

**MODERN BEAUTY SALON HOLDINGS LTD:
GIVE THIS COMPANY A WIDE BERTH**

One would have to be extremely brave (or something else) to invest material sums of money by purchasing shares in Modern Beauty Salon Holdings Ltd.

() (Code: 919, Main Board, The Stock Exchange of Hongkong Ltd) because the Company has all of the hallmarks of getting into serious financial trouble, somewhere down the line.

The Company went public in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) on January 27, 2006, when it pitched a Placing and Public Offer of 180 million, 10-cent Shares at \$HK1.00 per Share.

As the name of this Company implies, it is in the business of catering almost exclusively for females of the HKSAR, providing beauty treatments, slimming services, facials, massage services, foot massages, and etc.

The modus operandi of Modern Beauty Salon is based on the formula of getting customers to pay relatively large sums of money in advance in the expectation of future services to be provided by the Company.

Modern Beauty Salon is, of course, armed with the certain knowledge that a goodly percentage of those customers, who purchase packages in advance for future treatments, will allow the validity of their prepaid vouchers, which is evidence that money has changed hands between the customer and the Company, to expire, prior to the customer, ever obtaining the services for which she has paid.

The prepaid vouchers have a valid lifespan of 2 years from the date of purchase, with the Prospectus of Modern Beauty Salon, claiming that the validity period may be extended past 2 years *'for one additional year at the discretion of the Group.'*

One of the many complaints of customers, having paid in advance for a number of sessions for this or that, is that they claim that they find it difficult to be able to book appointments, with employees of Modern Beauty Salon, making one excuse after another for not being able to accommodate them.

The following table of expired prepaid vouchers, copied from Page 123 of the Prospectus, shows just how this Company was able to bag very material amounts of money over the 40 months, ended July 31, 2005, without having to provide any services to the HKSAR ladies, who had paid for the privilege of guaranteeing the provision of future services:

	Financial Year, Ended March 31			Four M Ended J
	All Figures Are Denominated In \$HK million (except where otherwise specified)			
	2003	2004	2005	200
Profit Attributable To The Company On Recognition Of Expired Prepaid Beauty	7.80	44.80	58.40	13.

Packages (the purchase of prepaid vouchers to ensure future beauty services)				
As A Percentage Of Modern Beauty Salon's Net Profit Attributable To Shareholders	20.00 percent	72.80 percent	55.50 percent	39.00 p

Money for jam!

What the above table suggests, very clearly, is that high-powered sales staff, in the employ of Modern Beauty Salon, have been extremely persuasive in getting ladies to part with a great deal of money in the expectation of obtaining services, within a maximum period of 2 years.

And, then, not supplying the services for reasons, not stated in the Prospectus.

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