

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



MODERN BEAUTY SALON HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)
(Stock code: 919)

CONTINUING CONNECTED TRANSACTION

The Board announces that Modern Beauty Salon (Hong Kong) Limited as tenant and Luck Elegant Industrial Limited as landlord has entered into the Tenancy Agreement in respect of the Premises as detailed herein below.

The Tenancy Agreement constitutes a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules.

In accordance with Rule 14A.34 of the Listing Rules, based on the calculations of the applicable percentage ratios, the Tenancy Agreement is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempted from the independent Shareholders' approval requirements.

The board (the "Board") of directors (the "Directors") of Modern Beauty Salon Holdings Limited (the "Company") announces that Modern Beauty Salon (Hong Kong) Limited, a wholly owned subsidiary of the Company, as tenant and Luck Elegant Industrial Limited ("Luck Elegant") as landlord has entered into a tenancy agreement (the "Tenancy Agreement") in respect of the premises as detailed hereinbelow:-

THE TENANCY AGREEMENT

The principal terms of the Tenancy Agreement are as follows:-

Date : 15 September 2006

Landlord : Luck Elegant, a company wholly and beneficially owned by Ms. Tsang Yue, Joyce ("Ms. Tsang"), the Chairperson and Chief Executive Officer of the Company

Tenant : Modern Beauty Salon (Hong Kong) Limited, a wholly owned subsidiary of the Company

Premises : Shops Nos.11-13 on the Ground Floor of Kam Shan Building, Nos.1-5, 9, 13-27 & 31-35 Tai Wai Road, Tai Wai, Shatin, New Territories, Hong Kong (the "Premises")

Term : Three years commencing from 18 September 2006 and expiring on 17 September 2009, both dates inclusive

Rental : HK\$140,000 per calendar month inclusive of government rates, government rent and management charges but exclusive of gas, electricity and water charges, and all other outgoings

Deposit : HK\$420,000

ANNUAL CAP

Based on the monthly rent of HK\$140,000 under the Tenancy Agreement, the annual cap for each of the financial years ending 31 March 2007, 2008, 2009 and 2010 will be as follows:-

Financial year ending 31 March:-	<i>HK\$</i>
2007	900,666
2008	1,680,000
2009	1,680,000
2010	779,334

REASONS FOR THE TRANSACTION

The Premises is intended to be used as a service centre of the Company in Shatin, which is neighboring another service centre of the Company rented from a landlord who is a third party independent of the Company and the connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, with the effect of complementing each other.

The terms of the Tenancy Agreement were arrived at after arm's length negotiation and on normal commercial terms. The rental of the Tenancy Agreement was determined by reference to the prevailing market rental value of the Property as at 31 August 2006, as assessed by an independent property valuer.

The Board, including the independent non-executive Directors, considers that the Tenancy Agreement has been entered into in the ordinary and usual course of business of the Company and its subsidiaries and in the interests of the Company and its shareholders ("Shareholders") as a whole and the terms as contained therein are normal commercial terms, and are fair and reasonable.

CONTINUING CONNECTED TRANSACTION

The principal activity of Luck Elegant is property holding. Luck Elegant is wholly and beneficially owned by Ms. Tsang. Luck Elegant is a connected person of the Company by virtue of it being an associate (as defined in the Listing Rules) of Ms. Tsang. The Tenancy Agreement constitutes a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules.

In accordance with Rule 14A.34 of the Listing Rules, based on the calculations of the applicable percentage ratios, the Tenancy Agreement is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempted from the independent Shareholders' approval requirements.

GENERAL INFORMATION

The principal activities of the Company are investment holding and its subsidiaries are principally engaged in the provision of comprehensive beauty and healthcare services at its network of service centres in Hong Kong. The principal activity of Modern Beauty Salon (Hong Kong) Limited is provision of comprehensive beauty and healthcare services. The principal activity of Luck Elegant is property holding.

By order of the Board
Modern Beauty Salon Holdings Limited
Tsang Yue, Joyce
Chairperson

Hong Kong, 15 September 2006

As at the date of this announcement, the Board consists of five executive Directors, Ms. Tsang Yue, Joyce, Mr. Lee Soo Ghee, Ms. Yuen Siu Ping, Mr. Hung Fan Kwan and Mr. Yip Kai Wing and three independent non-executive Directors, Mr. Wong See Hong, Mr. Yu How Yuen and Mr. Cheng Kai Tai, Allen.

Please also refer to the published version of this announcement in The Standard.