614,064
Other gains - net	*3*	**2,581**	5,781
Cost of inventories sold		**(21,618)**	(18,706)
Advertising costs		**(23,781)**	(19,044)
Building management fee		**(16,840)**	(14,181)
Bank charges		**(28,364)**	(22,080)
Employee benefit expenses		**(274,385)**	(230,969)
Depreciation and amortisation		**(33,003)**	(26,149)
Occupancy costs		**(79,957)**	(52,205)
Other operating expenses		**(60,469)**	(51,483)
Operating profit	*4*	**250,166**	185,028
Interest income		**23,667**	25,440
Profit before income tax		**273,833**	210,468
Income tax expense	*5*	**(47,060)**	(33,050)
Profit for the year		**226,773**	177,418
Earnings per share *(HK cents)*			
- Basic	*6*	**31.34**	24.61
- Diluted	*6*	**30.95**	24.52
Dividends	*7*	**136,022**	150,352

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Note	**2008**	2007
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**109,456**	77,216
Leasehold land prepayments		**118,088**	26,661
Trade and other receivables, deposits and prepayments	*8*	**25,710**	17,295
Deferred income tax assets		**6,477**	2,977
		259,731	124,149
Current assets			
Inventories		**12,583**	10,618
Trade and other receivables, deposits and prepayments	*8*	**72,514**	47,749
Current income tax assets		**9,462**	7,121
Pledged bank deposits		**9,264**	10,707
Cash and cash equivalents		**349,811**	584,953
		453,634	661,148
Total assets		**713,365**	785,297
EQUITY			
Capital and reserves			
Share capital		**72,352**	72,340
Share premium and reserves		**302,327**	237,147
Total equity		**374,679**	309,487

	Note	**2008**	2007
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**209**	79
Current liabilities			
Trade and other payables, deposits received and accrued expenses	*9*	**47,489**	41,114
Deferred revenue		**265,028**	420,007
Current income tax liabilities		**25,960**	14,610
		338,477	475,731
Total liabilities		**338,686**	475,810
Total equity and liabilities		**713,365**	785,297
Net current assets		**115,157**	185,417
Total assets less current liabilities		**374,888**	309,566

Notes:

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Standards, amendments to standards and interpretations effective in 2008

HKFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of financial statements - Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

HK(IFRIC) - Int 8, 'Scope of HKFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) - Int 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) - Int 11, 'HKFRS 2 - Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

(b) Standards, amendments and interpretations effective in 2008 but not relevant to the Group's operations

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 April 2007 but they are not relevant to the Group's operations:

- HK(IFRIC) - Int 9, 'Re-assessment of embedded derivatives'.

(c) Standards, amendments to standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), 'Presentation of Financial Statements' (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 April 2009.

- HKAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 April 2009 but is currently not applicable to the Group as there are no qualifying assets.

- HKAS 32 and HKAS 1 Amendments 'Puttable Financial Instruments and Obligations Arising on Liquidation' (effective from 1 January 2009). The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Group will apply HKAS 32 and HKAS 1 Amendments from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.

- HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 April 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

- HK(IFRIC) - Int 14, 'HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). HK(IFRIC) - Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) - Int 14 from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.

- HKAS 27 (Revised) 'Consolidated and Separate Financial Statements' (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 April 2010, but it is not expected to have any impact on the Group's financial statements.

- HKFRS 2 Amendment 'Share-based Payment Vesting Conditions and Cancellations' (effective from 1 January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.

- HKFRS 3 (Revised) 'Business Combination' (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 April 2010, but it is not expected to have any impact on the Group's financial statements.

(d) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- HK(IFRIC) - Int 12, 'Service concession arrangements' (effective from 1 January 2008). HK(IFRIC) - Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) - Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

- HK(IFRIC) - Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). HK(IFRIC) - Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) - Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

2 SEGMENT INFORMATION

The Group operated in two main business segments during the year:

(a) Sales of beauty and wellness services; and

(b) Sales of beauty products

Turnover consists of sales of beauty and wellness services and sales of beauty products.

No analysis of the Group's segment information by geographical segments is presented as the Group mainly provides beauty and wellness services in Hong Kong. The inter-segment sales were transacted at cost.

	Group	
	2008	2007
	HK$'000	*HK$'000*
Turnover:		
Sales of beauty and wellness services	**733,296**	560,588
Sales recognised upon expiry of prepaid beauty packages	**31,466**	35,306
Total gross sales of beauty and wellness services	**764,762**	595,894
Total gross sales of beauty products	**38,429**	37,230
	803,191	633,124
Inter-segment sales	**(17,189)**	(19,060)
Total turnover	**786,002**	614,064
Segment results:		
Beauty and wellness services	**263,626**	192,936
Beauty products	**13,321**	10,927
	276,947	203,863
Other gains - net	**2,581**	5,781
Unallocated costs	**(29,362)**	(24,616)
Operating profit	**250,166**	185,028
Interest income	**23,667**	25,440
Profit before income tax	**273,833**	210,468
Income tax expense	**(47,060)**	(33,050)
Profit for the year	**226,773**	177,418

	Group	
	2008	2007
	HK$'000	*HK$'000*
Segment assets:		
Beauty and wellness services	**487,089**	583,752
Beauty products	**8,681**	8,141
	495,770	591,893
Unallocated assets	**217,595**	193,404
Total assets	**713,365**	785,297
Segment liabilities:		
Beauty and wellness services	**(307,205)**	(457,069)
Beauty products	**(5,312)**	(4,052)
	(312,517)	(461,121)
Unallocated liabilities	**(26,169)**	(14,689)
Total liabilities	**(338,686)**	(475,810)
Other information:		
Capital expenditure		
Beauty and wellness services	**136,693**	45,647
Unallocated capital expenditure	**21,003**	1,280
	157,696	46,927
Depreciation and amortisation		
Beauty and wellness services	**32,315**	25,581
Beauty products	**115**	115
Unallocated depreciation and amortisation	**573**	453
	33,003	26,149

3 OTHER GAINS - NET

	Group	
	2008	2007
	HK$'000	*HK$'000*
Financial assets at fair value through profit or loss		
- fair value gains (realised and unrealised)	**—**	1,264
Gross rental income	**731**	395
Gain on disposal of property, plant and equipment	**1,252**	2,500
Other income	**598**	1,622
	2,581	5,781

4 OPERATING PROFIT

Operating profit is stated after charging the following:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Auditors' remuneration	**2,474**	1,985
Cost of inventories sold	**21,618**	18,706
Employee benefit expenses	**274,385**	230,969
Depreciation and amortisation	**33,003**	26,149
Occupancy costs	**79,957**	52,205
Advertising costs	**23,781**	19,044
Building management fee	**16,840**	14,181
Bank charges	**28,364**	22,080
Other expenses	**57,995**	49,498

5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year.

The amount of income tax expense charged to the consolidated income statement represents:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Current income tax		
- Current year	**49,090**	33,434
- Under/(over) provision in prior years	**1,322**	(290)
	50,412	33,144
Deferred income tax	**(3,352)**	(94)
	47,060	33,050

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit attributable to shareholders for the year ended 31 March 2008 of HK$226,773,000 (2007: HK$177,418,000) and the weighted average of 723,498,142 (2007: 721,031,192) shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 March 2008 is based on the Group's net profit attributable to shareholders for the year of HK$226,773,000 (2007: HK$177,418,000) and the weighted average of 732,715,761 (2007: 723,576,250) shares. The weighted average number of shares used in the calculation comprises the 723,498,142 (2007: 721,031,192) shares in issue during the year, as used in the basic earnings per share calculation, the weighted average of 9,217,619 (2007: 2,545,058) shares assumed to have been issued at no consideration on the deemed exercise of options granted under the Company's share option scheme during the year.

7 DIVIDENDS

	Group 2008	2007
	HK$'000	*HK$'000*
2008 interim dividend of HK10.0 cents per ordinary share (2007: HK7.0 cents per ordinary share)	**72,352**	50,523
Special dividend of HK nil cent per ordinary share (2007: HK1.0 cent per ordinary share)	**—**	7,218
Proposed final dividend of HK8.8 cents per ordinary share (2007: HK8.0 cents per ordinary share) *(note)*	**63,670**	57,882
Proposed special dividend of HK nil cent per ordinary share (2007: HK4.8 cents per ordinary share) *(note)*	**—**	34,729
	136,022	150,352

Note:

Proposed final dividend in respect of 2008 of HK8.8 cents per share, amounting to total dividend of HK$63,670,000 is to be approved at the annual general meeting of the Company on 22 August 2008. These financial statements do not reflect this dividend payable.

8 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group 2008	2007
	HK$'000	*HK$'000*
Non-current assets		
Rental and other deposits	**25,710**	17,295
Current assets		
Trade receivables	**48,075**	30,270
Rental and other deposit, prepayments and other receivables	**23,989**	17,094
Amounts due from related companies	**450**	385
	72,514	47,749
	98,224	65,044

The fair values of trade and other receivables, deposits and prepayments approximate their carrying amounts.

The Group's turnover comprises mainly cash and credit card sales. Collection banks are granted credit terms up to 60 days (2007: 45 days). An ageing analysis of trade receivables as at the balance sheets dates is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
0 - 30 days	**39,767**	24,251
31 - 60 days	**8,296**	5,847
61 - 90 days	**12**	172
	48,075	30,270

At 31 March 2008 and 2007, there were no trade receivables past due.

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong dollar	**47,814**	30,270
Renminbi	**261**	—
	48,075	30,270

The trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

9 TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Trade payables	**1,651**	1,567
Other payables, deposits received and accrued expenses	**45,838**	39,547
	47,489	41,114

An ageing analysis of trade payables as at the balance sheets dates is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**1,651**	1,567

The fair values of trade and other payables, deposit received and accrued expenses approximate their carrying amounts.

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong dollar	**1,627**	1,415
Renminbi	**24**	152
	1,651	1,567

BUSINESS REVIEW

Launch of New Fitness Service Line "Soo Yoga"

To strengthen the Group's fitness services, the Group launched a new brand "Soo Yoga" to promote various types of yoga exercises, including hot yoga. Other fitness courses introduced include yoga dance, jazz dance, hip hop dance and belly dance. The Group also started offering fitness courses and activities aimed at families, such as family yoga, children ballet dance and children drama courses to attract customers of different age group.

The Group has fitness centres located in Central, Admiralty, Causeway Bay, Mong Kok and Tseung Kwan O. Revenue generated by the fitness business amounted to HK$57.1 million, representing 97% in sales growth as compared to last year.

Extension of Retail Network for "be" Products

To extend the retail network of the Group's own-label products outside its service centres and personal care chain stores, the Group set up its own retail outlets in Hong Kong under the brand "be Beauty Shop". Various types of beauty and skincare products under five series of beauty services are available for sale in the outlets, including Icy White Deluxe Series, Camomile Kiss Series, Collagen Cellular Regenerating Series, Self Blending Serum Concentrate and Problem Skin Series, all catering to different skin types.

We have achieved encouraging response from the market and we have proceeded to open up seven "be Beauty Shop" outlets in major commercial and residential areas including Causeway Bay, Sheung Wan, Mong Kok, Kwai Chung, Kwun Tong, Fanling and Tuen Mun. Products sales reached HK$21.2 million, with sales growth of 16.8%.

The Group has also introduced franchise arrangement for the public to set up "be Beauty Shop".

Expansion of men salon service

The Group also caters to the beauty and fitness needs of men by providing them beauty and slimming products and services under the "Hey Man" brand. Ten service centres dedicated to offering comprehensive beauty and wellness services and products to men were opened in Central, Admiralty, Causeway Bay, Quarry Bay, Tsim Sha Tsui, Mong Kok, Tseung Kwan O, Yuen Long and Tuen Mun. The number of male customers increased from 7,400 as at 31 March 2007 to 11,300 as at 31 March 2008, representing a growth rate of 53%. Revenue generated from the men salon service segment amounted to HK$27.0 million, representing 616% sales growth as compared with last year.

Continuous Expansion of Hong Kong Service Network

During the year under review, the Group opened seven new service centres located in Happy Valley, Causeway Bay, North Point, Sheung Wan, Tsuen Wan, Kwun Tong and Ma On Shan, bringing the total number of service centres in Hong Kong to 32, with weighted average total gross floor area of approximately 298,000 square feet. Customer base increased from 178,000 as at 31 March 2007 to 210,000 as at 31 March 2008, with customer growth rate at 18%. Around 50% of the customer base are active customers.

Revenue generated from the Hong Kong segment amounted to HK$772.1 million, with sales growth rate at 25.8%.

Business Development in Mainland China

During the year under review, the Group added seven new service centres in Mainland China: three in Beijing, two in Shanghai and two in Guangzhou. The centres offer comprehensive services including beauty and facial treatments, spa and massage, and slimming services targeting mid- to high-income group customers who demand high quality beauty and wellness services. As at 31 March 2008, the number of service centres in Mainland China totaled eight.

The Group's service network in Mainland China covered a weighted average total gross floor area of approximately 22,000 square feet. The number of customers reached 11,000, a 13 times increase in customer base, compared to 800 customers as at 31 March 2007. Revenue generated reached HK$13.9 million, 61 times increase in sales growth as compared to last year.

Operational Highlights

	As at 31 March		
	2008	2007	**Growth**
No. of service centres	**40**	27	**48%**
Hong Kong	**32**	26	**23%**
Mainland China	**8**	1	**700%**
Weighted average total gross floor area (sq. ft.)	**320,000**	259,000	**24%**
Hong Kong	**298,000**	257,000	**16%**
Mainland China	**22,000**	2,000	**1,000%**
No. of customers	**221,000**	178,800	**24%**
Hong Kong	**210,000**	178,000	**18%**
Mainland China	**11,000**	800	**1,275%**
Number of staff	**1,912**	1,265	**51%**
Frontline beauty staff	**1,608**	988	**63%**
Back office staff	**304**	277	**10%**

FINANCIAL REVIEW

Financial Performance

For the financial year ended 31 March 2008, the Group achieved a satisfactory financial performance with strong growth in turnover and profit attributable to shareholders. For the year ended 31 March 2008, the Group recorded a total turnover of HK$786.0 million, representing a significant increase of 28.0% as compared to HK$614.1 million in 2007. The profit for the year amounted to HK$226.8 million (2007: HK$177.4 million), representing a significant growth of 27.8%. Net margin for the year was maintained at 28.9%. The Group's basic earnings per share for the year was HK31.34 cents as compared to HK24.61 cents in 2007.

Financial Highlights

	2008	2007	
	HK$'000	*HK$'000*	***Change***
Turnover	**786,002**	614,064	**+28.0%**
Employee benefit expenses	**(274,385)**	(230,969)	**+18.8%**
Occupancy costs	**(79,957)**	(52,205)	**+53.2%**
Depreciation and amortisation	**(33,003)**	(26,149)	**+26.2%**
Other operating expenses	**(129,454)**	(106,788)	**+21.2%**
Profit for the year	**226,773**	177,418	**+27.8%**
Dividend per share (HK cents)	**18.80**	20.80	**-9.6%**
Basic earnings per share (HK cents)	**31.34**	24.61	**+27.3%**
Net profit margin	**28.9%**	28.9%	**—**

Turnover

The Group recorded a total turnover of HK$786.0 million for the year ended 31 March 2008, representing a considerable growth of 28.0% as compared to HK$614.1 million in 2007. The increase in turnover of approximately HK$171.9 million was mainly due to the addition of 13 service centres (6 in Hong Kong and 7 in Mainland China) during the year, which increased the weighted average total gross floor area of our service centres from approximately 259,000 square feet in 2007 to 320,000 square feet in 2008. The expansion of our service capacity facilitated more customers' consumption of the Group's services during the year.

Segment Performance

The performance of our major service lines and product sales during the year 2008 is summarised as follows:

	2008		2007		
		% to		*% to*	
Sales Mix	***HK$'000***	***turnover***	*HK$'000*	*turnover*	***Change***
Beauty and facial	**358,516**	**45.6%**	245,539	40.0%	**+46%**
Spa and massage	**184,504**	**23.5%**	159,351	26.0%	**+16%**
Slimming	**164,675**	**21.0%**	161,978	26.3%	**+2%**
Fitness	**57,067**	**7.2%**	29,026	4.7%	**+97%**
Beauty products sales	**21,240**	**2.7%**	18,170	3.0%	**+17%**
Total turnover	**786,002**	**100.0%**	614,064	100.0%	**+28%**

The increase in turnover of approximately HK$171.9 million during 2008 was mainly attributable to the boost in the sales of beauty and facial treatment by HK$113.0 million, increase in the sales of spa and massage by HK$25.1 million and in fitness services by HK$28.0 million, which represent sales growth of 46%, 16% and 97% respectively. Such increase was due to the addition of 13 service centres during the year to enlarge our service network.

With the opening of seven "be Beauty Shop" during the year under review, beauty products sales generated revenue of HK$21.2 million, with 17% sales growth as compared to last year.

Major Expenses

The Group's major expenses principally included employee benefit expenses, occupancy costs, advertising and promotion expenses, depreciation and amortisation, bank charges and taxation. The breakdown is set out as follows:

	2008		2007	
		% to		*% to*
Items	***HK$'000***	***turnover***	*HK$'000*	*turnover*
Employee benefit expenses	**274,385**	**34.9%**	230,969	37.6%
Occupancy costs	**79,957**	**10.2%**	52,205	8.5%
Advertising and promotion expenses	**23,781**	**3.0%**	19,044	3.1%
Depreciation and amortisation	**33,003**	**4.2%**	26,149	4.3%
Bank charges	**28,364**	**3.6%**	22,080	3.6%
Taxation	**47,060**	**6.0%**	33,050	5.4%

The Group has maintained tight cost control on major expenses. For year 2008, total expenses for employee benefit expenses, occupancy costs and advertising and promotion expenses were maintained at 48.1% to turnover, a slight improvement from last year's 49.2% to turnover.

With continuous expansion of the Group's business in Hong Kong and Mainland China, more employees were employed. Total headcount increased from 1,265 as at 31 March 2007 to 1,912 as at 31 March 2008 (Hong Kong office: 1,636; Mainland China: 276). Employee benefit expenses increased by 18.8% to HK$274.4 million due to the increase in staff number and payment of discretional bonus. For the year under review, the Group maintained the total employee benefit expenses at a healthy level of 34.9% of total turnover.

For the year under review, occupancy costs increased by HK$27.8 million to HK$80.0 million, with an increment of 53%. The increase was mainly due to the expansion of the Group's service network in Hong Kong and Mainland China. The number of service centres increased to 40 with weighted average total gross floor area of 320,000 square feet as at 31 March 2008, as compared to 27 service centres with 259,000 square feet as at 31 March 2007, representing an expansion of the floor area by 24%. The increase in occupancy costs was also caused by rental increment in renewal of tenancies.

Net Profit and Margin

Net profit for the year increased by 27.8% to HK$226.8 million for the year ended 31 March 2008 as compared to HK$177.4 million for last year. Net profit margin was maintained at 28.9%. Excluding the Mainland China business, the Group achieved a net profit of HK$234.4 million with a net profit margin of 30.4%, representing a year-on-year growth in net profit of 31.3%. Basic earnings per share was HK31.34 cents as compared to HK24.61 cents for last year.

Liquidity and Financial Position

The total equity of the Company as at 31 March 2008 was HK$374.7 million (2007: HK$309.5 million). The Group generally finances its operation with internal generated cash flows from operations. The Group continued to maintain a strong financial position with cash and cash equivalents of approximately HK$349.8 million as at 31 March 2008 (2007: HK$585.0 million) with no external bank borrowing. During the year, the majority of the Group's cash was held under fixed and saving deposits in renowned banks in line with the Group's prudent treasury policy. As at 31 March 2008, the Group had net current assets of approximately HK$115.2 million (2007: HK$185.4 million).

Capital Expenditure

The total capital expenditure incurred by the Group during the year ended 31 March 2008 amounted to HK$157.7 million, which was mainly used in the purchase of land and building, leasehold improvements, equipment and machinery in connection with the expansion of its service network in Hong Kong and Mainland China.

Deferred Revenue

The movement of the deferred revenue for the year ended 31 March 2008 is summarised as follows:

	2008	2007	
	HK$'000	*HK$'000*	***Change***
Beginning of the year	**420,007**	526,412	**-20.2%**
Exchange differences	**(728)**	—	**N/A**
Receipts during the year	**610,511**	489,489	**+24.7%**
Sales of beauty and wellness services	**(733,296)**	(560,588)	**+30.8%**
Sales upon expiring prepaid beauty packages	**(31,466)**	(35,306)	**-10.9%**
End of the year	**265,028**	420,007	**-36.9%**

With the expansion of the Group's network coverage and greater effort in promotion, the receipts from sales of new prepaid beauty packages for the year increased by 24.7% to HK$610.5 million as compared to HK$489.5 million in 2007. The continuous enhancement of the Group's service quality boosted customers' consumption. Together with the diversification of our business lines to the male market and absorption of new customers from different segments in the new locations, customers' consumption has been increasing at a greater pace than the increase in sales of new prepaid packages, resulting in the deferred revenue as at 31 March 2008 to have decreased to HK$265.0 million as compared to the balance of HK$420.0 million as at 31 March 2007.

Contingent Liabilities and Capital Commitment

The Board considered no material contingent liabilities as at 31 March 2008. The Group had capital commitment of approximately HK$8.3 million as at 31 March 2008 (2007: HK$6.0 million) in respect of the acquisition of property, plant and equipment.

Charges on Assets

As at 31 March 2008, the Group had pledged bank deposits of HK$9.3 million (2007: HK$10.7 million) in favour of certain banks to secure banking facilities granted to certain subsidiaries in the Group.

Foreign Exchange Risk Exposure

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

Significant Acquisition

There was no significant acquisition by the Group during the year.

Treasury Policies

The Group adopts a prudent approach in the treasury policy. The Group's surplus funds are held under fixed and saving deposits in renowned banks.

Human Resources

As at 31 March 2008, the Group had a total work force of 1,912 employees (31 March 2007: 1,265 employees), including 1,608 frontline beauty employees who were located at the Group's 40 service centres and 304 back-office employees who were based in office. Of which, 1,636 employees were employed in Hong Kong while 276 employees worked in Mainland China. The total employee benefit expenses, including directors' emoluments for the year under review, amounted to HK$274.4 million as compared to HK$231.0 million in 2007.

The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of the performance and experience of the individual. The Group has been constantly reviewing staff remuneration incentive to ensure that it is competitive within the industry. For the purpose of motivating and rewarding our staff, discretionary bonus and share options are granted to eligible employees based on individual and Group performance. The Group has adopted a Pre-IPO share option scheme and a share option scheme on 20 January 2006.

Proceeds from Initial Public Offering

The net proceeds from the Company's initial public offering in February 2006 were approximately HK$161.6 million, after deduction of related listing expenses. During the year ended 31 March 2008, the usage of proceeds were in accordance with the future plans and prospects set out in the Company's prospectus dated 27 January 2006 and within the limit of the net proceed.

PROSPECTS

At Modern Beauty, we strive to do our best to meet the increasing demands of our customers.

Introduction of "Spa Villa" concept in Hong Kong

In June 2008, the Group acquired a 12-storey commercial property located in Tsim Sha Tsui. Management plans to develop the premise into a spa villa to provide one-stop service for spa and beauty treatment. Cost of investment in the property is around HK$132.8 million. The property has a gross floor area of approximately 13,355 square feet.

The Group currently operates two beauty and wellness service centres in Tsim Sha Tsui, which are two of the major servicing locations of the Group's operations in Hong Kong. The Group acquired the property in order to secure the business strategy of operating a service network in Tsim Sha Tsui. Furthermore, acquiring the property would enable the Group to achieve considerable rental savings and is believed to be for the long-term benefit of the Group.

Continuous Expansion of Service Network in Hong Kong

The Group has set a development plan for the Hong Kong market to open six service centres during the financial year 2008/09. Management objective is to increase the number of service network in Hong Kong to around 38 service centres as at 31 March 2009. With the expansion of network coverage towards major shopping malls and highly populated residential areas, the Group's client base will be broadened. This will help boost customers' prepayments and consumption of our services. The Group will continue to search for opportunities to increase our service network.

Promotion of own-label "be" Products

Currently our own-label "be" products are under OEM arrangement produced by an Australian company. We intend to improve cooperation with the OEM producer to increase production volume. For the financial year 2008/09, the Group plans to open 13 "be Beauty Shop" to enlarge the network served. The Group plans to increase the number of "be Beauty Shop" to around 20 as at 31 March 2009. Products sales are expected to increase to approximately 5% of total group sales.

Expand service network in Mainland China

At present, the Group has eight service centres in Mainland China: three in Beijing, two in Shanghai and three in Guangzhou. The Group's mission is to become the best beauty and wellness market provider in China. We would leverage on our rich experience in the beauty and wellness industry in Hong Kong to establish a truly national footprint with strong presence in the first- and second-tier cities in China in the long run. For the financial year 2008/09, the Group intends to open 12 service centres in Mainland China. According to our development plan, number of service network in Mainland China will be increased to around 20 as at 31 March 2009. Setting our feet on Shanghai in the first place, more service centres are expected to become operational in Beijing, Shanghai, Guangzhou, Shenzhen and other cities.

2009 Capital Expenditure Plan

For 2008/09 development plan, the Group has set a capital expenditure budget of HK$200 million for service centres and shops opening.

With the above development plans and a service enhancement program in place, we are confident of reinforcing a sense of loyalty throughout our customer base that continues to grow, and we grow with our customers.

Dividend Per Share

The Board recommended a final dividend of HK8.8 cents per share to be payable to the shareholders of the Company. Together with the interim dividend of HK10.0 cents paid during the year, the total dividend for the year ended 31 March 2008 will be HK18.8 cents per share. This indicates a 60% dividend payout ratio of the current year profit.

Subject to the approval of the shareholders in the forthcoming annual general meeting of the Company on 22 August 2008, the Company plans to pay the final dividend of HK8.8 cents per share on 3 September 2008 to the shareholders whose names appear on the Register of Members of the Company on 22 August 2008.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") for the year ended 31 March 2008 will be held on 22 August 2008.

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

During the year ended 31 March 2008, 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 20 August 2008 to Friday, 22 August 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and the entitlement to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 19 August 2008.

CORPORATE GOVERNANCE PRACTICE

The Board is committed to establishing and maintaining high standards of corporate governance.

The Board is in the opinion that the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 March 2008, except for the following deviations:

Code Provision A.2.1 of the Code stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Tsang Yue, Joyce is currently the Chairperson and Chief Executive Officer of the Company.

After reviewing the management structure, the Board is of the opinion that Board decisions are collective decisions of all Directors made by way of voting and not decisions of the Chairperson of the Board alone. Further, there is a clear division of responsibilities between the management of the Board and the day-to-day management of the business of the Company, which relies on the support of the senior management.

As such, the power of the management of the Company is not concentrated in any one individual. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 20 January 2006 with written terms of reference in compliance with the Code to review and supervise the financial reporting process and internal control systems of the Group. The Audit Committee comprises three independent non-executive directors of the Company. The annual results of the Group for the year ended 31 March 2008 have been reviewed by the Audit Committee, prior to their approval by the Board.

INTERNAL CONTROL

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

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

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

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under "Latest Listed Company Information" and on the website of the Company at www.modernbeautysalon.com under "Investor Relations — Statutory Announcements". The Annual Report and the Notice of Annual General Meeting will be despatched to the shareholders on or about 25 July 2008 and will be available at the Stock Exchange's and the Company's websites at the same time.

By order of the Board
Modern Beauty Salon Holdings Limited
Tsang Yue, Joyce
Chairperson

Hong Kong, 16 July 2008

As at the date of this announcement, the Board of Directors of the Company consists of six executive Directors, Ms. Tsang Yue, Joyce, Mr. Lee Soo Ghee, Ms. Yuen Siu Ping, Mr. Yip Kai Wing, Mr. Kwong Chi Ching, Ms. Mok Hin Yuk and three independent non-executive Directors, Mr. Cheng Kai Tai, Allen, Mr. Yip Ki Chi, Luke and Mr. Soo SK Sean.