



*Pursuit for beauty is perpetual -  
a prime consumption play in the PRC*



**MODERN  
BEAUTY SALON  
HOLDINGS LIMITED**

現代美容控股有限公司

**Stock code: 919.HK**

**Interim Results 2010/2011**

花蔓  
**Ferrecare**  
Swiss Dermatological Care



# Our Mission

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**Headquartered in Hong Kong, we are rapidly expanding our footprints in the PRC, our next major market**

**We strive to deliver beauty & wellness services to the highest standards**

**To our customers:** we strive to offer comprehensive beauty and wellness products at the best value

**To our shareholders:** we aim to optimize every business opportunity to create long-term value and to maximize return



# Achievement in 1H2010/2011

***Huge business turnaround to profit***

***Group revenue increased 32%***

## Beauty & facial segment

- Sales up **69 %**
- Account for 69% of group's revenue

## Slimming segment

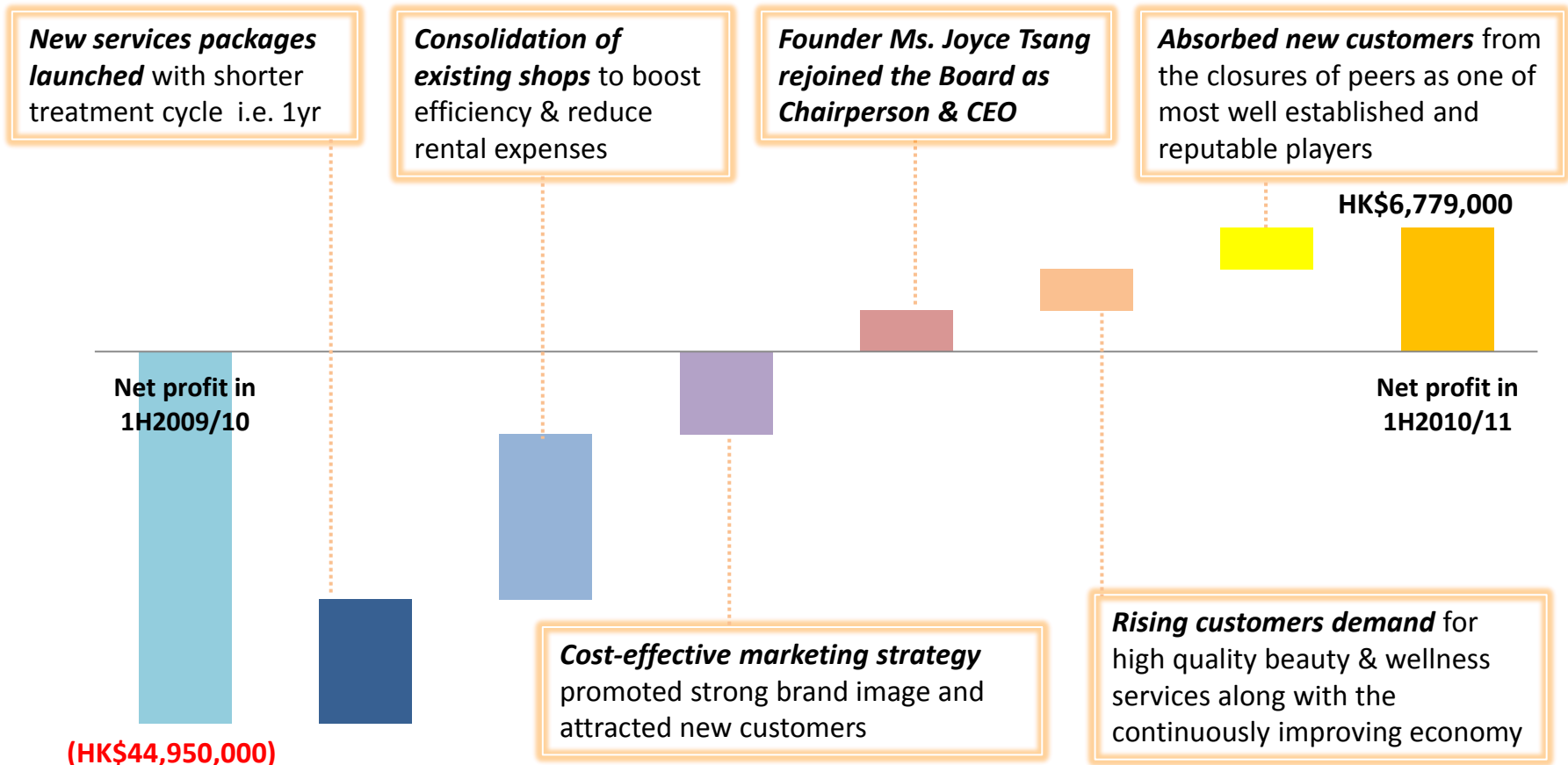
- Sales up **17%**
- Account for 16% of group's revenue

***Sales of prepaid beauty packages up 12%***



# Business Turnaround

With the *new management team led by Chairperson Ms. Joyce Tsang*, Modern Beauty Salon Holdings Limited (the “Company”) is now repositioned for growth with a series of business strategies. The capability of the new management team was proven by the results of 1H2010/11.






# Business Review




# Business Scope

 Leading beauty salon group in Hong Kong that offers a **comprehensive range of beauty and wellness services to mid to high income customer groups.**

 **Multi-brand strategy** to capture a broad customer base whilst launching self-owned brands “be” and “Ferrecare” to lift margins

 For 1H2010/11, the Company achieved:

- **Turnover: HK\$277million, up 32.2% yoy**
- **Prepaid packages\*: HK\$292million, up 11.8%yoy**

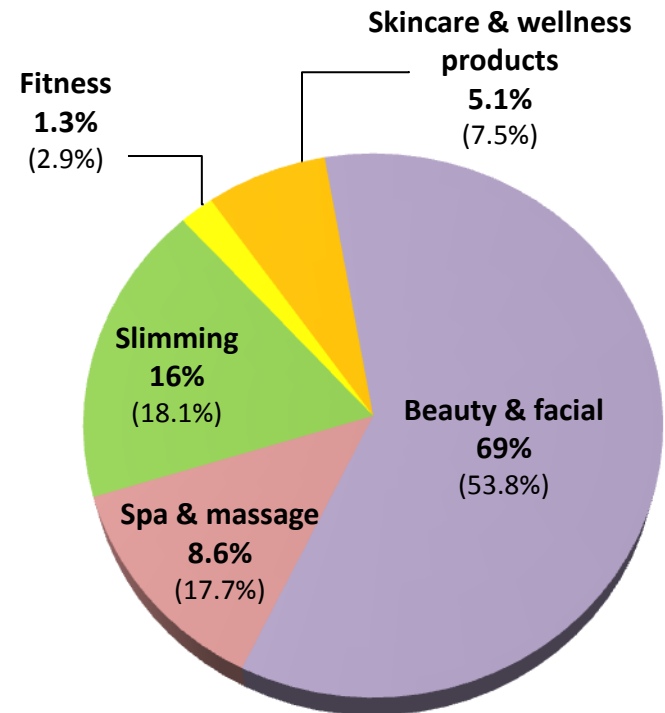
 As of 30 Sep 2010, over **39 service centers:**

- **Hong Kong: 29**
- **Mainland China: 10**

 As of 30 Sep 2010, steadily growing customer base:

- **Hong Kong: 269,315, up 6.5% since 2009**
- **Mainland China: 29,243, up 20% since 2009**

## 1H2010/11



**Total revenue: HK\$277 million  
(HK\$210 million)**

Note: Comparable figures for six months ended 1H2009/10 are shown in brackets

\* *Revenue of prepaid packages will be booked upon the use of service or the expiry of packages*



# Core Segment Analysis

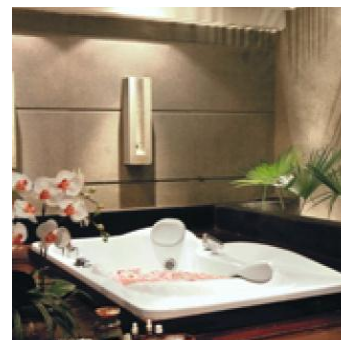
*Fiscal year ended 31 March*



**Beauty and facial**



**Slimming**



**Spa & massage**



**Fitness**

## 1H2010/11

<b>% of group revenue</b>	<b>69.0%</b>	<b>16%</b>	<b>8.6%</b>	<b>1.3%</b>
<b>Revenue</b>	HK\$191,097,000	HK\$44,241,000	HK\$23,914,000	HK\$3,517,000
<b>Total</b>	<b>HK\$262,769,000 (94.9% of group revenue)</b>			
<b>Single treatment price range</b>	HK\$200-\$3,500	HK\$300-\$3,000	HK\$300-\$1,000	HK\$400-\$2,200
<b>Operating margin</b>	<b>4.7%</b>			



# Skincare and wellness products

*Fiscal year ended 31 March*



**be Beauty Shop**

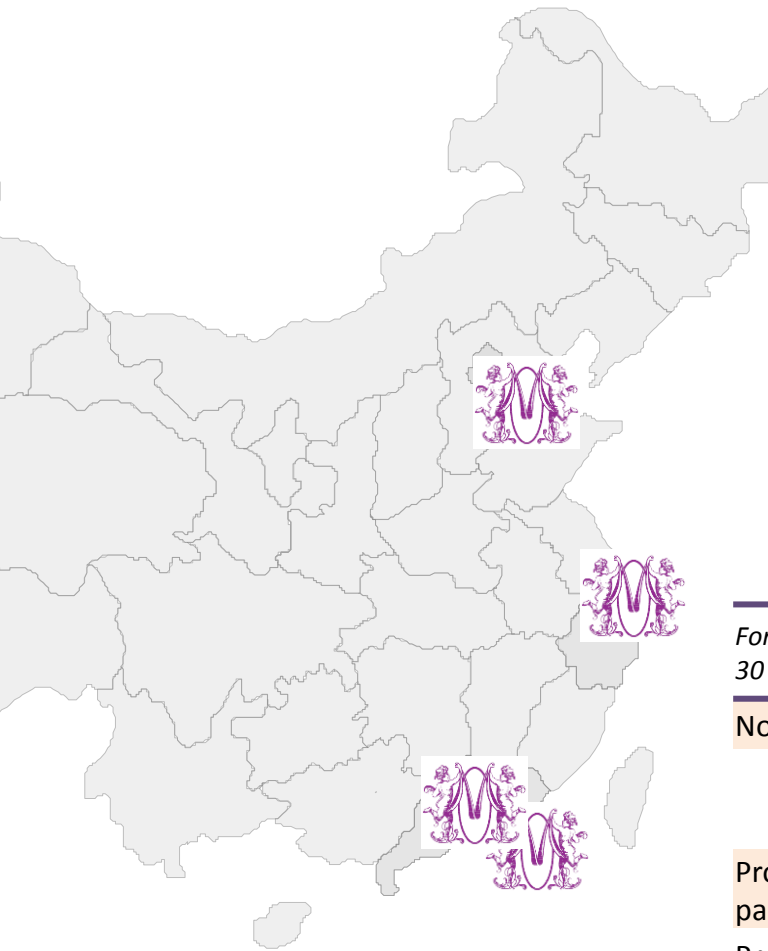


**FERRECARE**

<b>% of group sales</b>	5.1%
<b>Revenue</b>	HK\$14,168,000
<b>No. of outlets</b>	10
<b>No. of SKU</b>	>80
<b>Retail price range</b>	HK\$280 - \$960
<b>Operating margin</b>	50%



# Distribution Channels



## POS (as at 30 Sep 2010)

	Hong Kong	China	Total
Services centres	29	10	39
Beauty & skincare product outlet	10	-	10
GFA (sq.ft)	258,000	57,000	315,000
Customer base	270,000	29,000	299,000

## Same store sales growth – Hong Kong

<i>For the six months ended 30 Sep 2010</i>	Beauty & wellness service centers	“Be” & “Ferrecare” beauty product shop
No. of shops	29	10

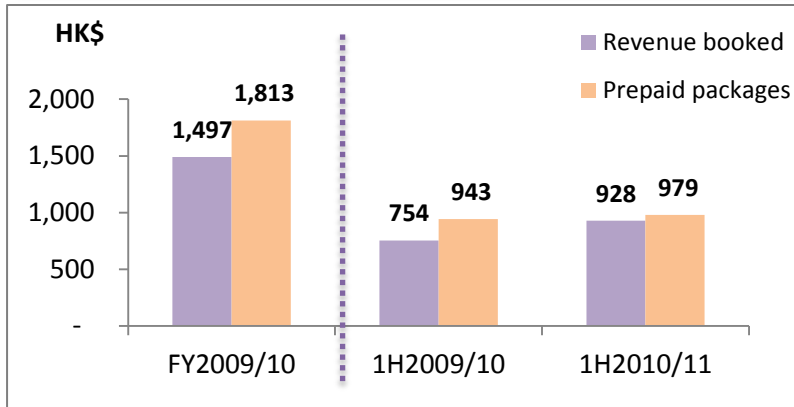
	Same store sales growth (yoy)	
Provision of services/ packages	<b>54.4%</b>	<b>43.2%</b>
Prepaid packages	<b>14.8%</b>	<b>9.4%</b>



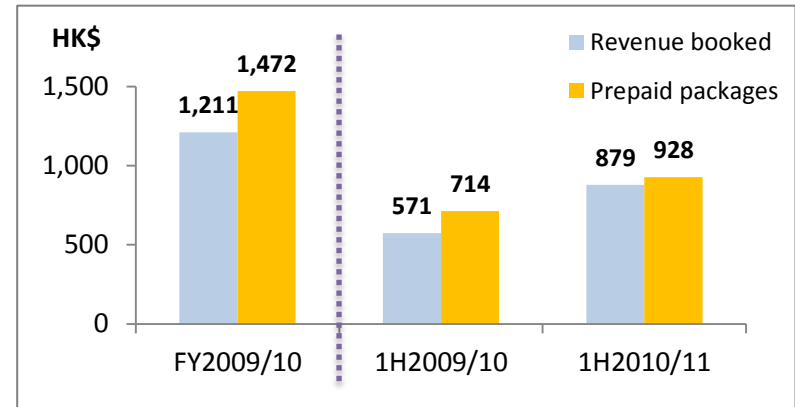
# Operational Performance

*Fiscal year ended 31 March*

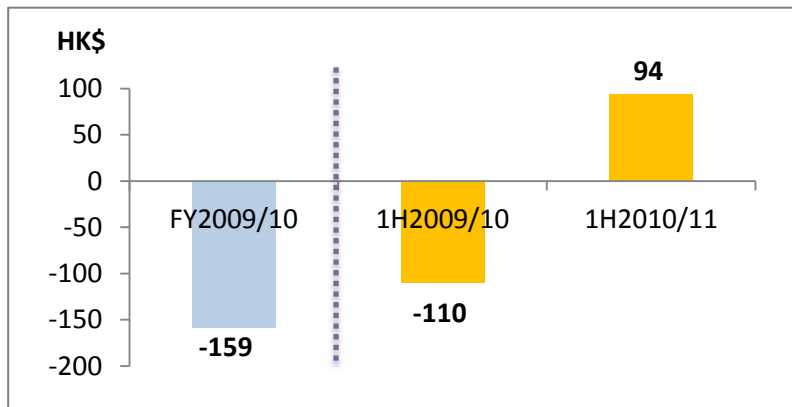
## Average sales per customer



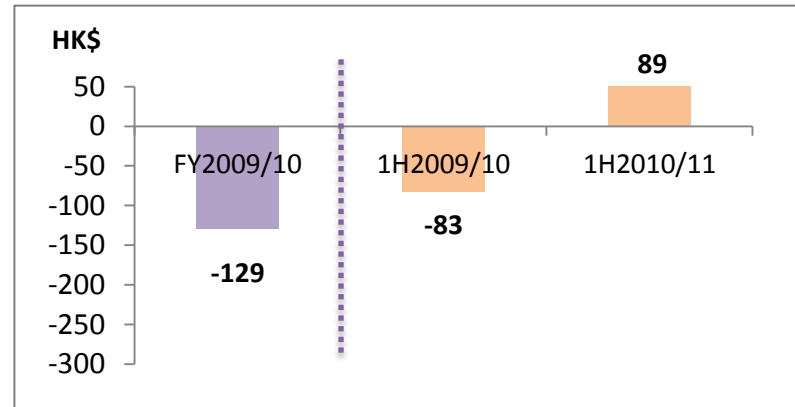
## Average sales per GFA



## EBITDA per customer



## EBITDA per GFA

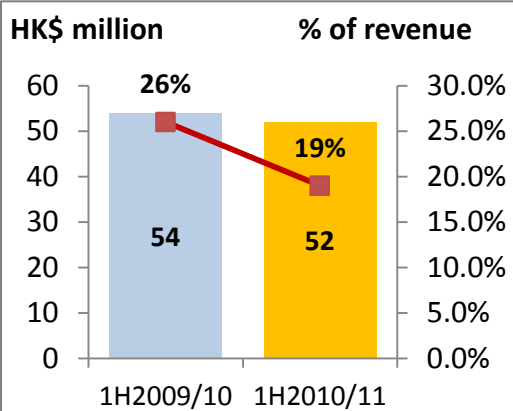




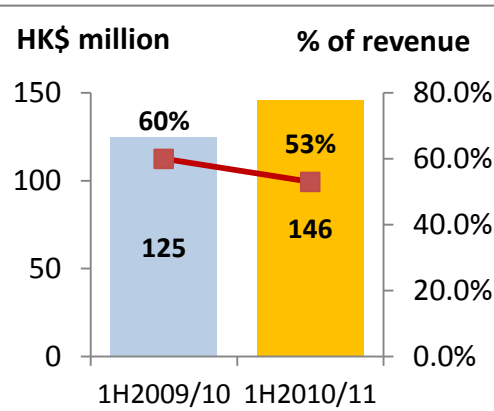
# Stringent Cost Control

*Fiscal year ended 31 March*

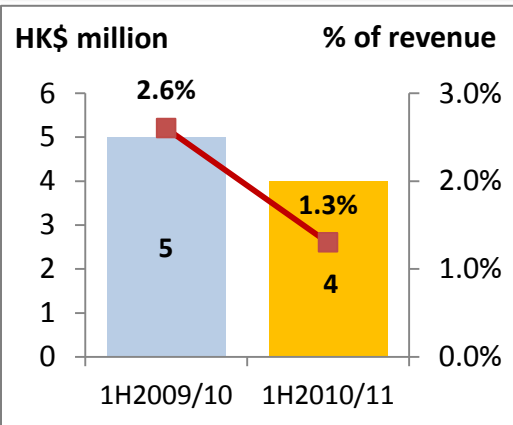
## Rental expenses



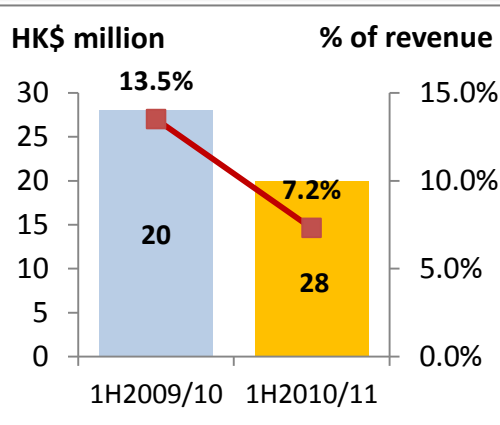
## Employee benefit expenses



## Advertising & Promotional expenses



## Other operating expenses



**The management exercised stringent cost control on all operational aspects:**

- 🌸 **Closure** of poor performing service centers
- 🌸 **Consolidation** of service centers into larger rental premises
- 🌸 **Reduction** of staff headcount
- 🌸 **Introduction** of a **new** electronic real-time endorsement and verification system, boosting cost-effectiveness and lowering SG&A expenses



# Growth Strategy



# Growth Strategy

## ***Hong Kong***

Facing **the market consolidation eliminating the weaker players in beauty industry**, Modern Beauty, one of the **most well- established and reputable players with strong cash flow** is well prepared to capture greater market share by:

### **Enhancement of product services**

- **Upgrade the product portfolio with shorter package cycle** thereby accelerating the product turnover and repurchases
- **Introduce the world's leading aesthetics medical facilities and sophisticated beauty and skincare products** to tailor the growing needs of mid-high end customers
- **Invest in anti-aging beauty technology** to cater the aging population

### **Exclusive distribution rights**

- **Successful obtained the exclusive distribution right** of an Italian beauty care brand - **Jean Klebert** for 10 years in Asia (excl. Japan, the Philippines and India)
- Plan to **open 10 Jean Klebert specialty stores** in HK
- Actively source and **import other premium skincare and wellness brands** from Australia and Italy to expand product portfolio and enhance margin



# Growth Strategy

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## ***Hong Kong***

### **Rigid cost control and efficiency improvement**

- Effectively allocate bookings to **increase the facilities' utilization**
- Create stronger synergy by **increasing cross-selling** across 5 segments in shops
- **Implement cost control measures** and benchmark the operating efficiency of all shops

### **Product expansion**

- **Launch a one-stop medical aesthetic research center** to provide high quality beauty care service in July 2011

## ***China***

Eyeing on the emerging and prosperous market in the mainland China, Modern Beauty will continue to expand its footprint by developing **franchise network**, and build brand image and customer bases by effective marketing campaign



# Financial Review



# Financial Highlights

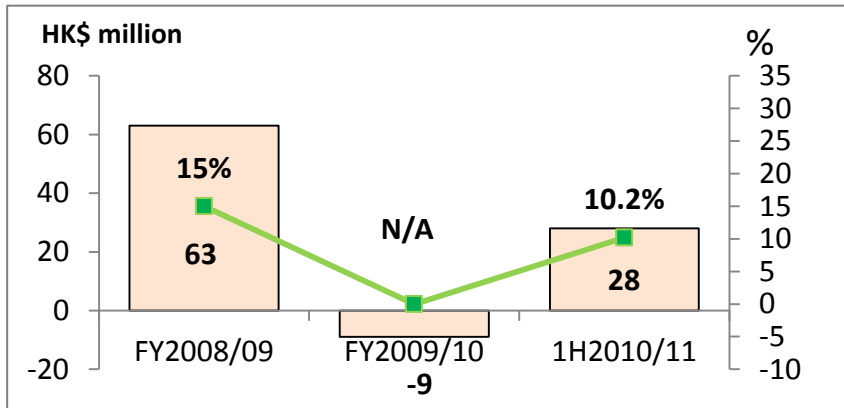
	For the year ended 31 March	For the 6 months ended 30 September		Change
	2009/10 (HK\$'000)	1H2009/10 (HK\$ '000)	1H2010/11 (HK\$'000)	
<b>Revenue</b>	430,750	209,476	<b>276,937</b>	+24.4%
<b>Operating profit / (loss)</b>	(88,864)	(52,244)	<b>9,107</b>	-ve to +ve
<b>Profit / (loss) attributable to owners of the Company</b>	(41,245)	(44,950)	<b>6,779</b>	-ve to +ve
<b>Net profit margin</b>	N/A	N/A	<b>2.4%</b>	N/A
<b>Average number of shares ('000)</b>	723,520	723,520	<b>723,520</b>	-
<b>Basic earnings/ (loss) per share (HK cents)</b>	(5.70)	(6.21)	<b>0.94</b>	-ve to +ve
<b>Dividend per share (HK cents)</b>				
Interim	-	-	<b>1.4</b>	-
Final	-	-	-	-
Special	2.8	-	-	-



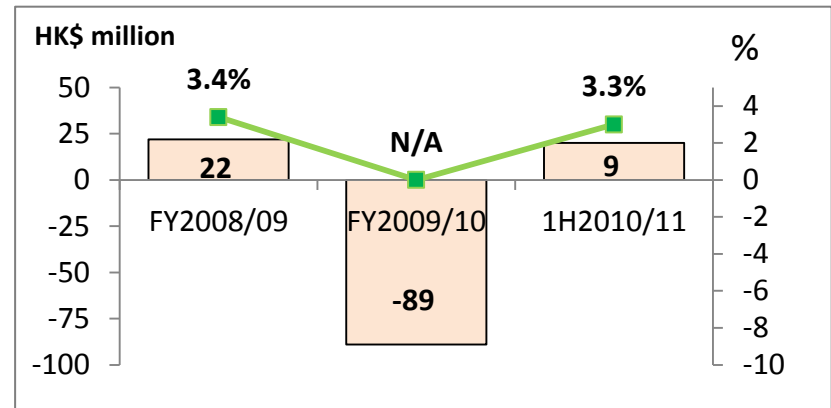
# Profit Margin & Dividend

For the year ended 31 March

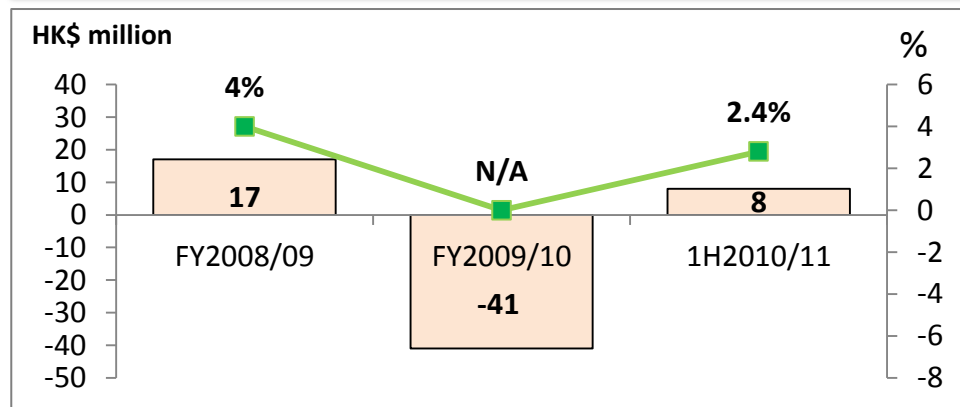
## EBITDA & EBITDA margin



## Operating profit & Operating profit margin



## Net profit & Net profit margin

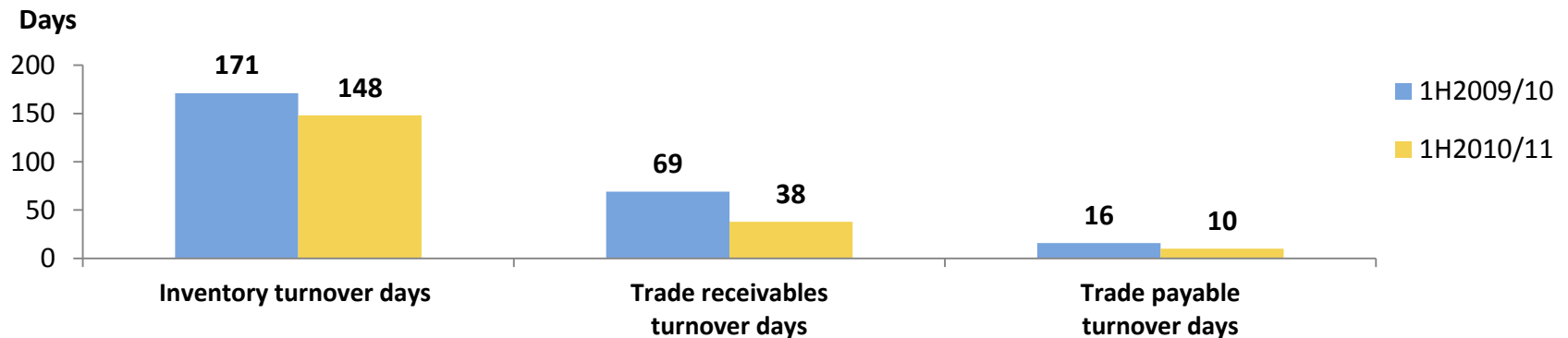




# Working Capital Management

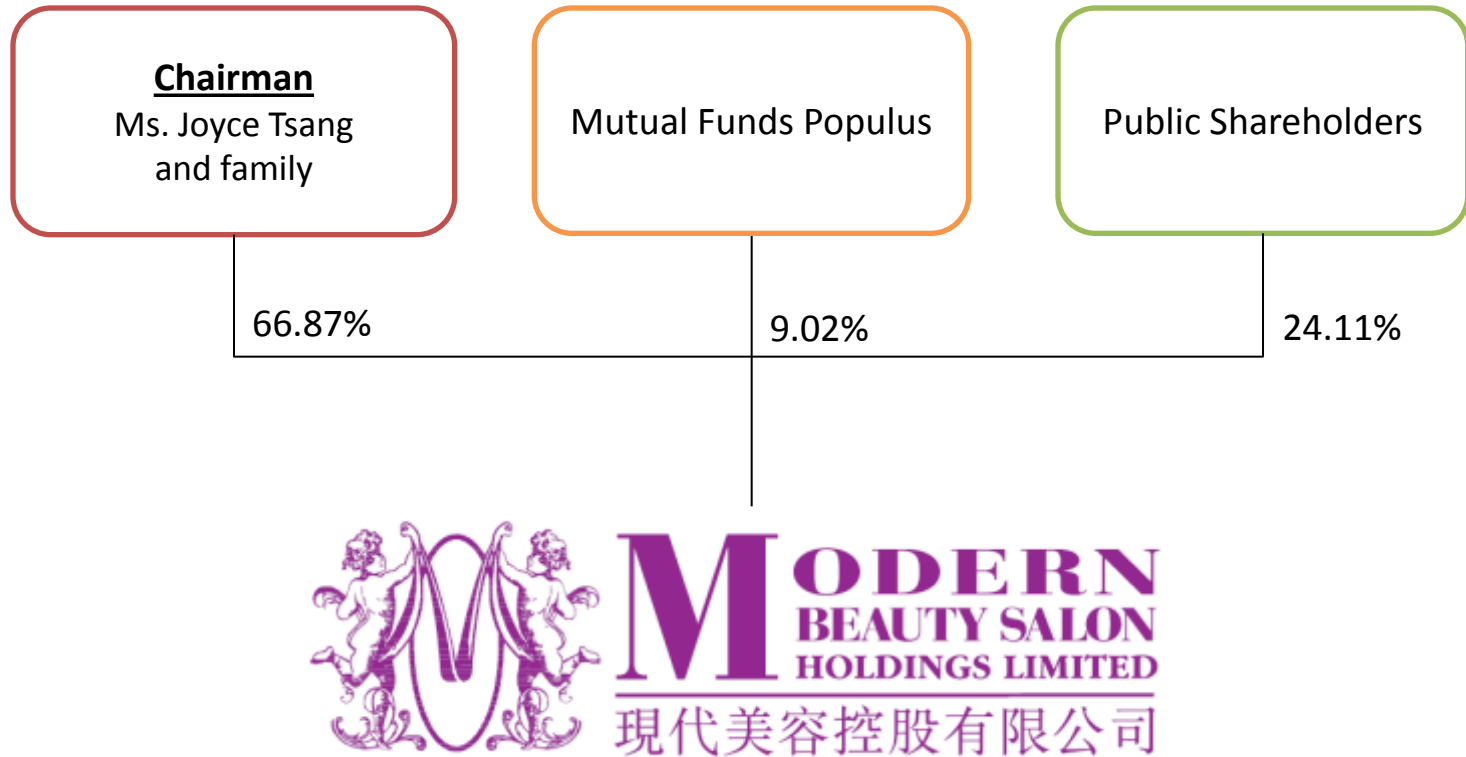
**Net cash from operating activities**  
**Net assets**  
**Net assets per share (HK\$)**  
**Current assets ratio (times)**  
**Cash and bank balance**  
**Total debt**  
**Gearing ratio**  
**Quick ratio (times)**  
**Return on equity**  
**Effective tax rate**

	As at 31 Mar 2010 (HK\$ '000)	As at 30 Sep 2010 (HK\$ '000)	Changes
Net cash from operating activities	21,917	<b>71,431</b>	+ 225.9%
Net assets	259,199	<b>247,991</b>	- 4.3%
Net assets per share (HK\$)	0.36	<b>0.34</b>	- 5.6%
Current assets ratio (times)	1.03	<b>1.04</b>	+ 0.01
Cash and bank balance	244,900	<b>284,070</b>	+ 16.0%
Total debt	-	-	-
Gearing ratio	Net cash	<b>Net cash</b>	-
Quick ratio (times)	1.01	<b>1.02</b>	+ 0.01
Return on equity	N/A	<b>0.03</b>	-ve to +ve
Effective tax rate	N/A	<b>26.9%</b>	-





# Shareholding Structure



No. of issued shares (as at 31 October 2010): 723,520,000 ordinary shares



# Peer Comparison

As of 29 Nov 2010	Modern Beauty (919.HK)	Natural Beauty (157.HK)	Water Oasis (1161.HK)
Share price	HK\$0.89	HK\$2.23	HK\$1.34
Market cap	HK\$644million	HK\$4.47billion	HK\$1.24billion
P/E	47x	141x	20x
Anchor	One stop beauty service provider with self developed brands, mainly in Hong Kong	Manufacture and sales of beauty products, mainly in Mainland China	Multi-brand cosmetics distributor, mainly in Mainland China and Hong Kong
	For the 6 months ended 30 Sep	For the 6 months ended 30 June	For the 6 months ended 31 Mar
Business scope	Beauty and wellness services: 95% Sale of skincare & wellness products: 5%	Manufacture and sales of beauty products : 98% Spas: 1.6%	Sale of cosmetics & skincare products: 70.3% Spas & beauty centers: 29.7%
Turnover	HK\$276,938,016	HK\$229,605,000	HK\$444,275,000
Turnover growth	32.2%	-10.1%	-11.4%
OP margin	3.3%	15.9%	7.3%
OP growth	-ve to +ve	-69.2%	-4.6%
NP margin	2.4%	6.9%	5.5%
NP growth	-ve to +ve	-85.4%	-4.6%
Net cash/ share	HK\$0.39	HK\$0.27	HK\$0.21



Thank You