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 2010

FINANCIAL HIGHLIGHTS

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

OPERATIONAL HIGHLIGHTS

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

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 2010.

The interim results of the Group for the six months ended 30 September 2010 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 2010

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2010

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2010

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

1. GENERAL INFORMATION

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

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

The Group is controlled by Silver Compass Holdings Corp. ("SCHC"), a company incorporated in the British Virgin Islands, which owns 51% of the Company's shares. The remaining 14% of the shares are held by Silver Hendon Enterprises Corp. ("SHEC") and 35% are widely held. Both SCHC and SHEC are wholly owned by Ms. Tsang Yue, Joyce ("Ms. Tsang"). In the opinion of the directors of the Company, SCHC is the ultimate holding company; and Ms. Tsang, who is also a director of the Company, is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

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

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

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2010. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting polices, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

a. Classification of land leases

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

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

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

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

b. Consolidation

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

– Total comprehensive income is attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance. The previous HKAS 27 requires excess losses to be allocated to the owners of the Company, except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

– Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the Company. The previous HKAS 27 does not have specific requirements for such transactions.

– When the disposal of a subsidiary results in a loss of control, the consideration of the sale and any investment retained in that subsidiary are required to be measured at their fair values. The previous HKAS 27 does not have specific requirements for such fair value measurements.

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

	2010	2009
	HK$'000	*HK$'000*
Increase in profit for the period attributable to owners of the Company	**17**	–
Increase in earnings per share (HK cents)	**0.01**	–

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

4. SEGMENT INFORMATION

The Group has two reportable segments as follows:

Beauty and wellness services – Provision of beauty and wellness services

Skincare and wellness products – Sales of skincare and wellness products

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

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

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

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

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

5. TURNOVER

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

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

6. OTHER INCOME

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

7. FINANCE COSTS

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

8. INCOME TAX (EXPENSE)/CREDIT

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

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

9. PROFIT/(LOSS) FOR THE PERIOD

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

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

10. DIVIDENDS

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

11. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

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

Diluted earnings/(loss) per share

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

12. PROPERTY, PLANT AND EQUIPMENT

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

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

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

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

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

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

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

15. DEFERRED REVENUE

An ageing analysis of the deferred revenue is as follows:

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

BUSINESS REVIEW – HONG KONG BUSINESS

Enchancing the strengths of the Group by managing market risks

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

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

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

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

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

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

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

The Group employs a very strict quality control on its skincare and wellness products and offers a diverse mix of skincare products which are tailor-made to suit different skin types. We have seven targeted skincare lines, including Collagen Cellular Regenerating Series, Icy White Deluxe Series, Camomile Kiss Series, Problem Skin Series, Self Blending Serum Concentrate, Deep Ocean Skin Series and "Magic Essence". Our customer is highly satisfied with our products and our employees in "be Beauty Shop" and "FERRECARE Concept Store" are well trained to provide professional skincare advice to customers. We now offer more than 80 varieties of products to customers.

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

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

BUSINESS REVIEW – MAINLAND CHINA BUSINESS

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

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

Number of service centres:

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

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

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

Operation Highlights

Service Enhancement

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

FINANCIAL REVIEW

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

Turnover

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

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

Turnover by Business Segment

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

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

Sales of New Prepaid Beauty Packages

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

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

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

Analysis of Operating Expenses

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

Staff costs, representing the largest component of the Group's operating expenses, rose by approximately 16.3% to HK$145,781,000 comparing to HK$125,304,000 for the same period of the pervious year. The total headcount of the Group as at 30 September 2010 dropped by 4.4% to 1,592 (including 1408 and 184 staff in Hong Kong and Mainland China respectively), as compared to a headcount of 1,666 for the same period last year. In addition, the Group has launched an elite system since the first quarter of 2010 to provide comprehensive training to improve staff's customer services skills. Eminent employees with excellent performance will be entitled to discretionary bonuses offered by the management in recognition of their contribution. For the six months ended 30 September 2010, staff costs accounted for 52.6% of our turnover, comparing to 59.8% for the same period of 2009.

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

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

Net Profit and Margin

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

Interim Dividend

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

Closure of Register of Members

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

Liquidity, Financial Resources and Capital Structure

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

Capital Expenditure

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

Contingent Liabilities and Capital Commitment

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

Charges on Assets

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

Exchange Risk Exposures

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

Significant Acquisition and Disposal

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

Treasury Policies

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

Human Resources

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

The Group's remuneration policies are in line with the prevailing market practices and are determined based on individual performance and experience. The Group has been constantly reviewing staff remuneration to ensure it is competitive within the industry. For the purpose of motivating and rewarding our staff, discretionary bonus and share options are granted to eligible employees based on individual performance and the Group's results. In addition, the Group has brought into force the elite system since the first quarter of 2010, whereby excellent staff with outstanding performance will be paid discretionary bonuses in recognition of their contribution. On 20 January 2006, the Group adopted the share option scheme. As at 30 September 2010, certain directors, senior management and employees of the Group are entitling to a total of 6,830,000 share options. Great emphasis is also placed on staff training and development by continuously providing the frontline beauty staff with professional training programs, in order to enhance the service skills of our employees, and to extend the warmest welcome to our customers.

OUTLOOK

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

Hong Kong Market

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

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

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

Mainland China Market

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

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

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

During the six months ended 30 September 2010, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold, any of the Company’s listed securities.

Corporate Governance Practices

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

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

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

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors have confirmed that they have fully complied with the relevant standard set out in the Model Code during the six months ended 30 September 2010.

Audit Committee

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

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 15 December 2010 and will be available at the Stock Exchange's website and the Company's website respectively in due course.

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

Hong Kong, 25 November 2010

As at the date of this announcement, the Board consists of five executive Directors, Ms. Tsang Yue, Joyce, Mr. Yip Kai Wing, Mr. Tung Kwok Lui, Mr. Leung Man Kit 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.