

**MODERN BEAUTY SALON HOLDINGS LTD:  
WHAT WOULD YOU DO WITH  
\$HK609 MILLION IN READILY AVAILABLE CASH ?**

With about \$HK609.03 million in cash and cash equivalents and with about \$HK487.53 million in deferred revenue, one could be forgiven for surmising that the company, endowed with this readily available cash, would have some plan for the eventual utilisation of this very material sum of money.

But that does not appear to be the case.

There is little to suggest in the 2006 Annual Report or the recently released Interim Report for the 6 months, ended September 30, 2006, of [Modern Beauty Salon Holdings Ltd \(\)](#) (Code: 919, Main Board, The Stock Exchange of Hongkong Ltd) as to its plans for the utilisation of this amount of money.

One may well wonder as to the reason for this small oversight.

By the way, Modern Beauty Salon is debt-free and has enjoyed this happy state of affairs for some time.

On Wednesday, Modern Beauty Salon brought out its first Interim Report since going public on the Main Board of The Stock Exchange of Hongkong Ltd.

In this report, the company stated that, on a Turnover of about \$HK291.70 million, it had logged in a Net Profit Attributable to Shareholders of about \$HK83.92 million.

The Bottom Line for the first half of the Current Financial Year included, inter alia, a \$HK2.50-million, one-time gain from the sale of a piece of property, and \$HK14.87 million, being interest income and other income.

From the core activities of the company, only, therefore, the Net Profit Attributable to Shareholders for this period was about \$HK66.55 million.

That was an increase, Year-On-Year, of about 54 percent, after an adjustment for one-off items, included in the Interim results for the like period in 2005.

A very creditable performance, to be sure.

In January 2006, Modern Beauty Salon collected nearly \$HK162 million from the investing public by Placing and Offering, in total, 180 million New Shares.

As at the 2005 Balance Sheet Date, for the Year, ended March 31, 2005, the company had about \$HK314.32 million in cash and cash equivalents so that the March 31, 2006 figure of cash and cash equivalents of about \$HK565.66 million, an increase of about \$HK251.34 million over the 2005-Year's final figure, must have included, in large part, the net proceeds from the company's successful flotation on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

Even without that \$HK162 million from the company's flotation on the Main Board of The Stock Exchange of Hongkong Ltd, things, clearly, improved in the 2006-Year, with the liquid cash position, having been boosted by about \$HK89 million.

And, now, the situation has improved that much more on studying the 2006 Interim Report.

The nagging question, as far as this medium is concerned, however, is: For what reason is this company, sitting on such a large cash position?

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AND  
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