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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in MODERN BEAUTY SALON HOLDINGS LIMITED, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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MODERN BEAUTY SALON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

PROPOSALS FOR RE-ELECTION OF DIRECTORS, CHANGE OF AUDITORS, GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES AND NOTICE OF ANNUAL GENERAL MEETING

A notice convening the annual general meeting of Modern Beauty Salon Holdings Limited (the "Company") to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong, on Friday, 30 August 2013 at 11:00 a.m., is set out on pages 15 to 18 of this circular.

Whether or not you are able to attend the annual general meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the annual general meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the annual general meeting or any adjournment thereof should you so wish.

This circular is in English and Chinese. In case of any inconsistency, the English version shall prevail.

30 July 2013

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“2012 General Mandate”	the general and unconditional mandate granted to the Directors to allot, issue and otherwise deal with Shares up to a maximum of 20% of the aggregate nominal value of the share capital of the Company in issue as at 28 August 2012
“AGM”	the annual general meeting of the Company to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Friday, 30 August 2013 at 11:00 a.m.
“AGM Notice”	the notice convening the AGM
“Articles”	the Articles of Association of the Company
“Audit Committee”	the audit committee of the Company
“Board”	the board of directors of the Company
“Companies Law”	the Companies Law of the Cayman Islands
“Company”	Modern Beauty Salon Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 19 August 2005, the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Extension Mandate”	a general and unconditional mandate proposed to be granted to the Directors to the effect that any Shares repurchased under the Repurchase Mandate will be added to the total number of Shares which may be allotted and issued under the Issue Mandate during the relevant period
“Group”	the Company and its subsidiaries
“Issue Mandate”	the general and unconditional mandate proposed to be granted to the Directors to exercise all the powers of the Company to allot, issue and otherwise deal with new Shares not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing of the resolution granting such mandate
“Latest Practicable Date”	22 July 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nomination Committee”	the nomination committee of the Company
“Proposal”	The proposal of appointment of KPMG as the new auditors of the Company to fill the vacancy following the retirement of RSM Nelson Wheeler as the auditors of the Company at the AGM and to hold office until the conclusion of the next annual general meeting of the Company in 2014.
“Remuneration Committee”	the remuneration committee of the Company
“Repurchase Mandate”	the general and unconditional mandate proposed to be granted to the Directors to exercise all the powers of the Company to purchase Shares up to a maximum of 5% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing of the resolution granting such mandate
“Retiring Directors”	the Directors who shall retire at the AGM and, being eligible, offer themselves for re-election at the AGM in accordance with the Articles of Association
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber A”	Mr. Ko Kin Hang
“Subscriber B”	Oxley Investment Company Ltd., a company incorporated in the British Virgin Islands with limited liability, the entire share capital of which is legally and beneficially owned by Mr. Tsang Kwong Chiu, Kevin
“Subscription Agreement A”	the conditional warrant subscription agreement dated 21 May 2013 entered into between Subscriber A and the Company in relation to the Warrant Subscriptions by Subscriber A

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“Subscription Agreement B”	the conditional warrant subscription agreement dated 21 May 2013 entered into between Subscriber B and the Company in relation to the Warrant Subscriptions by Subscriber B
“Takeovers Code”	The Code on Takeovers and Mergers
“Warrant(s)”	the total of 85,000,000 unlisted warrants conferring rights to subscribe up to HK\$89,250,000 for Shares, on the basis of a subscription price of HK\$1.05 per Share (subject to the Adjustment Events), during a period of 36 months commencing from the date of issue in accordance with the terms of the Subscription Agreements
“Warrant Share(s)”	the new Shares to be issued by the Company upon the exercise of the subscription rights attaching to the Warrants
“Warrant Subscriptions”	subscriptions of Warrants by the Subscriber A and the Subscriber B under the Subscription Agreement A and the Subscription Agreement B respectively
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



MODERN BEAUTY SALON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

Board of Directors

Executive Directors:

Ms. Tsang Yue, Joyce

(Chairperson and Chief Executive Officer)

Mr. Yip Kai Wing

Mr. Leung Man Kit

Ms. Yeung See Man

Registered office:

P.O. Box 309 GT

Ugland House

South Church Street

George Town

Grand Cayman

Cayman Islands

Independent Non-executive Directors:

Ms. Liu Mei Ling, Rhoda

Mr. Wong Man Hin, Raymond

Mr. Hong Po Kui, Martin

Ms. Lam Tak Leung

*Head office and principal place
of business in Hong Kong:*

6th Floor, Sino Industrial Plaza

9 Kai Cheung Road

Kowloon Bay

Kowloon

Hong Kong

Company Secretary:

Mr. Wong Shu Pui

30 July 2013

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR RE-ELECTION OF DIRECTORS,
CHANGE OF AUDITORS,
GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to give you the AGM Notice and provide you with information of the resolutions to be proposed at the AGM for the approval of (i) re-election of the Retiring Directors; (ii) change of auditors and (iii) granting of the Issue Mandate, Repurchase Mandate and Extension Mandate to issue and repurchase Shares to the Directors.

LETTER FROM THE BOARD

RE-ELECTION OF RETIRING DIRECTORS

Pursuant to Article 130 of the Articles, Mr. Leung Man Kit, Ms. Liu Mei Ling, Rhoda and Mr. Wong Man Hin, Raymond, being one-third of the Directors for the time being, shall retire by rotation at the AGM and, being eligible, offer themselves for re-election at the AGM.

Pursuant to Article 114 of the Articles, Ms. Yeung See Man and Mr. Lam Tak Leung, the directors appointed by the Board on 11 December 2012 and 1 January 2013 respectively, shall hold office until the AGM and, being eligible, offer themselves for re-election at the AGM.

Details of the Retiring Directors who are proposed to be re-elected at the AGM are provided in Appendix I to this circular.

CHANGE OF AUDITORS

As disclosed in the Company's announcement on 19 July 2013, RSM Nelson Wheeler will retire as the independent auditors of the Company at the forthcoming AGM of the Company and will not seek for reappointment.

The Board has resolved, with the recommendation from the Audit Committee, to propose the appointment of KPMG as the new auditors of the Company to fill the vacancy following the retirement of RSM Nelson Wheeler as the auditors of the Company at the AGM and to hold office until the conclusion of the next annual general meeting of the Company in 2014. The Proposal is subject to approval by the Shareholders at the AGM.

For the purpose of maintaining good corporate governance, the Board considers that it is an appropriate time to change the auditors of the Company as RSM Nelson Wheeler has been the auditors of the Company for a period of time.

RSM Nelson Wheeler has confirmed in writing that they are not aware of any matters that should be brought to the attention of the Shareholders or creditors of the Company. The Board has also confirmed that there were no matters in respect of the Proposal that should be brought to the attention of the Shareholders.

The Board and the Audit Committee have further confirmed that there were no disagreements or unresolved matters between the Company and RSM Nelson Wheeler regarding the change in auditors.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the last annual general meeting of the Company held on 28 August 2012, the Directors were granted the 2012 General Mandate to allot, issue and otherwise deal with Shares up to 174,799,238 Shares.

The Company entered into Subscription Agreements A and B with the Subscribers A and B respectively on 21 May 2013 whereby the Subscribers A and B would subscribe for an aggregate of 85,000,000 Warrants each of which carries the right to subscriber for one Warrant Share at the Subscription Price. The 85,000,000 Warrant Shares, if allotted and issued upon

LETTER FROM THE BOARD

full exercise of the subscription rights attaching to the Warrants, will utilize approximately 48.63% of the 2012 General Mandate. Please refer to the announcement published by the Company on 21 May 2013 for details.

Save as disclosed above, no Shares have been repurchased, allotted, issued or otherwise dealt with pursuant to the 2012 General Mandate. Under the terms of the 2012 General Mandate and the Listing Rules, the unutilized 2012 General Mandate will lapse at the conclusion of the AGM.

At the AGM, separate ordinary resolutions will be proposed to seek the approval of the Shareholders to renew the following general mandates to enable the Directors to:

- (i) allot, issue and deal with further Shares up to a maximum of 20% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing of the resolution, i.e., to issue a maximum of 174,799,238 shares based on the issued share capital of the Company comprising 873,996,190 shares as at the Latest Practicable Date on the assumption that no further shares will be issued prior to the date of the forthcoming Annual General Meeting;
- (ii) repurchase Shares up to a maximum of 5% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing of the resolution; and
- (iii) subject to the passing of the aforesaid ordinary resolutions, extend the Issue Mandate granted to the Directors under (i) above by adding to it an amount of the nominal value of the share capital of the Company not exceeding the aggregate nominal value of the Shares purchased pursuant to the Repurchase Mandate.

Each of the Issue Mandate, the Repurchase Mandate and the Extension Mandate will expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company following the AGM; (b) the date by which the next annual general meeting is required by the Companies Law or the Articles of Association to be held; or (c) when the mandate given to the Directors thereunder is revoked or varied by ordinary resolution(s) of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

Under the Listing Rules, the Company is required to give the Shareholders all information which is reasonably necessary to enable the Shareholders to make an informed decision as to whether to vote for or against the resolution in respect of the Repurchase Mandate at the AGM. An explanatory statement for such purpose is set out in Appendix II to this circular.

AGM

The AGM Notice detailing all the proposed resolutions is set out on pages 15 to 18 of this circular.

A form of proxy for use at the AGM is also enclosed with this circular. To be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be lodged with the Company's share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road

LETTER FROM THE BOARD

East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude a Shareholder from attending and voting in person at the AGM.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. The chairman of the AGM will exercise his power under Article 90 of the Articles to put each of the resolutions to be proposed at the AGM to be voted by way of a poll. The results of the poll will be published on the websites of the Company and Hong Kong Exchanges and Clearing Limited following the AGM in the manner prescribed under Rule 13.39(5) of the Listing Rules. Pursuant to Article 97, every Shareholder present in person or by proxy shall have one vote for every Share held by that Shareholder on a poll.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

RECOMMENDATION

The Directors consider that the proposed resolutions set out in the notice of AGM including (a) the re-election of the Retiring Directors, (b) the appointment of independent auditors and (c) the granting of the Issue Mandate, the Repurchase Mandate and the Extension Mandate are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors, together with their associates, intend to vote in favour of the relevant resolutions in respect of their respective shareholdings in the Company and recommend Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Modern Beauty Salon Holdings Limited
Tsang Yue, Joyce
Chairperson

The following are the particulars of the Directors proposed to be re-elected at the AGM:

A. EXECUTIVE DIRECTOR

Mr. Leung Man Kit (“Mr. Leung”), aged 36, is an Executive Director and the Chief Financial Officer of the Group. He was appointed as an Executive Director of the Company on 15 September 2010. He is responsible for the financial planning and monitoring, business development and taxation of the Group. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants as well as Fellow Member of the Association of International Accountants, Fellow Member of the Taxation Institute of Hong Kong and also a Member of The Hong Kong Institute of Directors. Mr. Leung holds a Master Degree of Business Administration in Financial Management from The University of Hull in United Kingdom. He has over 8 years of audit and tax experience from various listed groups and private companies in Hong Kong. Mr. Leung joined the Group in September 2008.

Mr. Leung had entered into a service agreement with the Company for a term of 3 years commencing on 1 April 2012, subject to retirement by rotation at least once every three years and re-election in accordance with the Articles of Association of the Company, which may be terminated by either party by giving to the other one month’s prior notice in writing. There will be no director’s fee or director’s remuneration payable to Mr. Leung by the Company in connection with her holding of the position as an executive director of the Company. For the year ended 31 March 2013, the total emoluments paid to Mr. Leung is HK\$1,076,000. The emoluments of Mr. Leung is determined by the Board on the basis of the Company’s performance and profitability, the duties, responsibility and contribution of Mr. Leung, the remuneration benchmark in the industry and the prevailing marketing conditions.

As at the Latest Practicable Date, Mr. Leung does not have any interest in the Shares within the meaning of Part XV of the SFO.

Ms. Yeung See Man (“Ms. Yeung”), aged 39, is an Executive Director of the Company and the Financial Controller of the Group. She was appointed as an Executive Director of the Company on 11 December 2012. She is responsible for overseeing the accounting and financial reporting of the Group. Ms. Yeung graduated from The Hong Kong Polytechnic University with a Bachelor Degree of Arts in Accountancy in 1995. She is an associate member of The Institute of Chartered Accountants in England and Wales as well as a member of the Hong Kong Institute of Certified Public Accountants. She is also a fellow member of the Association of Chartered Certified Accountants. Ms. Yeung has over six years of audit experience with Deloitte Touche Tohmatsu. She joined the Group in March 2004.

Ms. Yeung had entered into a service agreement with the Company for a term of 3 years commencing on 11 December 2012, subject to retirement by rotation at least once every three years and re-election in accordance with the Articles of Association of the Company, which may be terminated by either party by giving to the other one month’s prior notice in writing. There will be no director’s fee or director’s remuneration payable to Ms. Yeung by the Company in connection with her holding of the position as an executive director of the Company. For the year ended 31 March 2013, the total emoluments paid to Ms. Yeung is

HK\$200,000^{Note 1}. The emoluments of Ms. Yeung is determined by the Board on the basis of the Company's performance and profitability, the duties, responsibility and contribution of Ms. Yeung, the remuneration benchmark in the industry and the prevailing marketing conditions.

As at the Latest Practicable Date, Ms. Yeung has interests in 472,000 shares of the Company within the meaning of Part XV of the SFO representing approximately 0.05% of the issued share capital of the Company.

Note 1: Ms. Yeung was appointed on 11 December 2012. Salaries and other benefits in kind of Ms. Yeung before her appointment of director on 11 December 2012 had not been included in the emoluments for the year ended 31 March 2013.

B. INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Liu Mei Ling, Rhoda ("Ms. Liu"), aged 51, is an Independent Non-Executive Director, the Chairman of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee. She was appointed as an Independent Non-Executive Director of the Company on 10 December 2009. Ms. Liu is a Member of the Canadian Institute of Chartered Accountants, Fellow Practicing Member of the Hong Kong Institute of Certified Public Accountants, Fellow Member of the Taxation Institute of Hong Kong, and Fellow Member of the Hong Kong Institute of Directors. Ms. Liu holds a Bachelor of Art degree in Commercial Studies and Finance from University of Western Ontario in Canada, Professional Degree in China Law from Tsing Hua University in China, and a Master of Business Administration Degree from McMaster University in Canada. Ms. Liu is a Practicing Certified Public Accountant in Hong Kong and sole proprietor of Liu & Wong, Certified Public Accountants. Ms. Liu is also an independent non-executive director, chairperson of audit committee and member of remuneration committee and nomination committee of Mirach Energy Limited, a company listed on the Singapore Stock Exchange.

Ms. Liu had entered into a letter of appointment dated 27 August 2010 for a term of three years commencing from 27 August 2010, subject to, inter alia, retirement from office by rotation at least once every three years and re-election in accordance with the Company's articles of association. Ms. Liu is entitled to the director's fee of HK\$25,000 per month for the performance of her duties as an independent non-executive Director, which is determined with reference to the prevailing market rate and the director's time commitment and expertise in the Company's affair. There will be renewal of the letter of appointment of Ms. Liu.

As at the Latest Practicable Date, Ms. Liu does not have any interest in the Shares within the meaning of Part XV of the SFO.

Mr. Wong Man Hin, Raymond ("Mr. Wong"), aged 47, is an Independent Non-Executive Director, the Chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee. He was appointed as an Independent Non-Executive Director of the Company on 7 December 2009. Mr. Wong is a member of American Institute of Certified Public Accountants (CPA), a Certified Management Accountant (CMA) and holds a certificate in financial management (CFM). Mr. Wong holds a bachelor degree in chemical engineering and a master degree in economics. Mr. Wong is an executive director and

deputy chairman of Raymond Industrial Limited (stock code: 229), a company listed on the Main Board of the Stock Exchange. Mr. Wong is also an independent non-executive director of Nan Nan Resources Enterprise Limited (formerly known as International Resources Enterprise Limited) (stock code: 1229), a company listed on the Main Board of the Stock Exchange. Mr. Wong was an independent non-executive director of Fulbond Holdings Limited (stock code: 1041) during the period from 8 December 2006 to 5 August 2009. Mr. Wong was an independent non-executive director of BEP International Holdings Limited (stock code: 2326) during the period from 9 October 2007 to 5 June 2009. Mr. Wong was also an independent non-executive director of ERA Holdings Global Ltd. (stock code: 8043) during the period from 17 August 2007 to 25 February 2008.

Mr. Wong had entered into a letter of appointment dated 27 August 2010 for a term of three years commencing from 27 August 2010, subject to, inter alia, retirement from office by rotation at least once every three years and re-election in accordance with the Company's articles of association. Mr. Wong is entitled to the director's fee of HK\$20,000 per month for the performance of his duties as an independent non-executive Director, which is determined with reference to the prevailing market rate and the director's time commitment and expertise in the Company's affair. There will be renewal of the letter of appointment of Mr. Wong.

As at the Latest Practicable Date, Mr. Wong does not have any interest in the Shares within the meaning of Part XV of the SFO.

Mr. Lam Tak Leung ("Mr. Lam"), aged 59, was appointed as an Independent Non-Executive Director of the Company on 1 January 2013. He graduated from City University of Macau with a Master Degree of Business Administration in June 2012. Mr. Lam has been dealing with his business in Hunan Province, China for more than 30 years, and is currently the President of Steeland Investment and Development Limited. Mr. Lam Tak Leung was a committee member of the 7th, 8th, 9th and 10th Chinese People's Political Consultative Conference (CPPCC) in Hunan Province, China. Meanwhile, he was the 5th and 6th Vice President of Hunan Overseas Friendship Association. Mr. Lam is currently a member of Tuen Mun District Council, chairman of Hong Kong New Territories District Adviser Alumni Association, chairman of New Territories West Residents Association and chairman of Training Committee of Scout Association of Hong Kong New Territories Region. He has been serving the community in Hong Kong for many years and was awarded the British Medal of Honour (BH) by Queen Elizabeth in 1995, awarded the Medal of Honour (MH) by the Hong Kong Special Administrative Region Government in 2006 and appointed as the Justice of Peace (JP) by the Hong Kong Special Administrative Region Government in 2012.

Mr. Lam had entered into a service agreement with the Company for a term of three years commencing on 1 January 2013, which may be terminated by either party by giving to the other one month's prior notice in writing. As an independent non-executive director, Mr. Lam will be entitled the director's fee, which is currently HK\$20,000 per month which was determined by the Board with reference to the prevailing market conditions, his roles and responsibilities. The Board will review the director's fees based on their duties and responsibilities.

As at the Latest Practicable Date, Mr. Lam does not have any interests in the Shares within the meaning of Part XV of the SFO.

C. GENERAL INFORMATION

Saved as disclosed above, (i) the Retiring Directors proposed to be re-elected at the AGM do not hold any directorship in other public listed companies in Hong Kong in the past three years or any position in the Group, nor he/she has any relationship with any Directors, senior management or substantial or controlling Shareholders; and (ii) there is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matters that need to be brought to the attention of the Shareholders in connection with their re-election.

This appendix serves as an explanatory statement as required by the Listing Rules to provide the requisite information to you for your consideration of the proposal of the Repurchase Mandate.

GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to exercise all the powers of the Company to repurchase Shares up to 5% of the issued share capital of the Company as at the date of passing of the resolution to approve the Repurchase Mandate.

(a) Share capital

As at the Latest Practicable Date, the number of Shares in issue was 873,996,190 Shares. Accordingly, the exercise of the Repurchase Mandate in full (being the repurchase of 5% of the Shares in issue as at the date of the passing of the resolution to approve the Repurchase Mandate) would enable the Company to repurchase 43,699,809 Shares (assuming no Share is issued or repurchased after the Latest Practicable Date and up to the passing of the relevant resolution).

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of Cayman Islands. Under the Cayman Islands laws, any repurchases by the Company may only be made out of profits of the Company or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by its articles of association and subject to the provisions of the Companies Law, out of capital.

(c) Reasons for repurchases

The Directors believe that it is in the best interest of the Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and the Shareholders.

(d) Funding of repurchases

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the Listing Rules and the applicable laws of the Cayman Islands.

(e) Impact on working capital or gearing level

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its most recent published audited financial statements as at 31 March 2013) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

(f) Share prices

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months up to the Latest Practicable Date were as follows:

	Share Prices	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2012		
July	0.97	0.84
August	0.92	0.85
September	0.92	0.82
October	0.96	0.90
November	1.07	0.96
December	1.06	0.94
2013		
January	1.00	0.90
February	0.92	0.85
March	0.93	0.84
April	0.87	0.435
May	0.64	0.475
June	0.61	0.50
July (up to and including the Latest Practicable Date)	0.59	0.51

(g) Undertaking of Directors

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries, in the event that the Repurchase Mandate is approved by Shareholders.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so in the event that the Company is authorised to make purchases of Shares.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

(h) Effect of Takeovers Code

If, as a result of a securities repurchase, a shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, the controlling shareholders together with their associates and associate corporations and Mutual Fund Populus had interests in the Shares representing approximately 74.07% and 8.03% respectively of the issued share capital of the Company.

In the event that the Directors should exercise in full the power to repurchase the Shares which is proposed to be granted pursuant to the Repurchase Mandate, assuming the present shareholding otherwise remained the same, the shareholding in the Company of the controlling shareholders together with their respective associates and Mutual Fund Populus would be increased to approximately 77.97% and 8.45% respectively of the issued share capital of the Company.

The Directors are not aware of any Shareholders or group of Shareholders acting in concert who will become obliged to make a mandatory offer in accordance with Rules 26 of the Takeover Code as a result of repurchase of Shares. The Directors have no present intention to exercise the Repurchase Mandate. However, the Directors will not exercise the Repurchase Mandate such that the minimum amount of Shares held by the public will fall below 25% of the issued share capital of the Company from time to time, being the minimum public float requirement under the Listing Rules.

(i) Share repurchase made by the Company

No repurchase of Shares have been made by the Company (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

NOTICE OF ANNUAL GENERAL MEETING



MODERN BEAUTY SALON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting of Modern Beauty Salon Holdings Limited (the “Company”) will be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong, on Friday, 30 August 2013 at 11:00 a.m. for the following purposes:

1. To receive and adopt the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2013.
2. To declare a special dividend for the year ended 31 March 2013.
3. (A) (a) To re-elect Mr. Leung Man Kit as a director.
(b) To re-elect Ms. Yeung See Man as a director.
(c) To re-elect Ms. Liu Mei Ling, Rhoda as a director.
(d) To re-elect Mr. Wong Man Hin, Raymond as a director.
(e) To re-elect Mr. Lam Tak Leung as a director.
(B) To authorise the board of directors to fix the directors’ remuneration.
4. To appoint KPMG as independent auditors of the Company and to authorise the board of directors to fix their remuneration.
5. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT:

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

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- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to or in consequence of (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares under any share option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company; (iii) an issue of shares upon the exercise of the subscription or conversion rights under the terms of any warrants or any securities of the Company which are convertible into shares of the Company or warrants to subscribe for shares of the Company; or (iv) any scrip dividends or similar arrangement, providing for the allotment and issue of shares in lieu of the whole or part of a dividend or shares in accordance with the Articles of Association of the Company from time to time, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws of Cayman Islands to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company; and

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange applicable to the Company).”

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6. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT:

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares of the Company of HK\$0.10 each on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal value of shares of the Company of HK\$0.10 each which the directors of the Company are authorised to repurchase pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 5% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws of Cayman Islands to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company.”

7. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT subject to the passing of the resolution nos. 5 and 6 set out in the notice convening this meeting, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to resolution no. 5 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company of HK\$0.10 each repurchased by the Company under the authority granted pursuant to resolution no. 6 set out in the notice convening this meeting,

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provided that such amount of shares so repurchased shall not exceed 5% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution.”

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

Hong Kong, 30 July 2013

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. Any member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a member of the Company.
2. To be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be lodged with the Company's share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting.
3. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 28 August 2013 to Friday, 30 August 2013, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 27 August 2013.

The proposed special dividend is subject to the passing of an ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed special dividend is Tuesday, 10 September 2013. For determining the entitlement to the proposed special dividend, the register of members of the Company will be closed from Friday, 6 September 2013 to Tuesday, 10 September 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Thursday, 5 September 2013. The payment of special dividend will be made on Wednesday, 2 October 2013.

4. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. A form of proxy for the meeting is enclosed with this circular.
6. Particulars of the retiring Directors, namely Mr. Leung Man Kit, Ms. Yeung See Man, Ms. Liu Mei Ling, Rhoda, Mr. Wong Man Hin, Raymond and Mr. Lam Tak Leung, who offer themselves for re-election, are provided in Appendix I to the circular of the Company dated 30 July 2013.