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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 licensed securities dealer or registered institution in securities, a 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, together with the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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MODERN BEAUTY SALON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

CROSBY

Crosby Securities Limited

Capitalised terms defined in this circular shall have the same meanings when used in this cover.

A letter from the Board is set out on pages 4 to 15 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 16 of this circular. A letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 25 of this circular.

A notice convening the EGM to be held at 1st Floor, MRT Plaza, Hang Ying House, Nos. 318–328 King's Road, Hong Kong, on Monday, 31 March 2014 at 11:00 a.m. is set out on pages EGM-1 and EGM-2 of this circular. A proxy form for the EGM is also enclosed with this circular.

Whether or not you intend to attend and vote at the EGM or any adjourned meetings in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish.

14 March 2014

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DEFINITIONS

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

| | |
|---------------------|--|
| “Annual Caps” | the maximum consideration payable by the Group to the Lessor and/or the Owners (as the case may be) under the Leasing Arrangements pursuant to the Master Lease Agreement for the year ending 31 March 2015, the year ending 31 March 2016 and the year ending 31 March 2017 in the amount of HK\$76.3 million, HK\$76.3 million and HK\$76.3 million, respectively |
| “associates” | has the meaning ascribed to it in the Listing Rules |
| “Board” | the board of Directors |
| “Company” | Modern Beauty Salon Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange |
| “Director(s)” | the director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be held at 1st Floor, MRT Plaza, Hang Ying House, Nos. 318–328 King’s Road, Hong Kong on Monday, 31 March 2014 at 11:00 a.m. to consider, and if thought fit, approve, among other matters (if any), the Leasing Arrangements pursuant to the Master Lease Agreement and the Annual Caps, the notice of which is set out on pages EGM-1 and EGM-2 of this circular |
| “Existing Premises” | the properties owned by the Owners in Hong Kong and/or other place(s) in the world currently leased to the Group under the Existing Lease Agreements and are expected to continue to be leased by the Group, details of which are disclosed in the paragraph headed “Background” in this circular |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |

DEFINITIONS

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|---------------------------------|---|
| “Independent Board Committee” | the independent board committee comprising all of the independent non-executive Directors, namely, Ms. Liu Mei Ling, Rhoda, Mr. Wong Man Hin, Raymond, Mr. Hong Po Kui, Martin and Mr. Lam Tak Leung established to advise the Independent Shareholders in respect of the Leasing Arrangements pursuant to the Master Lease Agreement and the Annual Caps |
| “Independent Financial Adviser” | Crosby Securities Limited, being a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Leasing Arrangements pursuant to the Master Lease Agreement and the Annual Caps |
| “Independent Shareholder(s)” | Shareholder(s) other than those who are required by the Listing Rules to abstain from voting on the resolution approving the Leasing Arrangements under the Master Lease Agreement and the Annual Caps, being Ms. Tsang and her associates |
| “Latest Practicable Date” | 11 March 2014, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein |
| “Leasing Arrangements” | the leasing of premises by the Group from the Owners pursuant to the Master Lease Agreement by entering into a tenancy or lease agreement in respect of such premises between the Group and the relevant Owner |
| “Lessor” | Asia Power Global Limited, a company with limited liability incorporated under the laws of the British Virgin Island and is wholly owned by a family trust set up by Ms. Tsang |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Master Lease Agreement” | the agreement dated 20 February 2014 entered into between the Company and the Lessor in respect of the Leasing Arrangements |

DEFINITIONS

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|------------------|--|
| “Ms. Tsang” | Ms. Tsang Yue, Joyce, an executive Director, chairperson of the Board and a controlling Shareholder (within the meaning of the Listing Rules) |
| “New Premises” | the properties which the Group may lease from the Owners during the term of the Master Lease Agreement |
| “Owner(s)” | subsidiaries of the Lessor from time to time which are the owners of the Existing Premises and the New Premises and “Owner” shall mean any of them |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | share(s) of HK\$0.10 each of the Company |
| “Shareholder(s)” | shareholders of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |

LETTER FROM THE BOARD



MODERN BEAUTY SALON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

Executive Directors:

Ms. Tsang Yue, Joyce
Mr. Yip Kai Wing
Ms. Yeung See Man

Independent Non-Executive Directors:

Ms. Liu Mei Ling, Rhoda
Mr. Wong Man Hin, Raymond
Mr. Hong Po Kui, Martin
Mr. Lam Tak Leung

Registered Office:

P.O. Box 309 GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

*Head Office and Principal Place
of Business in Hong Kong:*

6/F Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay
Kowloon
Hong Kong

14 March 2014

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

On 20 February 2014, the Company announced that it had entered into the Master Lease Agreement with the Lessor to regulate the lease arrangement between the Group and the Owners for the three years ending 31 March 2017.

The purpose of this circular is to provide you with, among other things, details regarding (i) the Leasing Arrangements under the Master Lease Agreement and the Annual Caps and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee in respect of the Leasing Arrangements under the Master Lease Agreement and the Annual Caps and the transactions contemplated thereunder; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice convening the EGM; and (v) other information as required under the Listing Rules.

LETTER FROM THE BOARD

THE MASTER LEASE AGREEMENT

Background

Currently, the Group has entered into a number of lease agreements (“**Existing Lease Agreements**”) with the Owners for leasing certain premises from the Owners in the ordinary and usual course of the business of the Group as its operating facilities (including but not limited to offices, retail shops, service centres and warehouses) and staff quarters. The Group intends to continue to lease the Existing Premises under the arrangement contemplated under the Master Lease Agreement. Set out below is a summary of the Existing Premises which are expected to continue under the Master Lease Agreement:

| Particulars of Existing Premises | Expiry Date of relevant Existing Lease Agreement | | Total rental paid for the year ended | | Estimate total rental payable for the year ending | Monthly market rent as at |
|----------------------------------|--|--|--------------------------------------|----------|---|---------------------------|
| | Present usage | | 31 March 2012 | 2013 | 31 March 2014 | 31 December 2013 |
| | | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | (Note 1) | (Note 1) | (Note 1) | (Note 7) |

Hong Kong

Hong Kong Island

| | | | | | | |
|---|---------------|----------------|-------------------|-------|-------|-----|
| 1. Shop and Toilet Area on 1st Floor, Shop and Toilet Area on 2nd Floor, Lift and Staircase (No. 3) and Grease Trap Room on 1st Floor, 1st Floor Staircase for 2nd Floor, Lift and Staircase on 2nd Floor, Lift Machine Room for 1st to 2nd Floors on 3rd Floor, Signage Units Nos. 1 to 8 on Ground Floor, Signage Units Nos. 9 to 14 on 1st Floor, Store and Open Store on Ground Floor, The Grandeur, 47 Jardine's Bazaar, Causeway Bay, Hong Kong | 31 March 2014 | Service centre | 3,633 (Note 2) | 7,368 | 7,368 | 846 |
| 2. 1/F (including its Flat Roof and Stair-Entrance on Ground Floor), King Kwong Mansion, 8 King Kwong Street, Happy Valley, Hong Kong | 31 March 2014 | Service centre | 195 (Note 2) | 780 | 780 | 81 |

LETTER FROM THE BOARD

| Particulars of Existing Premises | Expiry Date of relevant Existing Lease Agreement | Present usage | Total rental paid for the year ended 31 March | | Estimate total rental payable for the year ending 31 March 2014 | Monthly market rent as at 31 December 2013 |
|---|--|--------------------------------|---|-------------------|---|--|
| | | | 2012 | 2013 | 2014 | 2013 |
| | | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | (Note 1) | (Note 1) | (Note 1) | (Note 7) |
| 3. Shops B2B and B2C of Portion B on Ground Floor, Portion B on 1st Floor, Whole of 2nd Floor and Portion B2 of Portion B on Flat Roof J on 4th Floor, MRT Plaza, Hang Ying House, Nos. 318-328 King's Road, North Point, Hong Kong | 31 March 2014 | Service centre | - | - | 2,850 (Note 4) | 603 |
| 4. Commercial Area on Upper Ground Floor and 1st Floor (excluding canopy) and 2nd Floor of V. Heun Building, No. 138 Queen's Road Central, Hong Kong | 31 March 2014 | Service centre | - | 4,968 (Note 3) | 7,452 | 666 |
| Kowloon | | | | | | |
| 5. Workshop Nos. 11-31, 32B, 33B, 41-78 and Store Room No. 10 on 6th Floor and Lorry Car Parking Space Nos. L8, L10, L14 and L15 on Basement, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay | 31 March 2014 | Office and warehouse | 2,512 (Note 2) | 3,840 | 3,840 | 513 |
| 6. 3rd and 4th Floor (including Flat Roof) BCC Building, Nos. 25-31 Carnarvon Road, Kowloon | 31 March 2014 | Service centre | - | - | 975 (Note 4) | 360 |
| 7. Shop no. 5 on Ground Floor, 1st Floor and 2nd Floor Commercial Unit with 1st Floor and 2nd Floor Advertising Space of Paradise Square, 3 Kwong Wa Street, Kowloon | 31 March 2014 | Service centre and retail shop | - | 3,360 (Note 3) | 5,040 | 648 |

LETTER FROM THE BOARD

| Particulars of Existing Premises | Expiry Date of relevant Existing Lease Agreement | Present usage | Total rental paid for the year ended 31 March | | Estimate total rental payable for the year ending 31 March 2014 | Monthly market rent as at 31 December 2013 |
|---|--|----------------|---|------------------------------|---|--|
| | | | 2012 HK\$'000 (Note 1) | 2013 HK\$'000 (Note 1) | 2014 HK\$'000 (Note 1) | 2013 HK\$'000 (Note 7) |
| New Territories | | | | | | |
| 8. Workshops D1-D14 on 3rd Floor of Block D and Car Parking Spaces Nos. 131 and 132 on 1st Floor, Tsing Yi Industrial Centre, Phase II, 1-33, Cheung Tat Road, Tsing Yi, New Territories | 31 March 2014 | Warehouse | 957 (Note 2) | 1,488 | 1,488 | 162 |
| 9. 18th Floor, Hou Feng Industrial Building, Nos. 1-5 Wing Kin Road, Kwai Chung, New Territories | 31 March 2014 | Warehouse | 309 (Note 2) | 552 | 552 | 72 |
| 10. Shop 1 on Ground Floor and 1st Floor (with floor roof adjacent thereto), Len Fat Mansion, Nos. 56-86 Kin Yip Street, Yuen Long, New Territories | 31 March 2014 | Service centre | 1,122 (Note 2) | 1,608 | 1,608 | 180 |
| 11. Portion A of Shop 3 on Ground Floor, Unit B on Cockloft, Whole of 1st Floor, Whole of Block B on 2nd Floor, Portion of Roof, Chung On Building, 297-303, 305, 307-313 Sha Tsui Road, Tsuen Wan, New Territories together with Flat 1 and Flat Roof on 1st Floor, Kwong Yick Building, 315-323 Sha Tsui Road, Tsuen Wan, New Territories | 31 March 2014 | Service centre | 6,750 (Note 2) | 7,800 | 7,800 | 882 |
| 12. Flat B on 8th Floor of Tower 7, Residence Oasis, 15 Pui Shing Road, Tseung Kwan O, Sai Kung, New Territories | 31 January 2016 | Staff quarter | - | 216 (Notes 3&5) | 336 (Note 5) | 36 |

LETTER FROM THE BOARD

| Particulars of Existing Premises | Expiry Date of relevant Existing Lease Agreement | Present usage | Total rental paid for the year ended 31 March | | Estimate total rental payable for the year ending 31 March | Monthly market rent as at 31 December |
|---|--|----------------|---|------------------------------|--|---------------------------------------|
| | | | 2012 HK\$'000 (Note 1) | 2013 HK\$'000 (Note 1) | 2014 HK\$'000 (Note 1) | 2013 HK\$'000 (Note 7) |
| 13. Flat A on 32nd Floor of Tower 3, The Wings, 9 Tong Yin Street, Tseung Kwun O, New Territories | 31 January 2016 | Staff quarter | - | 56 (Notes 3&5) | 336 (Note 5) | 36 |
| 14. Units B74-B90, B99-B116, B132-B136, 1/F, The Commercial Accommodation of Well On Garden, 9 Yuk Nga Lane, Tsueng Kwan O, New Territories | 31 March 2014 | Service centre | 471 (Note 2) | 1,884 | 1,884 | 198 |
| <i>Singapore</i> | | | | | | |
| 15. 21 Kovan Road #09-16, Singapore 548192 | 31 December 2014 | Staff quarter | 93 (Notes 2&6) | 375 (Note 6) | 369 (Note 6) | 29 |
| 16. BLK 218 Bedok North Street 1 #01-19 Singapore 460218 | 31 May 2015 | Service centre | - | 550 (Note 3) | 650 | 48 |
| | | Total: | 16,042 | 34,845 | 43,328 | 5,360 per month |

Notes:

1. Exclusive of government rates, government rent and management fees.
2. The relevant Existing Lease Agreements were entered into in the year ended 31 March 2012.
3. The relevant Existing Lease Agreements were entered into in the year ended 31 March 2013.
4. The relevant Existing Lease Agreements were entered into in the year ended 31 March 2014.
5. Inclusive of government rates, government rent and management fees.
6. Inclusive of government rates, taxes, maintenance charges and any surcharges thereon, assessments and outgoing.
7. The market rent as determined by Roma Appraisals Limited, an independent property valuer.

LETTER FROM THE BOARD

Depending on the then operation needs of the Group and market conditions and subject to vacant possession of such premises, the Group may lease certain New Premises from the Owners under the arrangement contemplated under the Master Lease Agreement and the summary of those New Premises which have been identified as at the Latest Practicable Date are set out as follows:

| New Premises | Intended Usage | Monthly Market Rent as at 31 December 2013 HK\$'000 (Note) |
|--|---------------------------|---|
| <i>Hong Kong</i> | | |
| 1. Portion B of Shop C on Ground Floor and Shop E on Basement, King's View Court, 901-907 King's Road, Quarry Bay, Hong Kong | Service centre | 238 |
| 2. 1/F., Block A, Champagne Court, 46 Carnarvon Road, Tsim Sha Tsui, Kowloon | Service centre | 63 |
| 3. Portion B of Basement, MRT Plaza, Hang Ying House, Nos. 318-328 King's Road, North Point, Hong Kong | Service centre | 90 |
| <i>Singapore</i> | | |
| 4. 21 Kovan Road #10-15, Singapore 548192 | Staff quarter | 29 |
| | Total (per month): | 420 |

Note: The market rent as determined by Roma Appraisals Limited, an independent property valuer.

Since the Group intends to continue to lease the above Existing Premises and may lease the above New Premises and, if appropriate, other New Premises from the Owners as its operating facilities (including but not limited to offices, retail shops, service centres and warehouses) and staff quarters and anticipates that it will enter into new leases during the ordinary and usual course of the Group's business during the three years ending 31 March 2017, the Company and the Lessor entered into the Master Lease Agreement on 20 February 2014 to set out the principal terms and conditions governing the Leasing Arrangement in the future.

LETTER FROM THE BOARD

In respect of each of the above Existing Premises and New Premises, the Company has obtained a preliminary opinion from an independent property valuer about the prevailing market rent of such premises. In fixing the rent for the individual leases under the Master Lease Agreement, the rent will not be higher than such prevailing market rent.

As represented by the Owners, certain of the above New Premises are currently leased by the relevant Owners to independent third parties. For those New Premises which are currently vacant, the Group wishes the term of the individual lease agreement of such New Premises to be in line with the term of the Master Lease Agreement. As such, the Company has not entered into any individual lease agreement for the above New Premises as at the Latest Practicable Date.

Date of the Master Lease Agreement

20 February 2014

Parties to the Master Lease Agreement

The Lessor and the Company

For more information about the Lessor, please refer to the paragraph headed "Listing Rules Implications" below.

Subject Matter

Pursuant to the Master Lease Agreement, the Group will enter into separate lease agreements to lease certain premises (which are expected to comprise the Existing Premises, the New Premises identified above and some other additional New Premises) from the respective Owners from time to time during the term of the Master Lease Agreement. For those Existing Lease Agreements which have not expired as at 1 April 2014, subject to the transactions contemplated under the Master Lease Agreement and the Annual Caps having been approved by the Independent Shareholders at the EGM, such Existing Lease Agreements will be terminated at nil consideration and a new tenancy agreement in respect of each such Existing Lease Agreements will be entered into pursuant to the terms of the Master Lease Agreement.

Conditions

The Master Lease Agreement and the Leasing Arrangements are conditional upon:

1. the passing of an ordinary resolution by the Independent Shareholders at the EGM approving the Leasing Arrangements under the Master Lease Agreement and the Annual Caps; and
2. (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities in Hong Kong or other jurisdictions (if applicable) or other relevant third parties in connection with the Leasing Arrangements under the Master Lease Agreement required to be obtained on the part of the Group having been obtained.

LETTER FROM THE BOARD

Duration

Subject to fulfillment of the above conditions, the Master Lease Agreement shall be for a term commencing from 1 April 2014 and ending on 31 March 2017. In addition, the Master Lease Agreement may be terminated by the Company by giving the Lessor at least sixty days' written notice of termination.

Each of the Leasing Arrangements to be entered into between the Company and the relevant Owner pursuant to the Master Lease Agreement will have a term commencing on or after 1 April 2014 and expiring on or before 31 March 2017.

Consideration and other terms

Pursuant to the Master Lease Agreement, each Leasing Arrangement shall be on normal commercial terms and shall be on terms which are no less favourable than those offered by the Owners to other independent third parties and the amount of rental (exclusive of rates, land rent and management fees) under each Leasing Arrangement shall be determined by the parties to each Leasing Arrangement with reference to the then prevailing market rents on premises comparable in location, area and permitted use.

In respect of any additional New Premises to be identified by the Group, the Company will obtain a fair rent opinion from an independent property valuer regarding the then prevailing market rent of such New Premises. The independent non-executive Directors will also review the proposed Leasing Arrangements in respect of any additional New Premises in light of the then prevailing market rent of such New Premises and other terms of the leases to ensure that the proposed Leasing Arrangements are (i) entered into in the ordinary and usual course of business of the Company; (ii) on normal commercial terms and on terms that are no less favourable than those offered by the Owners to other independent third parties; and (iii) in accordance with the terms of the Master Lease Agreement.

The government rent, rates and management fee under each Leasing Arrangement will be paid to the government or, as the case may be, the management companies by the relevant tenant direct.

The Annual Caps

The amount of rents paid and/or payable to the Owners under the Existing Lease Agreements in respect of the Existing Premises as mentioned in the paragraph headed "Background" above, the leases of which are expected to continue, were approximately HK\$16 million and HK\$34.8 million for the year ended 31 March 2012 and the year ended 31 March 2013 respectively and is estimated to be approximately HK\$43.3 million for the year ending 31 March 2014.

LETTER FROM THE BOARD

Taking into account the fact that (i) the Group intends to continue to lease the Existing Premises mentioned above; and (ii) the Group may lease the New Premises as mentioned above for its own use during the three years ending 31 March 2017, it is expected that the Annual Cap in respect of the Leasing Arrangements as contemplated under the Master Lease Agreement for the year ending 31 March 2015, the year ending 31 March 2016 and the year ending 31 March 2017 will not exceed HK\$76.3 million, HK\$76.3 million and HK\$76.3 million, respectively. These Annual Caps were determined after taking into account (i) the number of individual lease agreements that are expected to be entered into by the Group under the Master Lease Agreement; (ii) the prevailing market rents of the relevant Existing Premises and the New Premises mentioned above of HK\$5.78 million per month; and (iii) a 10% buffer for rental payments in respect of additional New Premises which may be leased from the Owners during the term of the Master Lease Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS

The Group is a renowned beauty salon group in Hong Kong offering a comprehensive beauty and wellness services ranging from beauty and facial, spa and massage, slimming, fitness to sales of skincare and wellness products at its network of service centres in Hong Kong, mainland China, Taiwan, Singapore and Malaysia. As mentioned above, given that it is the intention of the Group to continue to lease certain Existing Premises and may lease some other premises (including the New Premises mentioned above) from the Owners for its own use, the Company has considered that the entering into of the Master Lease Agreement will shelter the Group from any potential loss due to relocation of its existing beauty and wellness centres in the event that the relevant Existing Lease Agreements are not being renewed upon their expiry and save the administrative costs of the Group. In addition, the Master Lease Agreement will also provide the Group with opportunities to lease New Premises from the Owners based on market prices in which the Company considers suitable for the continuous expansion of its network of beauty and wellness centres.

The absence of a master lease agreement and an annual cap more than the contracted lease payments will cause administrative inconvenience to the Group — if, during the period ending 31 March 2017, the Group wishes to lease other New Premises from the Owners, the Company will then have to comply with all applicable requirements under Chapter 14A of the Listing Rules. The Directors consider that such compliance will be unduly burdensome. On the other hand, with the Master Lease Agreement in place, the Group will be given the flexibility to lease additional New Premises from the Owners if it considers appropriate so long as the terms of such lease are no less favourable than those offered by the Owners to other independent third parties.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Master Lease Agreement and the Annual Caps are fair and reasonable and the entering into of the Master Lease Agreement is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

The Lessor is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

By virtue of the Lessor being wholly owned by a family trust set up by Ms. Tsang, an executive Director, chairperson of the Board and a controlling Shareholder interested in 646,760,190 issued Shares (representing approximately 74.00% of the issued share capital of the Company) as at the Latest Practicable Date, the Lessor is a connected person of the Company and the Leasing Arrangements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The spouse of Ms. Tsang is interested in 650,000 issued Shares (representing approximately 0.074% of the issued share capital of the Company) as at the Latest Practicable Date.

As the relevant percentage ratios (as defined under the Listing Rules) in respect of each of the Annual Caps are less than 25% but the annual consideration is more than HK\$10 million, the Leasing Arrangements under the Master Lease Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee comprising all of the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Leasing Arrangements under the Master Lease Agreement and the Annual Caps. Crosby Securities Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Since the Lessor is wholly-owned by a family trust set up by Ms. Tsang, she is considered as having a material interest in the Master Lease Agreement and has abstained from voting on the relevant resolutions at the Board meeting relating to the Master Lease Agreement and the transaction contemplated thereunder.

The EGM will be convened at which an ordinary resolution will be proposed to seek the Independent Shareholders' approval of, among other things, the Leasing Arrangements under the Master Lease Agreement and the Annual Caps. Since Ms. Tsang is materially interested in the Master Lease Agreement, she and her associates will be required to abstain from voting on the resolution to be proposed at the EGM to approve the Master Lease Agreement and the Annual Caps.

LETTER FROM THE BOARD

EGM

A notice convening the EGM to be held at 1st Floor, MRT Plaza, Hang Ying House, Nos. 318–328 King's Road, Hong Kong on Monday, 31 March 2014 at 11:00 a.m. is set out on pages EGM-1 and EGM-2 of this circular. A proxy form for the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, situated at 26/F, 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 appointed for holding of the EGM or any adjournments thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournments thereof should you so wish.

The EGM will be convened at which a resolution will be proposed to seek the Independent Shareholders' approval of, among other things, the Leasing Arrangements under the Master Lease Agreement and the Annual Caps.

To the best of Director's knowledge, information and belief, after making all reasonable enquiries, as at the Latest Practicable Date:

- (a) (i) there were no voting trust or other agreements or arrangements or understandings (other than outright sale) entered into by or binding upon Ms. Tsang and her associates; and
- (ii) there were no obligations or entitlement of Ms. Tsang and her associates;

whereby Ms. Tsang and her associates had or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to a third party, either generally or on a case-by-case basis; and

- (b) there were no discrepancy between the beneficial shareholding interests of the Lessor and Ms. Tsang and their respective associates and the number of Shares in respect of which they would control or would be entitled to exercise control over the voting right at the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, consider that the Master Lease Agreement and transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote for the resolution to be proposed at the EGM to approve the Master Lease Agreement and the transactions contemplated thereunder and the Annual Caps. The text of the letter from the Independent Board Committee is set out on page 16 of this circular.

Having considered the above-mentioned benefits to the Group's future business development, the Directors consider that the terms of the Master Lease Agreement and the Annual Caps are fair and reasonable and the entering into of the Master Lease Agreement are in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Master Lease Agreement and the transactions contemplated thereunder and the Annual Caps.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



MODERN BEAUTY SALON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

14 March 2014

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

This Independent Board Committee has been established to advise you on the terms of the Master Lease Agreement and transactions contemplated thereunder and the Annual Caps, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 14 March 2014 (“**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Having considered the terms of the Master Lease Agreement and the advice of the Independent Financial Adviser in relation thereto as set out on pages 17 to 25 of the Circular, we are of the opinion that the terms of the Master Lease Agreement and the Annual Caps are fair and reasonable, on normal commercial terms and are in the interest of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote for the ordinary resolution to be proposed at the EGM to approve the Master Lease Agreement and the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,

For and on behalf of the Independent Board Committee

| | | | |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Ms. Liu Mei Ling, | Mr. Wong Man Hin, | Mr. Hong Po Kui, | Mr. Lam Tak Leung |
| Rhoda | Raymond | Martin | |
| <i>Independent</i> | <i>Independent</i> | <i>Independent</i> | <i>Independent</i> |
| <i>Non-executive Director</i> | <i>Non-executive Director</i> | <i>Non-executive Director</i> | <i>Non-executive Director</i> |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Crosby Securities Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, for the purpose of inclusion into this circular.

CROSBY

5/F, AXA Centre
151 Gloucester Road
Wanchai, Hong Kong

14 March 2014

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions (the “**Continuing Connected Transactions**”) contemplated under the Master Lease Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 14 March 2014, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Group entered into the Existing Lease Agreements to lease the Existing Premises from the Owners as its operating facilities (including but not limited to offices, retail shops, service centres and warehouses) and staff quarters. The Group intends to continue to lease the Existing Premises and may lease four New Premises (the “**Four New Premises**”) and, if appropriate, other New Premises from the Owners and therefore has entered into the Master Lease Agreement with the Owners on 20 February 2014.

By virtue of the Lessor being wholly owned by a family trust set up by Ms. Tsang, an executive Director, chairperson of the Board and a controlling Shareholder, the Lessor is a connected person of the Company and the Leasing Arrangements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios (as defined under the Listing Rules) in respect of each of the Annual Caps are less than 25% but the annual consideration is more than HK\$10 million, the Leasing Arrangements under the Master Lease Agreement are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. Since Ms. Tsang is materially interested in the Master Lease Agreement, Ms. Tsang and her associates will be required to abstain from voting at the EGM regarding the relevant resolution(s).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors, namely Ms Liu Mei Ling, Rhoda, Mr Wong Man Hin, Raymond, Mr Hong Po Kui, Martin and Mr Lam Tak Leung, has been formed to advise the Independent Shareholders in respect of the Continuing Connected Transactions.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company. The Directors have declared in a responsibility statement set out in the appendix to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the Lessor or any of their respective subsidiaries or associates.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, our sole responsibility is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice, we have considered the following principal factors and reasons:

A. Background and reasons for entering into the Master Lease Agreement

The Group is a beauty salon group in Hong Kong offering a comprehensive beauty and wellness services ranging from beauty and facial, spa and massage, slimming, fitness to sales of skincare and wellness products at its network of service centres in Hong Kong, mainland China, Taiwan, Singapore and Malaysia. As advised by the Company, all its service centres are situated at premises rented from independent third parties or the Owners (which are associates of Ms. Tsang) as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Master Lease Agreement, the Group will lease certain premises from the Owners by entering into individual lease agreements from time to time during the term of the Master Lease Agreement. As disclosed in the Letter from the Board, the Group expects to continue to lease the Existing Premises and may lease the Four New Premises and, if appropriate, other New Premises from the Owners depending on its then operation needs and market conditions and subject to vacant possession of such premises. Particulars of the Existing Premises and the Four New Premises which the Group expects to lease under the Master Lease Agreement are set out in the Letter from the Board. As advised by the Company, if the Existing Premises and the Four New Premises are rented by the Group under the Master Lease Agreement, these premises will be used by the Group as its operating facilities (including but not limited to offices, retail shops, service centres and warehouse) and staff quarter.

Given the above, in particular the nature of the transactions as contemplated under the Master Lease Agreement, the principal business of the Group as stated above and our analysis on the major terms of the Master Lease Agreement (as elaborated below), we concur with the view of the management of the Company that the entering into of the Master Lease Agreement falls within the ordinary and usual course of business of the Group and is in the interests of the Group and the Shareholders as a whole.

B. Major terms of the Master Lease Agreement

The Master Lease Agreement sets out the general terms and conditions governing the Leasing Arrangements and at any time during the term of the Master Lease Agreement, relevant parties may from time to time enter into individual lease agreements, setting out the detailed terms and conditions such as, rent, payment term and term of tenancy etc.

According to the Master Lease Agreement, the Leasing Arrangements contemplated under the said agreements shall be on normal commercial terms and shall be on terms no less favourable than terms made available to independent third parties by the Owners. The Master Lease Agreement stipulates that the term of each individual lease agreement shall commence on or after 1 April 2014 and shall expire on or before (i) the expiration or earlier termination of its own terms or (ii) 31 March 2017, whichever is earlier. As disclosed in the Letter from the Board, for those Existing Lease Agreements which have not expired as at 1 April 2014, subject to the transactions contemplated under the Master Lease Agreement and the Annual Caps having been approved by the Independent Shareholders at the EGM, such Existing Lease Agreements will be terminated at nil consideration and a new tenancy agreement in respect of each such Existing Lease Agreements will be entered into pursuant to the terms of the Master Lease Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Master Lease Agreement also provides that the rental (exclusive of rates, land rent and management fees) of each of the premises to be leased to the Group shall be determined by the parties to each individual lease agreement with reference to the then prevailing market rent on premises comparable in location, area and permitted use. The maximum annual rental payable by the Group to the Lessor and/or the Owners (as the case may be) (exclusive of rates, land rent and management fees) in respect of all the Leasing Arrangements in aggregate for each of the three years ending 31 March 2017 shall not exceed HK\$76.3 million, HK\$76.3 million and HK\$76.3 million respectively. We understand from the Company that the rates, land rent and management fees under each Leasing Arrangements will be paid to the government or, as the case may be, the management companies by the relevant tenant directly. As disclosed in the Letter from the Board, in respect of any additional New Premises to be identified by the Group, the Company will obtain a fair rent opinion from an independent property valuer regarding the then prevailing market rent of such New Premises. The independent non-executive Directors will also review the proposed Leasing Arrangements in respect of any additional New Premises in light of the then prevailing market rent of such New Premises and other terms of the leases to ensure that the proposed Leasing Arrangements are (i) entered into in the ordinary and usual course of business of the Company; (ii) on normal commercial terms and on terms that are no less favourable than those offered by the Owners to independent third parties; and (iii) in accordance with the provisions of the Master Lease Agreement.

We have compared rentals stipulated in the Existing Lease Agreements with the prevailing market rent as at 31 December 2013 as assessed by Roma Appraisals Limited, an independent property valuer (the “**Valuer**”). Based on such comparison, we note that the existing rentals of the Existing Premises in Hong Kong are lower than such prevailing market rent while the two Existing Premises in Singapore (the “**Singapore Premises**”), the relevant lease agreements of which (the “**Singapore Lease Agreements**”) were entered into on 17 February 2012 and 1 June 2012 respectively, have higher monthly rentals than the prevailing market rent as at 31 December 2013. The Valuer has reviewed the Singapore Lease Agreements and is of the view that the terms of the Singapore Lease Agreements (including the rental payable) are fair and reasonable, on normal commercial terms and the rental payment reflects the then prevailing market rent as at the date of commencement of the Singapore Lease Agreements. Taking into account the aforesaid, we consider that the monthly rentals of the Existing Premises are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subject to the Master Lease Agreement and the Annual Caps having been approved by the Independent Shareholders at the EGM, the Singapore Lease Agreements will be terminated and new tenancy agreements will be entered into pursuant to the Master Lease Agreement. The rent for the Singapore Premises under the Master Lease Agreement will not be higher than the prevailing market rent as assessed by the Valuer.

We have reviewed and enquired the Valuer's qualification and experience in relation to the performance of the valuation. We understand that the Valuer is a subsidiary of Roma Group Limited, the shares of which are listed on the Stock Exchange and an independent professional valuer with ample experiences in performing valuation for listed companies regarding properties in Hong Kong and Singapore. The Valuer has confirmed that it is an independent third party to the Company, the Lessor and their respective associates. We have also reviewed the terms of the Valuer's engagement in relation to their opinion on the market rental of the Existing Premises and the Four New Premises, in particular, its scope of work, and noted that it is appropriate to the opinion required to be given and there is no limitation on the scope of work which might adversely impact on the degree of assurance given by it in its report.

We have reviewed the report issued by the Valuer dated 14 March 2014 (the "**Valuer's Report**") in relation their opinion on the market rental the Existing Premises and the Four New Premises and also discussed with the Valuer regarding, among other things, the basis and assumptions made and the methodology adopted in conducting the valuation of the Existing Premises and the Four New Premises. We understand that the Valuer has (i) adopted the comparison approach by reference to comparable market rents in assessing the market rents of the properties; (ii) analyzed rental evidence of relevant developments in the vicinity; and (iii) carried out sample land searches or land title searches at the Land Registry and Singapore Land Authority. In light of the above, we are of the view that the Valuer's Report has been reasonably prepared and is normal in nature without any unusual assumption, and the basis of the Valuer's Report is fair and reasonable.

Given the above, we concur with the view of the Directors that the terms of the Master Lease Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

C. The Annual Caps

Set out below are the details of (i) the historical annual rental for each of the two years ended 31 March 2013 paid and the estimated annual rental for the year ending 31 March 2014 payable by the Group to the Owners under the previous master leasing agreement (the “**Previous Master Agreement**”) dated 8 November 2011; and (ii) the Annual Caps for the transactions contemplated under the Master Lease Agreement for each of the three years ending 31 March 2017:

(i) *Historical transaction amounts*

| | For the year ended 31 March | | For the year ending |
|---|-----------------------------|---------------------|---------------------|
| | 2012 | 2013 | 31 March 2014 |
| | (Note 1) | (Note 2) | (estimated) |
| | <i>HK\$ million</i> | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Aggregate annual rental paid/payable by the Group under the Previous Master Agreement | 6.0 | 34.2 | 42.3 |

(ii) *Annual Caps*

| | For the year ending 31 March | | |
|--|------------------------------|---------------------|---------------------|
| | 2015 | 2016 | 2017 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Maximum amount of aggregate rent payable by the Group under the Master Lease Agreement | 76.3 | 76.3 | 76.3 |

Notes:

1. The historical transaction amounts under the Previous Master Agreement for the year ended 31 March 2012 refer to the rent paid during the period from 1 January 2012, being the date of the commencement of the relevant leases under the Previous Master Agreement, to 31 March 2012.
2. The annual rents paid/payable by the Group of the Existing Premises numbered 12, 13 and 15 as disclosed in the paragraph headed “Background” in the Letter from the Board for the year ended 31 March 2013 and the year ending 31 March 2014 were not included in the historical transaction amounts under the Previous Master Agreement, details of which were disclosed in the announcement of the Company dated 1 February 2013.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from the Board, in determining the Annual Caps, the Company has taken into account (i) the number of individual lease agreements that are expected to be entered into by the Group under the Master Lease Agreement; (ii) the aggregate prevailing market rents of the relevant Existing Premises and the Four New Premises mentioned above of HK\$5.78 million per month; and (iii) a 10% buffer for rental payments in respect of additional New Premises which may be leased from the Owners during the term of the Master Lease Agreement.

We note that the Annual Cap of HK\$76.3 million for each of the three years ending 31 March 2017 represents an increase of approximately 80.4% of the estimated annual rental payable by the Group to the Owners for the year ending 31 March 2014 under the Pervious Master Agreement. We understand from the Company that this is mainly attributable to (i) the fact that two Existing Leasing Agreements were entered into on 21 August 2013 and 1 December 2013 respectively and their annual rental is not fully reflected in the estimated rental amount for the year ending 31 March 2014; (ii) the increase in aggregate rental for the Existing Premises based on the prevailing market rent as assessed by the Valuer; (iii) the additional rental for the Four New Premises; and (iv) the inclusion of a 10% buffer for rental of additional New Premises.

In assessing the fairness and reasonableness of the Annual Caps, we have discussed with the management of the Company to understand the principal basis in the determination of the Annual Caps. We understand that the Annual Caps are computed based on the aggregate amount of estimated prevailing market rent of the Existing Premises and the Four New Premises as at 31 December 2013 as assessed by the Valuer. As stated in the Letter from the Board, the absence of a master lease agreement and an annual cap more than the contracted lease payments will cause administrative inconvenience to the Group if, during the period ending 31 March 2017, the Group wishes to lease other New Premises from the Owners as the Company will then have to comply with all applicable requirements under Chapter 14A of the Listing Rules. The Directors consider that such compliance will be unduly burdensome. With the Master Lease Agreement in place, the Group will be given the flexibility to lease additional New Premises from the Owners if it considers appropriate so long as the terms of such lease are no less favourable than those offered by the Owners to independent third parties. In respect of any additional New Premises to be identified by the Group, the Company will obtain a fair rent opinion from an independent property valuer regarding the then prevailing market rent of such New Premises.

Given the above, we are of the view that the basis for determining the Annual Caps for each of the three years ending 31 March 2017 is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

D. Requirements by the Listing Rules regarding the Continuing Connected Transactions

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:
 - in the ordinary and usual course of business of the Company;
 - either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than the terms available to or from (as appropriate) independent third parties; and
 - in accordance with the relevant agreement(s) governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming that the Continuing Connected Transactions:
 - have received the approval of the Board;
 - are in accordance with the pricing policies of the Company if the Continuing Connected Transactions involve provision of goods or services by the Company;
 - have been entered into in accordance with the terms of the relevant agreement(s) governing the Continuing Connected Transactions; and
 - have not exceeded the Annual Caps.
- (c) the Company shall allow, and shall procure the relevant counter-parties to the Continuing Connected Transactions shall allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (b) above; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively above.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the relevant transactions by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the Continuing Connected Transactions and the Annual Caps not being exceeded, we are of the view that appropriate measures are in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the terms of the Master Lease Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and the terms of the Master Lease Agreement and the Annual Caps are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolution(s) to be proposed at the EGM to approve the Master Lease Agreement and the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,

For and on behalf of

Crosby Securities Limited

Heidi Cheng

Lily Li

Managing Director Corporate Finance Assistant Director Corporate Finance

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying shares or Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or were deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) *Long positions in Shares, underlying Shares and debentures in the Company*

| Name of Director | Capacity in which interests are held | Interests in Shares | Equity | Equity | Total Interests | Approximate Percentage of Issued Share Capital of the Company (Note 1) |
|----------------------|--|-------------------------|-----------------------------|--------------------------------|-----------------|---|
| | | | Derivatives (Share Options) | Derivatives (Convertible Note) | | |
| Ms. Tsang Yue, Joyce | Founder of a discretionary trust (Notes 2 & 4) | 646,760,190 (Note 3) | - | 87,619,048 (Note 5) | 734,379,238 | 84.03% |
| | Interest of spouse | 650,000 | - | - | 650,000 | 0.07% |

| Name of Director | Capacity in which interests are held | Interests in Shares | Equity | Equity | Total Interests | Approximate |
|-------------------|--------------------------------------|---------------------|-----------------------------|--------------------------------|-----------------|--|
| | | | Derivatives (Share Options) | Derivatives (Convertible Note) | | Percentage of Issued Share Capital of the Company (Note 1) |
| Mr. Yip Kai Wing | Beneficial Owner | 185,000 | 500,000 | - | 685,000 | 0.08% |
| | Interest of spouse | - | 200,000 | - | 200,000 | 0.02% |
| Ms. Yeung See Man | Beneficial Owner | 172,000 | 300,000 | - | 472,000 | 0.05% |

Notes:

- The percentage has been compiled based on the total number of Shares in issue as at the Latest Practicable Date (i.e. 873,996,190 Shares).
- These 734,379,238 Shares were held by a trust of which Ms. Tsang Yue, Joyce was the founder and TMF (Cayman) Ltd. was the trustee of the trust.
- These Shares comprised (i) 178,760,190 Shares directly owned by Allied Wealth Limited; (ii) 367,200,000 Shares directly owned by Silver Compass Holdings Corp.; and (iii) 100,800,000 Shares directly owned by Silver Hendon Enterprises Corp. All such companies are controlled corporations of Ms. Tsang. Ms. Tsang is a director of each of Allied Wealth Limited, Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp.
- Allied Wealth Limited, Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp. are wholly owned by Asia Gift Company Limited ("**Asia Gift**"), which is in turn wholly owned by Goldlite Development Limited ("**Goldlite**"). Goldlite is wholly owned by Allied Chance Management Limited ("**Allied Chance**"), which is in turn wholly-owned by Kelday International Limited. TMF (Cayman) Ltd. is the ultimate holding company of Kelday International Limited. Ms. Tsang is a director of each of Asia Gift and Goldlite.
- Allied Wealth Limited was interested in the aggregate principal amount of HK\$92,000,000 convertible notes issued by the Company. Such convertible notes were convertible into Shares at the prevailing conversion price of HK\$1.05 per conversion Share (i.e. 87,619,048 underlying Shares).

(ii) Long positions in shares and underlying shares in the associated corporations

| Name of Director | Name of associated corporation | Capacity in which interests are held | Number of share held | Percentage of holding |
|----------------------|--|--------------------------------------|----------------------|-----------------------|
| Ms. Tsang Yue, Joyce | Alliance Chance Management Limited (<i>Note</i>) | Founder of a discretionary trust | 1 | 100% |
| | Goldlite Development Limited (<i>Note</i>) | Founder of a discretionary trust | 1 | 100% |
| | Asia Gift Company Limited (<i>Note</i>) | Founder of a discretionary trust | 1 | 100% |

Note: Each of Alliance Chance Management Limited, Goldlite Development Limited and Asia Gift Company Limited is a holding company of the Company and is thus an associated corporation of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to section 352 of the SFO, to be entered in the register referred to therein, or notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. DIRECTORS' COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules, if the Directors were controlling Shareholders.

5. DIRECTORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENTS

Save for the lease agreements relating to the Existing Premises and the Master Lease Agreement (and the Leasing Arrangements contemplated thereunder) as disclosed in the section headed "Letter from the Board" of this circular, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group, nor had any Director had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 March 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. NO MATERIAL ADVERSE CHANGE

The Directors confirm that as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2013, being the date to which the latest published audited financial statements of the Group were made up.

7. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which is contained or mentioned in this circular:

| Name | Qualification |
|-------------------------------------|--|
| Crosby Securities Limited | a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO |
| Roma Appraisals Limited ("Roma") | Independent valuer |

Each of the Independent Financial Adviser and Roma has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

Each of the Independent Financial Adviser and Roma has confirmed that as at the Latest Practicable Date,

- (a) it was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

- (b) it did not directly or indirectly, have any interest in any assets which had since 31 March 2013 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. GENERAL

- (a) The registered office of the Company is situated at P.O. Box 309 GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands.
- (b) The Company's head office and principal place of business in Hong Kong is situated at 6th Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong.
- (c) The company secretary of the Company is Mr. Wong Shu Pui, a solicitor admitted in Hong Kong.
- (d) The Company's share registrar and transfer office in Hong Kong is Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the event of conflict or inconsistency between the two.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the Company's principal place of business in Hong Kong at 6th Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Master Lease Agreement;
- (b) the letter form the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out in this circular; and
- (d) the written consents referred to in paragraph headed "Qualification and Consent of Experts" of this appendix.

NOTICE OF EGM



MODERN BEAUTY SALON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“EGM”) of Modern Beauty Salon Holdings Limited (“**Company**”) will be held at 1st Floor, MRT Plaza, Hang Ying House, Nos. 318–328 King’s Road, Hong Kong on Monday, 31 March 2014 at 11:00 a.m., to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT:**

- (A) the (i) transactions as contemplated under the Master Lease Agreement (as defined in the circular of the Company dated 14 March 2014 (“**Circular**”), a copy of which is marked “A” and initialled by the chairman of the meeting for identification purpose and has been tabled at the meeting) dated 20 February 2014 entered into between the Company and Asia Power Global Limited; and (ii) the relevant annual caps for such transactions for the year ending 31 March 2015, the year ending 31 March 2016 and the year ending 31 March 2017 as set out in the Circular be and are hereby approved; and
- (B) the directors of the Company be and are hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Master Lease Agreement and to agree to such variation, amendments or waivers or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Master Lease Agreement) as are, in the opinion of the directors of the Company, in the interest of the Company and its shareholders as a whole.”

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

Hong Kong, 14 March 2014

NOTICE OF EGM

Registered office:
P.O. Box 309 GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

*Head office and principal place
of business in Hong Kong:*
6th Floor
Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay
Kowloon
Hong Kong

As at the date of this notice, the Board consists of Three Executive Directors, Ms. Tsang Yue, Joyce, Mr. Yip Kai Wing 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.

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. A form of proxy is 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 branch share registrar and transfer office in Hong Kong, 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 EGM 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 EGM.
3. 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 EGM 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.