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MODERN BEAUTY SALON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

CONTINUING CONNECTED TRANSACTION IN RELATION TO TENANCY AGREEMENTS

The Board announces that on 1 February 2013, Modern HR, a wholly-owned subsidiary of the Company, entered into two Hong Kong Tenancy Agreements with the Hong Kong Landlord in respect of the leasing of Premises A and Premises B as quarters for the Group's employees in Hong Kong.

The Board also announces that pursuant to two Singapore Tenancy Agreements both dated 17 February 2012 entered into between Splendid, a wholly-owned subsidiary of the Company, and the Singapore Landlord, the Group has been leasing two residential properties in Singapore as the Group's staff quarters for employees seconded to work in the Group's subsidiaries in Singapore.

By virtue of that each of the Hong Kong Landlord and the Singapore Landlord is a company wholly-owned by a family trust set up by Ms. Tsang, an executive Director, chairperson of the Board and a controlling Shareholder, both the Hong Kong Landlord and the Singapore Landlord are connected persons of the Company and the Leasing Arrangements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As both the Hong Kong Landlord and the Singapore Landlord are wholly-owned by the family trust set up by Ms. Tsang, the annual consideration under the Hong Kong Tenancy Agreements and the Singapore Tenancy Agreements are considered on an aggregate basis for the purpose of classification of the transactions pursuant to Rule 14A.16 of the Listing Rules. As the annual cap for each of the four financial years ending 31 March 2016 exceeds HK\$1,000,000 and the relevant percentage ratio(s) in respect of the annual cap for each of the four financial years ending 31 March 2016 under the Listing Rules is not less than 0.1% but is less than 5%, the Leasing Arrangements under the Hong Kong Tenancy Agreements and the Singapore Tenancy Agreements are therefore only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

HONG KONG TENANCY AGREEMENTS

The Board announces that on 1 February 2013, Modern HR, a wholly-owned subsidiary of the Company, entered into the Hong Kong Tenancy Agreements with the Hong Kong Landlord in respect of the leasing of Premises A and Premises B as staff quarters for the Group's employees in Hong Kong. Principal terms of two Hong Kong Tenancy Agreements are set out below:

Hong Kong Tenancy Agreement A

Date:

1 February 2013

Parties

- (i) **Landlord:** All Link International Limited, a company incorporated in Hong Kong with limited liability and principally engaged in property investment and investment holding, is wholly-owned by a family trust set up by Ms. Tsang, an executive Director, chairperson of the Board and a controlling Shareholder and is therefore a connected person of the Company under the Listing Rules; and
- (ii) **Tenant:** Modern (Human Resource) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company.

Premises A

Premises A comprises a residential unit situated at Flat B on 8th Floor of Tower 7, Residence Oasis, No. 15 Pui Shing Road, Tseung Kwan O, Sai Kung, New Territories, Hong Kong with a gross floor area of about 1,268 square feet.

Term

Thirty-six months commencing from 1 February 2013. The tenant is entitled to terminate the tenancy agreement before the expiry of the term of it by giving one-month written notice to the landlord or by paying the landlord one-month rental in lieu of notice.

Rent

HK\$28,000 per month inclusive of rates, Government rent, management fee.

Hong Kong Tenancy Agreement B

Date:

1 February 2013

Parties

- (i) **Landlord:** All Link International Limited; and
- (ii) **Tenant:** Modern (Human Resource) Limited.

Premises B

Premises B comprises a residential unit situated at Flat A on 32nd Floor of Tower 3, The Wings, No. 9 Tong Yin Street, Tseung Kwan O, New Territories, Hong Kong with a gross floor area of about 1,111 square feet.

Term

Thirty-six months commencing from 1 February 2013. The tenant is entitled to terminate the tenancy agreement before the expiry of the term of it by giving one-month written notice to the landlord or by paying the landlord one-month rental in lieu of notice.

Rent

HK\$28,000 per month inclusive of rates, Government rent, management fee.

Under each of the Hong Kong Tenancy Agreements, the annual rental payable by the Group will be HK\$336,000. The Directors confirm that the terms of each of the Hong Kong Tenancy Agreements are on normal commercial terms and are determined by the Group and the Hong Kong Landlord by reference to the respective market rents of Premises A and Premises B in their existing state as at 31 December 2012 as indicated in the valuation report of an independent property valuer which has adopted the comparison approach by reference to comparable market rent in accessing the market rent of Premises A and Premises B.

SINGAPORE TENANCY AGREEMENTS

The Board also announces that pursuant to the Singapore Tenancy Agreements both dated 17 February 2012 entered into between Splendid, a wholly-owned subsidiary of the Company, and the Singapore Landlord, the Group has been leasing two Singapore residential properties, Singapore Premises A and Singapore Premises B, as the Group's staff quarters for employees seconded to work in the Group's subsidiaries in Singapore.

Principal terms of Singapore Tenancy Agreement A are set out below:

Date:

17 February 2012

Parties

- (i) **Landlord:** United Industries Ltd., a company incorporated in Hong Kong with limited liability and principally engaged in property investment, is wholly-owned by a family trust set up by Ms. Tsang, an executive Director, chairperson of the Board and a controlling Shareholder and is therefore a connected person of the Company under the Listing Rules; and
- (ii) **Tenant:** Splendid Overseas Pte. Ltd., a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of the Company.

Singapore Premises A

Singapore Premises A comprises a residential unit with an approximate area of 1,420 square feet known as 21 Kovan Road #10–15 Singapore 548192.

Term

Thirty-six months commencing from 3 September 2011. The tenant has an option to renew the tenancy for a further term of 12 months by giving not less than two months written notice to the landlord before the expiry date of original term at a rent to be agreed between the parties based on the prevailing market rent.

Rent

SG\$5,000 (equivalent to approximately HK\$31,300 per month) (inclusive of rates, taxes, maintenance charges and any surcharges thereon, assessments and outgoing but exclusive of all charges in respect of telephone or other equipment, utility charges of water, electricity, gas and water borne sewage system, etc.)

Principal terms of Singapore Tenancy Agreement B are set out below:

Date:

17 February 2012

Parties

- (i) **Landlord:** United Industries Ltd.; and
- (ii) **Tenant:** Splendid Overseas Pte. Ltd.

Singapore Premises B

Singapore Premises B comprises a residential unit with an approximate area of 1,420 square feet known as 21 Kovan Road #9–16 Singapore 548192.

Term

Thirty-six months commencing from 1 January 2012. The tenant has an option to renew the tenancy for a further term of 12 months by giving not less than two months written notice to the landlord before the expiry date of original term at a rent to be agreed between the parties based on the prevailing market rent.

Rent

SG\$5,000 (equivalent to approximately HK\$31,300 per month) (inclusive of rates, taxes, maintenance charges and any surcharges thereon, assessments and outgoing but exclusive of all charges in respect of telephone or other equipment, utility charges of water, electricity, gas and water borne sewage system, etc.).

Under each of the Singapore Tenancy Agreements, the annual rental payable by the Group will be SG\$60,000 (equivalent to approximately HK\$376,000). The Directors confirm that the terms of each of the Singapore Tenancy Agreements are on normal commercial terms and are determined by the Group and the Singapore Landlord by reference to the market rents of properties of comparable size in the same area.

ANNUAL CAPS

The annual caps for the aggregate amount of rent paid and payable by the Group under the Hong Kong Tenancy Agreements and the Singapore Tenancy Agreements in each of the four financial years ending 31 March 2013, 31 March 2014, 31 March 2015 and 31 March 2016 are as follows:

	For the financial year ending 31 March 2013	For the financial year ending 31 March 2014	For the financial year ending 31 March 2015	For the financial year ending 31 March 2016
Annual cap amounts	HK\$1,023,202 (Notes 1 and 5)	HK\$1,423,200 (Notes 2 and 5)	HK\$1,423,200 (Notes 3 and 5)	HK\$998,200 (Notes 4 and 5)

Notes:

1. Prior to the entering into of the Hong Kong Tenancy Agreements, the Group has been leasing Premises A since 1 August 2012 for a fixed term of eight months pursuant to a tenancy agreement entered into between the Hong Kong Landlord and Modern HR dated 1 August 2012 (“**Existing Premises A Tenancy Agreement**”). Pursuant to the Existing Premises A Tenancy Agreement, the Group was required to pay a monthly rent of HK\$26,667.00 per month inclusive of rates, Government rent, management fee and other outgoings (including but not limited to water, gas and electricity charge). The Existing Premises A Tenancy Agreement has been terminated on 31 January 2013 by mutual consent between the Hong Kong Landlord and the Group. The annual cap amount for the financial year ending 31 March 2013 represents the aggregate of (i) aggregate rent paid by the Group under the Singapore Tenancy Agreements and the Existing Premises A Tenancy Agreement for the period from 1 April 2012 to 31 January 2013 and (ii) aggregate rent payable by the Group under the Singapore Tenancy Agreements and the Hong Kong Tenancy Agreements for the two months ending 31 March 2013.

2. The annual cap amount for the financial year ending 31 March 2014 represents the aggregate rent payable by the Group under the Singapore Tenancy Agreements and the Hong Kong Tenancy Agreements for the financial year ending 31 March 2014.
3. The term of Singapore Tenancy Agreement A will expire on 2 September 2014 and the term of Singapore Tenancy Agreement B will expire on 31 December 2014. Pursuant to each of the Singapore Tenancy Agreements, the tenant thereunder has an option to renew the tenancy for a further 12 months with the rent to be agreed between both parties based on the then prevailing rent. If the Group exercises the option to renew, the renewed term of Tenancy Agreement A will expire on 2 September 2015 and the renewed term of Tenancy Agreement B will expire on 31 December 2015. The annual cap amount for the financial year ending 31 March 2015 represents the aggregate of the total rent payable by the Group under the Singapore Tenancy Agreements and the Hong Kong Tenancy Agreements for the financial year ending 31 March 2015 based on the assumption that the Group exercises its option to renew the term for a further 12 months upon the expiry of the two Singapore Tenancy Agreements and the rent payable in the renewed term remains unchanged under both Singapore Tenancy Agreements.
4. The term of the two Hong Kong Tenancy Agreements will both expire on 31 January 2016. The annual cap amount for the financial year ending 31 March 2016 represents the aggregate rent payable by the Group under the Singapore Tenancy Agreements (assuming each of them is renewed for a further 12 months and Singapore Tenancy Agreement A expires on 2 September 2015 and Singapore Tenancy Agreement B expires on 31 December 2015) and the Hong Kong Tenancy Agreements for the financial year ending 31 March 2016.
5. Please note that each of the annual cap amounts which is now stated in HK\$ comprises some amounts payable under the Singapore Tenancy Agreements which are converted from SG\$ to HK\$ based on the exchange rate of SG\$1.00 to HK\$6.26 for illustration purpose in this announcement. Therefore, the actual amounts of each annual cap payable in HK\$ shall be subject to the prevailing exchange rate of SG\$ to HK\$.

REASONS FOR THE TRANSACTIONS

The Group is principally engaged in the provision of beauty and wellness services and sales of skincare and wellness products.

The Hong Kong Tenancy Agreements and the Singapore Tenancy Agreements were entered into between the Group and the Hong Kong Landlord and the Singapore Landlord after arm's length negotiations.

The purpose of leasing of Premises A and Premises B is for providing staff quarters to the Group's employees in Hong Kong.

The purpose of leasing Singapore Premises A and Singapore Premises B are for the provision of staff quarters to the Group's employees seconded from Hong Kong to Singapore to manage the Group's business operations in Singapore. The Directors consider that it is appropriate to compensate the staff who are seconded from Hong Kong to Singapore with such non-cash benefit since they are key management staff with experience of managing the Group's business operations in Hong Kong which are required for the Group's business operations in Singapore.

Having considered the above, the Directors (including independent non-executive Directors) are of the opinion that:

1. the terms (including the rent) of the Hong Kong Tenancy Agreements and the Singapore Tenancy Agreements are fair and reasonable;

2. the annual rent payable by the Group under the Hong Kong Tenancy Agreements and the Singapore Tenancy Agreements are fair and reasonable;
3. the continuing connected transactions constituted under the Hong Kong Tenancy Agreements and the Singapore Tenancy Agreements are and will be conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

Ms. Tsang has abstained from voting at the relevant Board resolutions for approving the Hong Kong Tenancy Agreements and the Singapore Tenancy Agreements since she was deemed to have a material interest in the transactions under the Hong Kong Tenancy Agreements and the Singapore Tenancy Agreements.

LISTING RULES IMPLICATIONS

By virtue of that each of the Hong Kong Landlord and the Singapore Landlord is a company wholly-owned by a family trust set up by Ms. Tsang, an executive Director, chairperson of the Board and a controlling Shareholder interested in 647,410,190 issued Shares (representing approximately 74.07% of the issued share capital of the Company), both the Hong Kong Landlord and the Singapore Landlord are connected persons of the Company and the Leasing Arrangements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As both the Hong Kong Landlord and the Singapore Landlord are wholly-owned by a family trust set up by Ms. Tsang, the annual consideration payable by the Group under the Hong Kong Tenancy Agreements and the Singapore Tenancy Agreements are considered on an aggregate basis for the purpose of classification of the transactions pursuant to Rule 14A.16 of the Listing Rules. As the annual cap amount for each of the four financial years ending 31 March 2016 exceeds HK\$1,000,000 and the relevant percentage ratio(s) in respect of the annual cap for each of the four financial years ending 31 March 2016 under the Listing Rules is not less than 0.1% but is less than 5%, the Leasing Arrangements under the Hong Kong Tenancy Agreements and the Singapore Tenancy Agreements are therefore only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Board”	the board of the Directors
“Company”	Modern Beauty Salon Holdings Limited (現代美容控股有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Landlord”	All Link International Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by a family trust set up by Ms. Tsang
“Hong Kong Tenancy Agreement A”	the tenancy agreement dated 1 February 2013 entered into between the Hong Kong Landlord and Modern HR in respect of the leasing of Premises A from the Hong Kong Landlord to Modern HR
“Hong Kong Tenancy Agreement B”	the tenancy agreement dated 1 February 2013 entered into between the Hong Kong Landlord and Modern HR in respect of the leasing of Premises B from the Hong Kong Landlord to Modern HR
“Hong Kong Tenancy Agreements”	collectively Hong Kong Tenancy Agreement A and Hong Kong Tenancy Agreement B
“Leasing Arrangements”	the leasing of Premises A and Premises B by Modern HR from the Hong Kong Landlord pursuant to the Hong Kong Tenancy Agreements and the leasing of Singapore Premises A and Singapore Premises B by Splendid from the Singapore Landlord pursuant to the Singapore Tenancy Agreements
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Modern HR”	Modern (Human Resource) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Ms. Tsang”	Ms. Tsang Yue, Joyce, an executive Director, chairperson of the Board and a controlling Shareholder (within the meaning of the Listing Rules)
“Premises A”	being the subject premises under Hong Kong Tenancy Agreement A, which comprises a residential unit situated at Flat B on 8th Floor of Tower 7, Residence Oasis, No. 15 Pui Shing Road, Tseung Kwan O, Sai Kung, New Territories, Hong Kong
“Premises B”	being the subject premises under Hong Kong Tenancy Agreement B, which comprises a residential unit situated at Flat A on 32nd Floor of Tower 3, The Wings, No. 9 Tong Yin Street, Tseung Kwan O, New Territories, Hong Kong

“SG\$”	Singapore dollars, the lawful currency of Singapore
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Singapore Landlord”	United Industries Ltd., a company incorporated in Hong Kong with limited liability and wholly-owned by a family trust set up by Ms. Tsang
“Singapore Premises A”	being the subject premises under Singapore Tenancy Agreement A which comprises a residential unit known as 21 Kovan Road #10–15 Singapore 548192
“Singapore Premises B”	being the subject premises under Singapore Tenancy Agreement B which comprises a residential unit known as 21 Kovan Road #9–16 Singapore 548192
“Singapore Tenancy Agreement A”	the tenancy agreement entered into between the Singapore Landlord and Splendid dated 17 February 2012 in respect of the leasing of Singapore Premises A from the Singapore Landlord to Splendid
“Singapore Tenancy Agreement B”	the tenancy agreement entered into between the Singapore Landlord and Splendid dated 17 February 2012 in respect of the leasing of Singapore Premises B from the Singapore Landlord to Splendid
“Singapore Tenancy Agreements”	collectively Singapore Tenancy Agreement A and Singapore Tenancy Agreement B
“Splendid”	Splendid Overseas Pte. Ltd., a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

In this announcement, for the purpose of illustration only, amounts quoted in SG\$ have been converted into HK\$ at the rate of SG\$1.00 to HK\$6.26. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 1 February 2013

As at the date of this announcement, the Board consists of Four Executive Directors, Ms. Tsang Yue, Joyce, Mr. Yip Kai Wing, Mr. Leung Man Kit and Ms. Yeung See Man and Four Independent Non-executive Directors, Ms. Liu Mei Ling, Rhoda, Mr. Wong Man Hin, Raymond, Mr. Hong Po Kui, Martin and Mr. Lam Tak Leung.