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## **MODERN BEAUTY SALON HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 919)**

### **DISCLOSEABLE TRANSACTION – FORMATION OF JOINT VENTURE**

#### **THE JV AGREEMENT**

After trading hours on 30 July 2014, Main Deal, a wholly-owned subsidiary of the Company, entered into the JV Agreement with Mr. Khodr and ANA. The JV Parties intend, through the JV Arrangement, to achieve the goals of operating, expanding and diversifying the Beauty and Skincare Business through the manufacture of the Advanced Natural products in Australia, the wholesale and/or the retail of Advanced Natural products internationally in Europe, Australia, Middle-East, the People's Republic of China and Southeast Asia.

Pursuant to the terms of JV Agreement, (i) during the period from the date of the JV Agreement up to the day immediately prior to the Predetermined Date of Change in Shareholding (i.e. 31 March 2016), the JV Company will be owned as to 49% by Main Deal and 51% by Mr. Khodr; (ii) with effect from the Predetermined Date of Change in Shareholding, the JV Company will be owned as to 51% by Main Deal and 49% by Mr. Khodr; and (iii) the other two members of the JV Group, namely, ANHK and Modern Advanced, are and will continue to be owned, as to 51% by Main Deal and 49% by Mr. Khodr through his wholly owned company, ANA.

The Beauty and Skincare Business relates to the business of manufacture, wholesale and retail of beauty and skincare products. Mr. Khodr and ANA are operating the business of manufacture of the Advanced Natural products in Australia, the wholesale and/or the retail of Advanced Natural products internationally in Europe, Australia, Middle-East, the People's Republic of China and Southeast Asia, and such business will be gradually taken up by the JV Group. Pursuant to the terms of the JV Agreement, ANA shall sell all assets (other than the Real Property) and intellectual property rights (including the trademark of "AN Advanced Natural") relating to the Beauty and Skincare Business to the JV Group at nominal consideration and will sell the raw materials relating to the Beauty and Skincare Business at cost. The JV Company is granted an option by ANA to acquire the Real Property, which option is exercisable by the JV Company during the Option Period at a price which is not more than AUD900,000 (equivalent to approximately HK\$6,570,000). During the period from 30 July 2014 to the earliest of (i) the completion of the sale and purchase of the Real Property upon the exercise of the Call Option; (ii) 30 June 2018; or (iii) such other earlier date as agreed by the JV Company and ANA, the JV Company is also granted an exclusive licence by ANA to use and occupy the Real Property at a monthly licence fee of AUD4,800 (equivalent to approximately HK\$35,040). Where appropriate, the Company will comply with all applicable requirements under the Listing Rules in respect of such acquisition of the Real Property.

Pursuant to the terms of the JV Agreement, (i) all working capital of the JV Group shall be funded by Mr. Khodr and ANA and the Group has no obligation, unless so agreed by the Group, to provide any fund to the JV Group for its working capital; and (ii) the maximum consideration for the acquisition of 51% of the issued JV Shares that the Group shall pay to Mr. Khodr shall comprise (aa) a fixed payment of AUD2 (equivalent to approximately HK\$14.60) and (bb) a conditional payment of up to AUD5,110,200 (equivalent to approximately HK\$37,304,460). For details of the conditions in respect of such conditional payment, please refer to the sub-paragraph headed “The JV Agreement – Consideration” below.

### **LISTING RULES IMPLICATIONS**

The JV Arrangement constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

Depending on the then circumstances, (i) the exercise by the JV Company of the option to purchase the Real Property and (ii) the exercise of the right of the Group to effect the Sale-back may also constitute notifiable transaction(s) and/or connected transaction(s) of the Company. The Company will comply with the applicable requirements under the Listing Rules as and when appropriate.

### **INTRODUCTION**

After trading hours on 30 July 2014, Main Deal, a wholly-owned subsidiary of the Company, entered into the JV Agreement with Mr. Khodr and ANA. The JV Parties intend, through the JV Arrangement, to achieve the goals of operating, expanding and diversifying the Beauty and Skincare Business through the manufacture of the Advanced Natural products in Australia, the wholesale and/or the retail of Advanced Natural products internationally in Europe, Australia, Middle-East, the People’s Republic of China and Southeast Asia.

### **THE JV AGREEMENT**

The principal terms of the JV Agreement are set out below:

**Date:** 30 July 2014

**Parties:**

- (a) Main Deal Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company. Main Deal is principally engaged in investment holding
- (b) Mr. Alisha Khodr
- (c) Advance Natural Australia Pty Ltd, a company incorporated in Australia with limited liability and is wholly owned by Mr. Khodr as at the date of this announcement

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the principal business of ANA is the manufacture of the Advanced Natural products in Australia and wholesale and/or retail of the Advanced Natural products in Europe, Australia, Middle-East, the People's Republic of China and Southeast Asia; (ii) ANA, a company wholly owned by Mr. Khodr, is the beneficial owner of 49% of non-wholly-owned subsidiaries of the Company, namely ANHK and Modern Advanced, and thus each of ANA and Mr. Khodr is a substantial shareholder of a subsidiary of the Company; and (iii) Mr. Khodr is a director of each of Modern Advanced and ANHK. Each of Modern Advanced (which is recently incorporated in July 2014) and ANHK (which has not carried on any business activity for the two years ended 31 March 2014 and up to the date of this announcement) is an insignificant subsidiary of the Company for the purpose of Rule 14A.09 of the Listing Rules and thus each of Mr. Khodr and ANA is not counted as a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Save as disclosed above, each of Mr. Khodr and ANA has no further connected relationship with the Group.

## **JV Arrangement**

### *JV Company*

Immediately prior to the signing of the JV Agreement, the JV Company was wholly owned by Mr. Khodr.

### *Change in Shareholding*

Mr. Khodr has agreed to sell, and Main Deal has agreed to purchase, the Sale Shares at the Consideration. The Sale Shares represent 49% of the issued share capital of the JV Company. The completion of the Acquisition took place immediately after signing of the JV Agreement. Immediately after completion of the Acquisition, Main Deal and Mr. Khodr own 49% and 51% equity interests respectively in the JV Company.

Mr. Khodr has also agreed to sell, and Main Deal has also agreed to purchase, two JV Shares at a consideration of AUD1 (equivalent to approximately HK\$7.30). The two JV Shares represent 2% of the issued share capital of the JV Company. The completion of such acquisition is unconditional and shall take place on the Predetermined Date of Change in Shareholding (i.e. 31 March 2016). Immediately after completion of such acquisition on the Predetermined Date of Change in Shareholding, Main Deal and Mr. Khodr will own 51% and 49% equity interests respectively in the JV Company.

It is the intention of the JV Parties that the JV Company will become the major operating member of the JV Group.

### *Board composition*

The board of the JV Company shall consist of a maximum of three directors.

Immediately after the completion of the Acquisition, each of Main Deal and Mr. Khodr is entitled to nominate one director to the board of directors of the JV Company. Upon completion of the acquisition in the JV Company on the Predetermined Date of Change in Shareholding, Main Deal and Mr. Khodr is entitled to nominate two directors and one director respectively to the board of directors of the JV Company.

### *Transfer of assets, trademarks and Real Property*

The Beauty and Skincare Business relates to the business of manufacture, wholesale and retail of beauty and skincare products. Mr. Khodr and ANA are operating the business of manufacture of the Advanced Natural products in Australia, the wholesale and/or the retail of Advanced Natural products internationally in Europe, Australia, Middle-East, the People's Republic of China and Southeast Asia, and such business will be gradually taken up by the JV Group. ANA is the legal and beneficial owner of certain assets (including but not limited to some machinery and apparatus), trademarks (including the trademark of "AN Advanced Natural") and the Real Property in connection with the operation of the Beauty and Skincare Business.

It is a term of the JV Agreement that immediately after the signing of the JV Agreement, ANA shall enter into separate agreements with the JV Company to sell to the JV Company (i) all assets (including but not limited to some machinery and apparatus but other than the Real Property) at a consideration of AUD1 (equivalent to approximately HK\$7.30) and (ii) intellectual property rights relating to the Beauty and Skincare Business at a consideration of AUD1 (equivalent to approximately HK\$7.30).

The JV Company is granted an option ("**Call Option**") by ANA to acquire the Real Property, which option is exercisable by the JV Company during the Option Period at a price which is to be determined with reference to an independent valuation but in any event will not be more than AUD900,000 (equivalent to approximately HK\$6,570,000). During the period from 30 July 2014 to the earliest of (i) the completion of the sale and purchase of the Real Property upon the exercise of the Call Option; (ii) 30 June 2018; or (iii) such other earlier date as agreed by the JV Company and ANA, the JV Company is also granted an exclusive licence by ANA to use and occupy the Real Property at a monthly licence fee of AUD4,800 (equivalent to approximately HK\$35,040). Where appropriate, the Company will comply with all applicable requirements under the Listing Rules in respect of the acquisition of the Real Property.

It is a term of the JV Agreement that ANA shall sell the raw materials relating to the Beauty and Skincare Business that ANA currently in stock at cost.

### *Restriction on encumbrances and transfer of JV Shares*

Unless with the written consent of the JV Parties, from the date of the JV Agreement until the third anniversary of the Listing, (i) no charges, encumbrances or other third party rights can be created upon the JV Shares; and (ii) no sale, transfer or disposal of the JV Share(s) in any forms shall be allowed except for the transfer pursuant to (aa) the transfer agreed to be taken place on the Predetermined Date of Change in Shareholding and/or (bb) the Reorganisation; and/or (cc) the Sale-back.

### *Non-competition restrictions*

Mr. Khodr and ANA have jointly and severally undertaken with the JV Group, among other matters, that each of Mr. Khodr and ANA will not on his/its own account or for any other person, firm or company carry on or be engaged, concerned or interested directly or indirectly any business which is or may be in competition with the business carried on by the JV Company, including but not limited to manufacture, wholesale and retail of beauty and skincare products in any part of the world during the period where Mr. Khodr and/or ANA holding any direct or indirect interest in the JV Company and for the period of 12 months after Mr. Khodr and/or ANA ceasing to hold any direct or indirect interest in the JV Company.

### ***ANHK and Modern Advanced***

The other two existing members of the JV Group are ANHK and Modern Advanced, each of which, as at the date of this announcement, is owned as to 51% by the Group and 49% by ANA.

### ***Change in Shareholding***

Save with the consent of the JV Parties or save for the Reorganisation and/or the Sale-back, the shareholding structure in ANHK and Modern Advanced shall remain unchanged.

### ***Restriction on encumbrances and transfer of shares in ANHK and Modern Advanced***

Unless with the written consent of the Group, from the date of the JV Agreement until the third anniversary of the Listing, (i) no charges, encumbrances or other third party rights can be created upon the shares in each of ANHK and Modern Advanced; and (ii) no sale, transfer or disposal of the share(s) in each of ANHK and Modern Advanced in any forms shall be allowed except for the transfer pursuant to (aa) the Reorganisation; and/or (bb) the Sale-back.

### ***Board composition***

The board of each of ANHK and Modern Advanced shall consist of a maximum of three directors, two of whom shall be nominated by the Group and one of whom shall be nominated by ANA.

### **Restriction on encumbrances and transfer of shares in ANA**

As at the date of this announcement, Mr. Khodr is the sole legal and beneficial owner of ANA. Pursuant to the JV Agreement, Mr. Khodr has undertaken to Main Deal that he will not dispose of or permit a transfer of the whole or any part of the shares in ANA or create or permit to subsist any encumbrance over all or any of the shares in ANA, unless agreed by Main Deal in writing, from the date of the JV Agreement up to the third anniversary of the Listing.

### **Mode of business**

All business, contracts and transactions to be entered into with any and all clients, customers, suppliers solely and exclusively introduced by Mr. Khodr and/or ANA (“**Mr. Khodr’s Customers**”), at the discretion of Main Deal:

- (i) shall be made with the JV Company; or
- (ii) shall be made through and with ANHK, which then in turn can enter into contracts and transactions with the JV Company.

All business, contracts, deals and transactions to be entered into with all clients, customers, suppliers other than Mr. Khodr’s Customers shall be made through and with Modern Advanced, which can in turn enter into contracts and transactions with the JV Company.

## Consideration

The Consideration for the Acquisition (i.e. in respect of the 49 JV Shares) payable by Main Deal to Mr. Khodr shall comprise:

1. a fixed payment of AUD1 (equivalent to approximately HK\$7.30), which shall be settled in cash on completion of the Acquisition; and
2. the Conditional Payment in an amount to be determined in accordance with the following formula:

Conditional Payment =  $6 \times 51\%$  x the lesser amount of E or T

E = the After Tax Net Profit generated from business arising from Mr. Khodr's Customers for the fiscal year from 1 July 2016 to 30 June 2017

T = AUD1,670,000 (equivalent to approximately HK\$12,191,000)

As such, the maximum amount of the Conditional Payment shall be equal to AUD5,110,200 (equivalent to approximately HK\$37,304,460).

The Conditional Payment shall be conditional upon and subject to:

- (i) the Listing is successful on or before the Target Date; and
- (ii) the After Tax Net Profit shall not be less than:
  - (1) AUD738,600 (equivalent to approximately HK\$5,391,780) for the year ending 30 June 2015;
  - (2) AUD1,252,500 (equivalent to approximately HK\$9,143,250) for the year ending 30 June 2016; and
  - (3) AUD1,670,000 (equivalent to approximately HK\$12,191,000) for the year ending 30 June 2017;

or the aggregate of the After Tax Net Profit for the three years ending 30 June 2017 shall in aggregate be not less than AUD3,661,100 (equivalent to approximately HK\$26,726,030).

The Conditional Payment shall be satisfied in cash by the Group's internal resources within 30 days after the Listing. To secure the Group's payment obligation of the Conditional Payment, the Group shall, after the signing of the JV Agreement, arrange for a bank guarantee or other kind of collateral security reasonably acceptable to both Mr. Khodr and Main Deal to be delivered to Mr. Khodr. If any of the above conditions in connection with the Conditional Payment is not satisfied, the obligation of Main Deal to make the Conditional Payment shall forthwith cease.



In the event that not all of the conditions above is satisfied, Mr. Khodr shall compensate Main Deal for any expenses, costs and fees arising out of or in connection with the Listing and/or the JV Company and/or the business of the JV Company and/or the JV Agreement, subject to a maximum amount of AUD100,000 (equivalent to approximately HK\$730,000).

In case the Listing is not successful or does not proceed as a result of the default of the Group, the Group shall not be obliged to make the Conditional Payment and shall make a compensation payment to Mr. Khodr for any expenses, costs and fees arising out of or in connection with the JV Company and/or the business of the JV Company and/or the JV Agreement, subject to a maximum amount of AUD100,000 (equivalent to approximately HK\$730,000).

In case where the Listing is not successful or does not proceed on or before the Target Date for whatever reason, the Group can sell back to Mr. Khodr its 51% equity interests in each of the JV Company and ANHK at a nominal sale price of the sum of AUD1 (equivalent to approximately HK\$7.30) within 30 days from the Target Date (“**Sale-back**”). In case the Group exercises its right to effect the Sale-back, the Company will comply with the applicable requirements under Chapters 14 and 14A of the Listing Rules.

### **Working capital of the JV Group**

Pursuant to the terms of the JV Agreement, all working capital of the JV Group shall be funded by Mr. Khodr and ANA and the Group has no obligation, unless so agreed by the Group, to provide any fund to the JV Group for its working capital.

### **REASONS FOR AND BENEFITS OF THE ENTERING INTO THE JV AGREEMENT**

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

It is proposed by the JV Parties that the JV Group will be principally engaged in the Beauty and Skincare Business. Mr. Khodr has extensive experiences in manufacture, wholesale and retail of beauty and skincare products and the Group has been supplied with the Advanced Natural products by Mr. Khodr and ANA for many years.

The Directors believe that the proposed business of the JV Group has great business potential in Europe, Australia, Middle-East, the People’s Republic of China and Southeast Asia, and consider that the entering into of the JV Agreement with Mr. Khodr and ANA will allow the Group to extend the principal business of the Group. Furthermore, having considered the expertise of Mr. Khodr in the said areas, the Group, through the strategic alliance with Mr. Khodr and ANA, will be able to tap into opportunities in bringing greater returns to the Shareholders.

The aggregate amount of the Conditional Payment was determined after arm’s length negotiation between the JV Parties with reference to the potential listing status of the JV Group and the business potential of the JV Group. The Directors are of the view that the terms of the JV Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

The JV Arrangement constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

Depending on the then circumstances, (i) the exercise by the JV Company of the option to purchase the Real Property and (ii) the exercise of the right of the Group to effect the Sale-back may also constitute notifiable transaction(s) and/or connected transaction(s) of the Company. The Company will comply with the applicable requirements under the Listing Rules as and when appropriate.

## DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of the Sale Shares by Main Deal from Mr. Khodr pursuant to the JV Agreement
“Advanced Natural products”	the beauty and skincare products under the brand name of “Advanced Natural” with the trademark of “AN Advanced Natural”
“After Tax Net Profit”	the net amount of (i) the audited net profit of the JV Company after taxation as recorded in the audited financial statements of the JV Company prepared in accordance with Hong Kong Financial Reporting Standards; and (ii) the audited net profit of ANHK after taxation as recorded in the audited financial statements of ANHK prepared in accordance with Hong Kong Financial Reporting Standards, minus (if applicable) the unrealized profit of the JV Company for those goods sold to ANHK by the JV Company and the goods are kept as inventory in ANHK
“ANA”	Advance Natural Australia Pty Ltd, a company incorporated in Australia with limited liability, which is wholly owned by Mr. Khodr as at the date of this announcement and one of the JV Parties
“ANHK”	Advanced Natural (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, which, as at the date of this announcement, is owned as to 51% by Chance Luck and IMB Salon collectively and as to 49% by ANA
“Beauty and Skincare Business”	the business of manufacture, wholesale and retail of beauty and skincare products



“Beauty and Skincare Business Holdco”	the proposed holding company of the Group’s equity interests in the JV Group
“Board”	the board of Directors
“Business Day”	means a day on which licensed banks in Hong Kong are open for business (excluding Saturday, Sunday and any public holidays)
“BVI”	the British Virgin Islands
“Call Option”	as defined in the sub-paragraph headed “The JV Agreement – JV Arrangement – JV Company – Transfer of assets, trademarks and Real Property” above
“Chance Luck”	Chance Luck Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“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
“Conditional Payment”	an amount as determined according to the formula as set out in the sub-paragraph headed “The JV Agreement – Consideration” above, the maximum amount being AUD5,110,200 (equivalent to approximately HK\$37,304,460)
“Consideration”	the purchase price for the purchase of the Sale Shares payable by the Group to Mr. Khodr, comprising (i) AUD1 (equivalent to approximately HK\$7.30) and (ii) the Conditional Payment
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IMB Salon”	International Modern Beauty Salon Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“JV Agreement”	the joint venture agreement dated 30 July 2014 entered into between the JV Parties in relation JV Arrangement

“JV Arrangement”	comprising (i) the Acquisition; (ii) the acquisition of two JV Shares on the Predetermined Date of Change in Shareholding (details of which are set out in the sub-paragraph headed “The JV Agreement – JV Arrangement – JV Company – Change in Shareholding” above); (iii) the Reorganisation; and (iv) the acquisition of assets and intellectual property rights related to the Beauty and Skincare Business by the JV Company
“JV Company”	Care Plus International Pty Ltd, a company incorporated in Australia with limited liability, which is wholly owned by Mr. Khodr as at the date of this announcement and a member of the JV Group
“JV Group”	collectively, the JV Company, ANHK, Modern Advanced, and their subsidiaries (if any)
“JV Parties”	collectively, Main Deal, Mr. Khodr and ANA and a “JV Party” shall be construed accordingly
“JV Share(s)”	the issued share(s) of the JV Company
“Listing”	the proposed listing of the shares of Beauty and Skincare Business Holdco on the Recognised Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Deal”	Main Deal Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
“Modern Advanced”	Modern Advanced (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and is owned as to 51% by Main Deal and as to 49% by ANA as at the date of this announcement and a member of the JV Group
“Mr. Khodr”	Mr. Alisha Khodr, one of the JV Parties
“Option Period”	the period commencing on 30 July 2014 and ending on 30 June 2018
“Predetermined Date of Change in Shareholding”	31 March 2016
“Real Property”	the property situated at Unit 77 38-46 Popes Road, Keysborough Vic 3173, Australia and registered as Lot 77 on Plan of Subdivision 300162B in the public registry in Australia

“Recognised Stock Exchange”	the Stock Exchange or such other stock exchange as may be determined by the Group
“Reorganisation”	the reorganisation of the JV Group whereby all of the Group’s interests in the JV Group will be organised under the Beauty and Skincare Business Holdco
“Sale-back”	as defined in the sub-paragraph headed “The JV Agreement – Consideration” above
“Sale Shares”	49 issued JV Shares, representing 49% of the issued share capital of the JV Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Date”	the target date of Listing, being 31 March 2018
“AUD”	the Australian dollar, the lawful currency of Australia
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

*Unless otherwise specified, for the purpose of this announcement and for the purpose of illustration only, amounts in AUD have been translated into HK\$ using the following rate:*

*AUD1 = HK\$7.3*

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

Hong Kong, 30 July 2014

*As at the date of this announcement, 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.*