MODERN BEAUTY SALON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

FINANCIAL HIGHLIGHTS

- Group's turnover decreased by 42.8% to HK$ 209.5 million
- Receipts from sales of prepaid beauty packages decreased by 25.1%
- Hong Kong business decreased by 48.1%
- PRC business increased by 8.2%

OPERATIONAL HIGHLIGHTS

- Hong Kong business comprised 35 beauty and spa service centres with a weighted average total gross floor area of 309,000 square feet
- The Group launched 4 "be Beauty Shop" retail outlets in Hong Kong, taking the total number to 15 as at 30 September 2009
- Customer number in Hong Kong reached approximately 252,900, including approximately 14,800 male customers
- Mainland China business comprised 10 service centres respectively in Guangzhou, Shanghai and Beijing, with approximately 24,400 customers in total.

The Board of Directors (the "Board" or the "Directors") of Modern Beauty Salon Holdings Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2009.

The interim results of the Group for the six months ended 30 September 2009 have been reviewed and with no disagreement by the Company's auditor, RSM Nelson Wheeler, 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. The auditor's independent review report will be included in the condensed consolidated interim financial information to the Company's shareholders.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Note	**Six months ended 30 September 2009** *HK$'000* *(unaudited)*	2008 *HK$'000* *(unaudited)*
Turnover	5	**209,476**	365,942
Other gains, net	6	**4,332**	6,580
Cost of inventories sold		**(8,928)**	(11,372)
Employee benefits expenses		**(125,304)**	(166,592)
Depreciation and amortisation		**(21,744)**	(18,660)
Occupancy costs		**(54,517)**	(51,434)
Other operating expenses		**(55,559)**	(81,539)
Operating (loss)/profit		**(52,244)**	42,925
Interest income		**91**	3,122
Finance cost	7	**(1,793)**	—
(Loss)/profit before tax		**(53,946)**	46,047
Income tax credit/(expense)	8	**8,996**	(6,029)
(Loss)/profit for the period attributable to owners of the Company	9	**(44,950)**	40,018
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**41**	87
Other comprehensive income for the period, net of tax		**41**	87
Total comprehensive (loss)/income for the period attributable to owners of the Company		**(44,909)**	40,105
(Loss)/earnings per share (HK cents)			
– Basic	11	**(6.21)**	5.53
– Diluted	11	**N/A**	5.48

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2009

	Note	**30 September 2009** ***HK$'000*** ***(unaudited)***	31 March 2009 *HK$'000* *(audited)*
ASSETS			
Non-current assets			
Property, plant and equipment		**126,410**	127,897
Leasehold land prepayments		**242,059**	115,884
Deposits	12	**13,862**	21,578
Deferred tax assets		**18,712**	9,701
		401,043	275,060
Current assets			
Inventories		**7,308**	9,403
Trade and other receivables, deposits and prepayments	12	**188,205**	138,180
Current tax assets		**39,866**	39,866
Pledged bank deposits		**8,925**	9,412
Cash and cash equivalents		**105,143**	137,826
		349,447	334,687
Total assets		**750,490**	609,747
EQUITY			
Capital and reserves			
Share capital		**72,352**	72,352
Share premium and reserves		**182,319**	226,560
Total equity		**254,671**	298,912
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**1,055**	1,055
Current liabilities			
Trade and other payables, deposits received and accrued expenses	13	**50,947**	53,556
Loan from ultimate controlling party		**119,793**	—
Deferred revenue	14	**322,214**	254,414
Current tax liabilities		**1,810**	1,810
		494,764	309,780
Total liabilities		**495,819**	310,835

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2009

	30 September 2009	31 March 2009
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Total equity and liabilities	**750,490**	609,747
Net current (liabilities)/assets	**(145,317)**	24,907
Total assets less current liabilities	**255,726**	299,967

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

1. GENERAL INFORMATION

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

The Company and its subsidiaries are principally engaged in the provision of beauty and wellness services and sales of skincare and wellness products.

In the opinion of the directors of the Company, Silver Compass Holdings Corporation, a company incorporated in the British Virgin Islands, is the immediate and ultimate parent and Ms. Tsang Yue, Joyce is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2009. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2009 except as stated below.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting polices, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

a. **Presentation of Financial Statements**

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. These presentation requirements have been applied retrospectively in these condensed financial statements.

b. **Operating Segments**

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving as the starting point for the identification of such segments. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

The segment accounting policies under HKFRS 8 are stated in note 4 to the condensed financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. SEGMENT INFORMATION

The Group has two reportable segments as follows:

Beauty and wellness services – Provision of beauty and wellness services

Skincare and wellness products – Sales of skincare and wellness products

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in the Group's financial statements for the year ended 31 March 2009. Segment profits or losses do not include other gains or losses, interest income, finance costs, unallocated costs, which comprise corporate administrative expense and income tax credit or expense. Segment assets do not include property held for corporate uses, current tax assets and deferred tax assets. Segment liabilities do not include loan from ultimate controlling party, current tax liabilities and deferred tax liabilities.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

	Beauty and wellness services HK$'000 (unaudited)	Skincare and wellness products HK$'000 (unaudited)	Total HK$'000 (unaudited)
Six months ended 30 September 2009:			
Revenue from external customers	**193,760**	**15,716**	**209,476**
Intersegment revenue	**—**	**4,485**	**4,485**
Segment (loss)/profit	**(46,982)**	**6,244**	**(40,738)**
As at 30 September 2009:			
Segment assets	**650,147**	**6,750**	**656,897**
Six months ended 30 September 2008:			
Revenue from external customers	355,891	10,051	365,942
Intersegment revenue	—	5,861	5,861
Segment profit	59,868	3,859	63,727
	(audited)	*(audited)*	*(audited)*
As at 31 March 2009:			
Segment assets	351,950	7,505	359,455

	Six months ended 30 September 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited)
Reconciliations of segment profit or loss:		
Total profit or loss of reportable segments	**(40,738)**	63,727
Other gains, net	**4,332**	6,580
Interest income	**91**	3,122
Finance costs	**(1,793)**	—
Unallocated costs	**(15,838)**	(27,382)
Income tax credit/(expense)	**8,996**	(6,029)
Consolidated (loss)/profit for the period	**(44,950)**	40,018

5. TURNOVER

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

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Revenue from provision of beauty and wellness services	**188,918**	343,668
Revenue recognised upon expiry of prepaid beauty packages	**4,842**	12,223
	193,760	355,891
Sales of skincare and wellness products	**15,716**	10,051
	209,476	365,942
Total gross receipts for sales of prepaid beauty packages	**261,443**	349,201

6. OTHER GAINS - NET

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Gross rental income	**318**	366
Magazine subscription income	**1,702**	3,202
Food income	**—**	1,625
Commission income	**592**	1,071
Other income	**1,720**	316
	4,332	6,580

7. FINANCE COSTS

	Six months ended 30 September	
	2009	2008
	HK$	*HK$*
	(unaudited)	*(unaudited)*
Interest on loan from ultimate controlling party	**1,793**	—

8. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Current income taxation:		
– Hong Kong profits tax	**—**	7,975
– Over provision in prior years	**—**	(481)
	—	7,494
Deferred tax	**(8,996)**	(1,465)
	(8,996)	6,029

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax is required since the Group has no assessable profit in Hong Kong and the PRC for the period.

9. (LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

(Loss)/profit for the period attributable to owners of the Company is stated after charging/(crediting) the following items:

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Directors' remuneration	**4,494**	8,326
Auditors' remuneration		
– current period	**992**	1,495
Loss/(gain) on disposal of property, plant and equipment	**814**	(95)

10. DIVIDENDS

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Proposed interim dividend of HK4.3 cents per ordinary share for the six months ended 30 September 2008	**—**	31,111

11. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss (2008: earnings) per share attributable to owners of the Company is based on the loss for the six months ended 30 September 2009 attributable to owners of the Company of approximately HK$44,950,000 (2008: profit of approximately HK$40,018,000) and the weighted average number of ordinary shares of 723,520,000 (2008: 723,520,000) in issue during the period.

Diluted (loss)/earnings per share

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 September 2009.

The calculation of diluted earnings per share for the six months ended 30 September 2008 attributable to owners of the Company is based on the profit attributable to owners of the Company of approximately HK$40,018,000 and the weighted average number of ordinary shares of 729,954,241, being the weighted average number of ordinary shares of 723,520,000 in issue during the period used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 6,434,241 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the six months ended 30 September 2008.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2009	31 March 2009
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Non-current assets		
Rental and other deposits	**13,862**	21,578
Current assets		
Trade receivables	**153,824**	91,197
Rental and other deposits, prepayments and other receivables	**33,944**	46,467
Amounts due from related companies	**437**	516
	188,205	138,180
	202,067	159,758

An ageing analysis of trade receivables as at 30 September 2009, based on the date of the recognition of beauty packages and products sold, is as follows:

	30 September 2009 HK$'000 (unaudited)	31 March 2009 HK$'000 (audited)
0-30 days	**29,185**	29,155
31-60 days	**20,025**	29,249
61-90 days	**23,483**	27,255
91-120 days	**16,161**	5,538
Over 120 days	**64,970**	—
	153,824	91,197

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

	30 September 2009 HK$'000 (unaudited)	31 March 2009 HK$'000 (audited)
Amounts due to related companies	**1,189**	—
Trade payables	**617**	918
Other payables, deposits received and accrued expenses	**49,141**	52,638
	50,947	53,556

Trade payables as at 30 September 2009 are aged within 120 days.

14. DEFERRED REVENUE

An ageing analysis of the deferred revenue is as follows:

	30 September 2009 HK$'000 (unaudited)	31 March 2009 HK$'000 (audited)
Within 1 year	**232,526**	170,602
More than 1 year but within 2 years	**59,232**	43,883
More than 2 years but within 3 years	**30,456**	39,929
	322,214	254,414

15. COMMITMENTS

(a) Lease commitments

At 30 September 2009, the total future minimum lease payments under non-cancelable operating leases as follows:

	30 September 2009	31 March 2009
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Not later than one year	**82,114**	95,630
Later than one year and not later than five years	**78,950**	108,456
Later than five years	**684**	1,399
	161,748	205,485

(b) Capital commitments

Capital commitments at 30 September 2009 are as follows:

	30 September 2009	31 March 2009
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Contracted for but not provided for in respect of acquisition of:		
– Land and building	**—**	119,520
– Plant and equipment	**2,200**	1,151
	2,200	120,671

16. EVENTS AFTER THE REPORTING PERIOD

On 13 November 2009, the Group has completed the disposal of the entire equity interests in certain wholly-owned subsidiaries and all amounts due by these wholly-owned subsidiaries to the Group as at 13 November 2009 to All Link International Limited, which is ultimately beneficially owned by the ultimate controlling party, Ms. Tsang Yue, Joyce, at a consideration of HK$190 million in aggregate. Details of the above are set out in the Company's circular dated 14 October 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

	Unaudited		
	1H 2009/10	**1H 2008/09**	**Change**
Sales of prepaid beauty packages (HK$ million)	**261.4**	349.2	(25.2%)
Hong Kong	**242.6**	326.9	(25.8%)
Mainland China	**18.8**	22.3	(15.7%)
Revenue from services rendered (HK$ million)	**193.8**	355.9	(45.5%)
Hong Kong (note)	**176.1**	339.2	(48.1%)
Mainland China	**17.7**	16.7	6.0%
No. of service centres	**45**	45	—
Hong Kong	**35**	36	(2.8%)
Mainland China	**10**	9	11.1%
Weighted average total gross floor area (sq. ft.)	**366,000**	377,000	(2.9%)
Hong Kong	**309,000**	329,000	(6.1%)
Mainland China	**57,000**	48,000	18.8%
No. of customers	**277,300**	243,600	13.8%
Hong Kong	**252,900**	227,300	11.3%
Mainland China	**24,400**	16,300	49.7%
Number of staff	**1,666**	2,123	(21.5%)
Frontline beauty staff	**1,505**	1,703	(11.6%)
Back office staff	**161**	420	(61.7%)

Note: inclusive of "revenue recognised upon expiry of prepaid beauty packages."

BUSINESS REVIEW - HONG KONG BUSINESS

Retain strong Client base, Service and Retail Network in Hong Kong

During the period under review, we retain a strong client base and its service network in Hong Kong. The Group maintain the existing operation scale. We set up one new service centre in Tsuen Wan. Two service centres respectively in Shatin and Tsuen Wan have moved to and been consolidated with another existing centre because the tenancy agreements are expired. We have retained our network coverage to 35 service centres with a weighted average total gross floor area of approximately 309,000 square feet as at 30 September 2009, representing decrease of 6.1% as compared to 329,000 square feet as at 30 September 2008.

Locations	1H 2009/10	1H 2008/09
Hong Kong Island	**15**	17
Kowloon	**9**	8
New Territories	**11**	11
Number of Service Centres (in total)	**35**	36
Number of "be Beauty Shops" (in total)	**15**	11

With continuous expansion of its network coverage and introduction of new beauty and wellness services, the Group's total customer base in Hong Kong reached approximately 252,900 as at 30 September 2009, representing a satisfactory growth of 11.3% as compared to 227,300 customers as at 30 September 2008.

To expand the retail network for its line "be" products, the Group began to set up more retail outlets in Hong Kong under its "be Beauty Shop" brand last year. In addition to the 11 existing outlets in Mongkok, Kwun Tong, Sheung Wan, Causeway Bay, Kwai Chung, Fanling, Tuen Mun, Sham Shui Po, Hung Hom, To Kwa Wan and Mei Foo, we have opened 4 outlets in new and densely populated residential areas like Mid-level, Tai Po, Tai Koo and Tsuen Wan during the period under review. As a result, the total number of "be Beauty Shops" has reached 15 as at 30 September 2009. Various types of beauty and wellness products under seven series of skincare services are available for sale in the outlets, including Collagen Cellular Regenerating Series, Icy White Deluxe Series, Camomile Kiss Series, Problem Skin Series, Self Blending Serum Concentrate, Deep Ocean Skin Series and "Magic Essence" which are tailor-made to suit all skin types. Each shop provides more than 80 SKUs.

Extending Service and Product Lines

Among the Group's 35 service centres in Hong Kong, those offering comprehensive beauty and wellness services and products to men have been consolidated into 2. Nonetheless, with our effort to expand the men salon service network and promote our brand "Hey Man", the Group's men salon service has achieved satisfactory performance, with the number of male customers increased to approximately 15,000 as at 30 September 2009 from 13,000 in the corresponding period last year, representing a considerable growth of 15.4%. Sales deriving from the men salon service segment amounted to HK$11.3 million, accounting for 5.4% of the Group's total turnover for the six months ended 30 September 2009.

In the Group's fitness services, the market is saturated and we will explore some new markets to be niche.

BUSINESS REVIEW FOR MAINLAND CHINA

During the period under review, the Group added one service centre in Shanghai to the existing 9 service centres that were already operating. The centres offer a comprehensive range of services including beauty and facial treatments, spa and massage as well as slimming services, and are targeted at China's growing middle class who demand high quality beauty and wellness services.

Number of Service Centres:

Locations	**1H 2009/10**	1H 2008/09
Beijing	**4**	4
Shanghai	**3**	2
Guangzhou	**3**	3
Total:	**10**	9

Those service centres reported an operational loss of HK$61,000 for the period under review. The total weighted average gross floor area of the 10 service centres in Mainland China is approximately 57,000 square feet as at 30 September 2009, representing an increase of 18.8% as compared to 48,000 square feet as at 30 September 2008. The number of customers was up by 49.7% to 24,400 from 30 September 2008. Our service centres in Mainland China have maintained a steady income in sales of prepaid beauty packages during the period under review, reaching a total of HK$18.8 million.

Operation Highlights

Service Enhancement

The Group entered into an agreement to acquire a property in Tsim Sha Tsui at an investment cost of over HK$132.8 million in June 2008 which was subsequently completed in June 2009. With a gross floor area of about 13,000 square feet, the property is intended to be devoted to providing one-stop personal care services such as aesthetic medicine and cosmetic dermatology services, spa and beauty treatment. When launching, the new store is expected to help the Group accommodate future growth in business.

In order to further enhance customer satisfaction and encourage a more efficient use of our services and facilities, the Group has launched a service enhancement program since 2006 through the introduction of real-time online booking system on its website. That effort continues to achieve satisfactory result. Revenue from provision of beauty and wellness services retained at HK$188.9 million, representing 90.2% of total revenue compared to 93.9% for the corresponding period last year. Income from expired prepaid beauty packages further reduced to HK$4.8 million, representing 2.3% of the Group's total revenue for the six months ended 30 September 2009, compared to HK$12.2 million, or 3.3% of total revenue, for the corresponding period last year.

FINANCIAL REVIEW

For the financial period ended 30 September 2009, the Group recorded a decline in turnover. For the period ended 30 September 2009, The Group's total revenue decreased by 42.8% to HK$ 209.5 million for the six months ended 30 September 2009 compared to HK$365.9 million for the corresponding period last year. The revenue from provision of beauty and wellness services have decreased by 45.0% or HK$ 154.8 million to HK$ 188.9 million. The decline was mainly due to the effect of economic downturn. The weighted average total gross floor area in Hong Kong reached approximately 309,000 square feet as at 30 September 2009, representing decrease of 6.1% as compared to 329,000 square feet as at 30 September 2008.

In Mainland China, the service centres have registered more than 24,400 customers as at 30 September 2009 as comparing to 16,300 recorded as at 30 September 2009. Prepaid beauty packages accounted for HK$18.8 million while sales of services grew steadily to HK$17.7 million.

Turnover by Business Segment

	(Unaudited) Six months ended 30 September				
	2009		2008		
Sales Mix	**HK$'000**	**% to turnover**	HK$'000	% to turnover	Change
Beauty and facial	**112,777**	**53.8%**	165,048	45.1%	- 31.7%
Spa and massage	**37,132**	**17.7%**	86,294	23.6%	- 57.0%
Slimming	**37,874**	**18.1%**	78,648	21.5%	- 51.8%
Fitness	**5,977**	**2.9%**	25,901	7.1%	- 76.9%
Sales of skincare and wellness products	**15,716**	**7.5%**	10,051	2.7%	+ 56.4%
Total turnover	**209,476**	**100.0%**	365,942	100.0%	- 42.8%

Among the Group's five service and product lines, sales of skincare and wellness products demonstrated an excellent growth at 56.4% or HK$5.7 million to HK$15.7 million during the period under review.

The decrease in turnover of approximately HK$156.5 million during 2009 was mainly due to decrease in the revenue from beauty and facial treatment by HK$52.3 million, decrease in the revenue from spa and massage by HK$49.2 million and the revenue from slimming services by HK$40.8 million. Such decreases in revenue from services were due to the global and local economic downturn commencing from continuing the effect of economic tsunami.

Sales of New Prepaid Beauty Packages

Movement of Deferred Revenue	(Unaudited) As at 30 September 2009 Hong Kong	Mainland China	Total	(Unaudited) As at 30 September 2008 Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
Beginning of the period	**234,586**	**19,828**	**254,414**	265,028
Exchange difference	**—**	**118**	**118**	197
Receipts from sales of prepaid beauty packages during the period	**242,583**	**18,859**	**261,442**	349,201
Revenue from provision of beauty and wellness services	**(171,265)**	**(17,653)**	**(188,918)**	(343,668)
Revenue recognised upon expiry of prepaid beauty packages	**(4,842)**	**—**	**(4,842)**	(12,223)
End of the period	**301,062**	**21,152**	**322,214**	258,535

Receipts generated from the sales of new prepaid beauty packages reached HK$261.4 million, representing a drop of 25.1% or HK$87.8 million for the period compared to HK$349.2 million for the corresponding period last year. The decrease was mainly due to the decreased sales in new prepaid beauty packages in Hong Kong, which dropped by HK$84.3 million to HK$242.6 million as well as the decrease of HK$3.5 million in Mainland China. Thanks to the service enhancement program and an expanded service network, and through the launch of an online booking system, and a more intensive marketing program, the Group was able to achieve encouraging results in its new prepaid beauty packages and customers' consumption of services.

In Mainland China, revenue from new prepaid beauty packages from the ten service centres in Guangzhou, Shanghai and Beijing, representing 6.6% of the Group's total receipts.

Analysis of Operating Expenses

Due to the continuously decreasing of turnover during the period ended 30 September 2009, the total expenditure for employee benefits expenses, occupancy costs and advertising costs rose to 88.4% to turnover, a significant increase from last year's 24.2% to turnover.

Commencing from the third quarter of the year 2008, the Group has introduced certain cost saving and control measures which reduced the total headcount by 21.5% to 1,666 as at 30 September 2009, including 1,463 and 203 staff in Hong Kong and Mainland China respectively, compared to 2,123 staff for the corresponding period last year. As a result, staff costs decreased by 24.8% to HK$125.3 million for the period. Furthermore, no discretional bonuses for staff were paid. As a percentage to turnover, staff costs increased by 14.3% to 59.8% for the six months ended 30 September 2009 compared to 45.5% for the corresponding period last year.

The Group's occupancy costs increased by HK$3.1 million to HK$54.5 million, representing 26.0 % of the turnover for the six months ended 30 September 2009 compared to HK$51.4 million or 14.1% for the corresponding period last year. The increase in occupancy costs was due to rental increment in the renewal of tenancies for several existing service centres during the period under review and in the second half of the financial year 2008/09. The number of service centres remains at 45 with weighted average total gross floor area of approximately 366,000 square feet as at 30 September 2009, compared to 45 service centres with approximately 377,000 square feet as at 30 September 2008, representing the decrease in floor area by 2.9%.

Bank charges have decreased by 30.1% to HK$12.0 million due to the decrease of the prepaid sale packages received in last 6 months. Advertising and promotional expenses decreased to HK$5.4 million as compared to HK$16.7 million for the corresponding period last year. In percentage term, it has decreased from 4.6% to 2.6% of the total turnover for the six months ended 30 September 2009.

Turnover

Total turnover for the period decreased 42.8% to HK$209.5 million for the six months ended 30 September 2009 compared to HK$365.9 million for the corresponding period last year.

Dividend

The board of directors does not recommend the payment of any dividend for the six months ended 30 September 2009.

Liquidity, Financial Resources and Capital Structure

The total equity of the Company as at 30 September 2009 was HK$254.7 million. The Group generally finances its operation with cash generated from operations. The Group had continued to maintain a strong financial position with cash and cash equivalents of HK$105.1 million as at 30 September 2009 (31 March 2009: HK$137.8 million) with no bank borrowing. During the period under review, the majority of the Group's cash was held in fixed and savings deposits as in line with the Group's prudent treasury policy. As at 30 September 2009, the Group has net current liabilities of HK$145.3 million (31 March 2009: net current assets of HK$24.9 million).

The fall in the cash position of the Group is mainly due to a decline in the revenue of the Group for the period under review and an increase in the amount withheld by the credit card collection bankers in respect of the sales proceeds arisen from the Group's credit card sales. No final dividend for the year ended 31 March 2009 and interim dividend for the period ended 30 September 2009 were recommended by the Board. As disclosed in the relevant interim report of the Company, the Group has a cash position of approximately HK$289 million as at 30 September 2008.

On 15 June 2009, Ms. Tsang Yue, Joyce ("Ms.Tsang"), the ultimate controlling party of the Company and All Link International Limited, a company wholly-controlled by Ms Tsang, entered into an agreement with Joy East Limited, Wise World Limited, East Union Industries Limited, Well Faith International Enterprises Limited and Rise Luck Development Limited for the borrowing a bridging loan in the total sum of HK$118,000,000 in order to facilitate the acquisition of a property which is completed on 30 June 2009.

On 23 September 2009, Modern Beauty Management Company Limited, a wholly owned subsidiary of the Company ("Vendor") and All Link International Limited, a company which is ultimately beneficially owned by Ms. Tsang ("Purchaser") entered into a disposal agreement at the aggregate consideration of HK$190 million. Pursuant to the disposal agreement, the aggregate consideration shall be settled as to HK$118 million by setting-off the bridging loan and as to HK$72 million in cash at completion. As at 13 November 2009, the disposal was completed and the transaction brought the Group's gearing ratio back to zero and the Group has generated approximately HK$72 million for general working capital use. Accordingly, the Group's working capital position has been strengthened.

Capital Expenditure

The total capital expenditure of the Group during the six months ended 30 September 2009 was approximately HK$147.2 million. The amount included HK$137.9 million allocated for the acquisition of land and buildings and approximately HK$9.3 million allocated for the acquisition of leasehold improvements, equipment and machinery in connection with the expansion of the service and retail network in Hong Kong. The remaining approximately HK$0.01 million was spent in the acquisition of leasehold improvements for opening new service centres in Mainland China.

Contingent Liabilities and Capital Commitment

The Board considered no material contingent liabilities as at 30 September 2009. The Group had capital commitment of HK$2.2 million as at 30 September 2009 (31 March 2009: HK$120.7 million) in respect of the acquisition of property, plant and equipment.

Charges on Assets

As at 30 September 2009, the Group had pledged bank deposits of HK$8.9 million (31 March 2009: HK$9.4 million) in favour of certain banks to secure banking facilities granted to certain subsidiaries in the Group.

Exchange Risk Exposure

The Group's sales and purchases were mainly denominated in Hong Kong Dollars. Certain level of the Group's cash and cash equivalents were denominated in Renminbi. The Group will closely monitor the exposure and, when considered appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

Significant Acquisition and Disposal

Save as disclosed above, there was no significant acquisition by the Group during the six months ended 30 September 2009.

Treasury Policies

The Group adopts a prudent approach in its treasury policy. The Group's surplus funds are held under fixed and savings deposits in reputable banks to earn interest income at an annualized yield of approximately 0.14%. During the period under review, the Group did not have any other security or capital investments, derivative investments, or hedging for foreign currencies.

Human Resources

The Group had a work force of 1,666 staff as at 30 September 2009 (31 March 2009: 1,781 staff), including 1,328 frontline service centre staff in Hong Kong and 177 in Mainland China. Back office staff totaled 135 in Hong Kong and 26 in Mainland China. Total employee benefits expenses including directors' emoluments for the period under review amounted to HK$125.3 million.

The Group's remuneration policies are in line with the prevailing market practices and are determined based on individual performance and experience. The Group has been constantly reviewing staff remuneration to ensure it is competitive within the industry. For the purpose of motivating and rewarding our staff, discretionary bonus and share options are granted to eligible employees based on individual and the Group's performance. As at 30 September 2009, a total of 10,970,000 share options have been granted to certain directors, senior management and employees of the Group. Great emphasis is also placed on staff training and development with professional training programs continuously provided to the frontline beauty staff.

OUTLOOK

In future, the Group will keep on maintaining a healthy cash status, monitoring and controlling the operating costs, checking constantly on the effective consumption usages of services for expansion, creating synergy between different business segments, and enhancing brand awareness by providing the most professional and attentive services to our customers.

Hong Kong Market

The Group's performance in the second and third quarters of 2009 have been affected by the unfavorable business environment due to the global financial turmoil in the second half of the financial year ended 31 March 2009. In spite of the economic downturn, the sales of skincare and wellness products segment performed well with the increasing demand for our customer care service, we believe there is a strong potential in the segment. In the coming years, the Group will allocate more resources to promote and market the services in this area. We consider that it will become a significant source of revenue for the Group in the future.

In view of the growing demand for beauty and wellness services in the PRC, the Group has made plans to launch a franchised business targeting at people who are interested in investing in the beauty industry. The group will provide supporting services, from shop renovation to staff training and products supplies. We believe that, with the Group's reputation and expertise in the industry, the franchisees will be able to operate the business successfully. We believe it to be the most effective way to expand the Group's market share in the PRC. With the above development plans, the Group is optimistic in expanding its customer base continuously and we are ready to tackle the challenges ahead. Priorities will be given to sustaining the core beauty and wellness services operation. At the same time, we will continue to maintain a healthy cash position for the Group.

Mainland China Market

The Group remains optimistic towards the Group's business in Mainland China. Proven with the stellar track record of receipts from prepaid beauty packages and their subsequent sales, as well as the growth in customer base, coupled with the Group's experience in operating beauty service network in Hong Kong and continued training of its frontline beauty staff, all of the beauty service centres in Guangzhou, Shanghai and Beijing respectively are well received by customers. The Group will continue to execute its network expansion plan in Mainland China.

Amid the signs for global economic slowdown, our Group will remain confident in getting through any tough times because our Group has solid foundation with strong finance, proven track record, reputable brand, extended service network, comprehensive range of quality service as well as experienced management team, sales force and well-trained beauticians. We do not have any bank borrowings or any investments in derivatives, bonds or structured financial products. We will continue to identify any opportunities for business expansion, and to maximize our return through the execution of stringent cost control.

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

During the six months ended 30 September 2009, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold, any of the Company's listed securities.

Corporate Governance Practices

The Company is committed to establishing and maintaining high standards of corporate governance. The Board is in the opinion that the Company has applied the principles of all applicable code provisions of the Code on Corporate Governance Practice (the "Code") as set out in under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the six months ended 30 September 2009, except for the following deviations:

Code Provision A.2.1 of the Code stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lee Soo Ghee is currently the Chairperson and Chief Executive Officer of the Company.

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

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors have confirmed that they have fully complied with the relevant standard set out in the Model Code during the six months ended 30 September 2009.

Audit Committee

The Company has established an audit committee (the "Audit Committee") in compliance with Rule 3.21 of the Listing Rules with written terms of reference in compliance with the Code to review and supervise the financial reporting process and internal control systems of the Group. The Audit Committee comprises three Independent non-executive Directors of the Company. The interim results of the Group for the six months ended 30 September 2009 have been reviewed and approved by the Audit Committee, prior to their approval by the Board.

Publication of The Interim Results And Interim Report

This interim results announcement is published on the website of the Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk ("the Stock Exchange's website") under "Latest Listed Company Information" and on the website of the Company at www.modernbeautysalon.com ("the Company's website") under "Investor Relations - Statutory Announcements". The Interim Report will be dispatched to the shareholders on or about 30 December 2009 and will be available at the Stock Exchange's website and the Company's website respectively in due course.

By order of the Board
MODERN BEAUTY SALON HOLDINGS LIMITED
Lee Soo Ghee
Chairperson

Hong Kong, 17 December 2009

As at the date of this announcement, the Board consists of seven executive Directors, Mr. Lee Soo Ghee, Mr. Yip Kai Wing, Mr. Kwong Chi Ching , Ms Chu Shu Ching, Ms. Yeung Ching Yu, Mr. Tung Kwok Lui and Mr. Wong Shu Pui and three independent non-executive Directors, Ms. Liu Mei Ling, Rhoda, Mr. Wong Man Hin, Raymond and Mr. Hong Po Kui, Martin.