

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

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



MODERN BEAUTY SALON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 919)

MAJOR TRANSACTION AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONVERTIBLE NOTE AND RESUMPTION OF TRADING

THE ACQUISITION

On 5 July 2011, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor, as the sole beneficial owner of the Sale Share, has conditionally agreed to sell or procure the sale of the Sale Share (representing the entire issued share capital of the Target Company) at the Consideration of HK\$250 million, which will be satisfied by the issue of the Convertible Note to the Vendor.

The Target Group is engaged in a wide range of beauty care services including facial treatment, body slimming programs as well as spa, and fitness courses in Singapore and Malaysia. Based on the unaudited consolidated financial information of the Target Group, the Target Group recorded consolidated profit before tax of approximately HK\$37.1 million and HK\$28.2 million for each of the year ended 31 March 2010 and 2011, respectively and consolidated profit after tax of approximately HK\$28.7 million and HK\$24.2 million during the corresponding periods, respectively. Upon Completion, each member of the Target Group will become a wholly-owned subsidiary of the Company and the financial results and position of the Target Group will be consolidated into the consolidated financial statements of the Company.

LISTING RULES IMPLICATIONS

Since the Vendor is an executive Director and a controlling Shareholder, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the transactions contemplated under the Sale and Purchase Agreement (including the Acquisition, the issue of the Convertible Note, the allotment and issue of the Conversion Shares) are subject to the reporting, announcement and independent shareholders' approval requirements under 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 transactions contemplated under the Sale and Purchase Agreement (including the Acquisition, the issue of the Convertible Note, the allotment and issue of the Conversion Shares). OSK Capital Hong Kong Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the issue of the Convertible Note.

The EGM will be convened at which resolutions will be proposed to seek the Independent Shareholders' approval of, among other things, the transactions contemplated under the Sale and Purchase Agreement (including the Acquisition, the issue of the Convertible Note, the allotment and issue of the Conversion Shares). Since the Vendor is a controlling Shareholder and holds 496,934,000 Shares and has a material interest in the Acquisition as at the date of this announcement, the Vendor and her associates will be required to abstain from voting at the EGM regarding the relevant resolution.

A circular of the Company containing details regarding, among others, (i) the Sale and Purchase Agreement (including the Acquisition, the issue of the Convertible Note, the allotment and issue of the Conversion Shares); (ii) the recommendation from the Independent Board Committee in respect of the Acquisition; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iv) the accountants' report on the Target Group; (v) the relevant unaudited pro forma financial information of the Enlarged Group; (vi) the valuation report on the Target Group; (vii) a notice convening the EGM; and (viii) other information required under the Listing Rules will be despatched to the Shareholders on or before 17 August 2011 so as to allow sufficient time for the preparation of the relevant information to be included in the circular.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 5 July 2011 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in Shares with effect from 1:30 p.m. on 5 July 2011.

THE SALE AND PURCHASE AGREEMENT

Date

5 July 2011.

Parties

- (i) Be Universal Limited, a wholly-owned subsidiary of the Company, as the purchaser; and
- (ii) Ms. Tsang Yue, Joyce, as the vendor.

The Vendor, an executive Director and a controlling Shareholder, is interested in 496,934,000 Shares (representing approximately 68.68% of the issued share capital of the Company) as at the date of this announcement. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Company has no prior transactions required to be aggregated with the Acquisition under Rules 14.22 and 14.23 of the Listing Rules.

Subject matters involved under the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, the Purchaser will acquire the Sale Share (representing the entire issued share capital of the Target Company) from the Vendor and procure the issue of the Convertible Note to the Vendor.

Conditions Precedent

Completion is subject to, among others, the following conditions being fulfilled or waived (as the case may be):

- (i) the passing of an ordinary resolution by the Independent Shareholders at the EGM for the approval of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, including the Acquisition, the issue of the Convertible Note and the allotment and issue of the Conversion Shares;
- (ii) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated under the Sale and Purchase Agreement required to be obtained on the part of the Purchaser having been obtained by the Purchaser;
- (iii) the obtaining by the Group of a valuation on the Target Group's business ("Business Valuation") from an independent professional valuer approved by the Group and such valuation showing that the Business Valuation as at a date being not earlier than 90 days prior to the proposed date of the EGM having a value of not less than HK\$250 million;

- (iv) in respect of each subsidiary (“Singaporean Subsidiaries”) of the Target Company incorporated in Singapore, the receipt by the Group of a legal opinion (in such form and substance to its satisfaction) on the laws of Singapore issued by a law firm practising in Singapore approved by the Group covering matters including the business, ownership and the operations of the Singaporean Subsidiaries;
- (v) in respect of the subsidiary (“Malaysian Subsidiary”) of the Target Company incorporated in Malaysia, the receipt by the Group of a legal opinion (in such form and substance to its satisfaction) on the laws of Malaysia issued by a law firm practising in Malaysia approved by the Group covering matters including the business, ownership and the operations of the Malaysian Subsidiary;
- (vi) the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares falling to be issued pursuant to the terms and conditions of the Convertible Note upon the exercise of the conversion rights attached to the Convertible Note;
- (vii) the Group being satisfied, from the date of the Sale and Purchase Agreement and at any time before Completion, that the Vendor’s warranties remain true, accurate and not misleading and that no events have occurred that would result in any breach of any of the warranties given by the Vendor or other provisions of the Sale and Purchase Agreement by the Vendor;
- (viii) the consummation of the transactions contemplated under the Sale and Purchase Agreement shall not have been restrained, enjoined or otherwise prohibited by any applicable laws, including any order, injunction, decree or judgment of any court or other governmental authority;
- (ix) there being no material adverse change of the Target Group (including its financial position, business, property, results of operations or prospects);
- (x) the completion of a corporate reorganisation (“Reorganisation”) on the part of the Vendor to the effect that, the New Singapore Company shall be incorporated and wholly-owned by the Target Company and the businesses of two of the Singaporean Subsidiaries (“Reorganised Entities”) shall be taken up by the New Singapore Company on the Cut Off Date;
- (xi) completion by each of the Reorganised Entities of a special audit (“Special Audit”) so as to (i) ascertain each of their financial positions immediately prior to the Cut Off Date and make necessary and appropriate provisions in the financial statements for the Special Audit for their respective tax liabilities in respect of payments received prior to the Cut Off Date from prepaid packages of beauty and wellness services despite any services treatments (“Unutilised Services”) under the relevant prepaid packages have not yet been delivered to customers as at the Cut Off Date and that the related income has not been recognized in the income statement concerned; and (ii) estimate the costs for the provision of services to customers in relation to the Unutilised Services; and

(xii) payment of the respective sums to the New Singapore Company by each of the Reorganised Entities to cover all such costs for provision of Unutilised Services as provided for in financial statements for the Special Audit.

If the conditions set out above cannot be fulfilled or as the case may be, waived (in respect of conditions numbered (iv), (v), (vii), (viii), (ix), (x), (xi) and (xii) by the Purchaser) on or before 31 October 2011 (or such other date as the Purchaser and the Vendor may agree from time to time), all rights and the obligations of the parties to the Sale and Purchase Agreement shall cease and terminate, and neither party to the Sale and Purchase Agreement shall have any claims under the Sale and Purchase Agreement against the other party save in respect of some continuing provisions such as those in relation to costs and expenses and governing law or any antecedent breaches of the Sale and Purchase Agreement.

Completion

Completion shall take place on the fifth business day after all conditions precedent set out above having been fulfilled or, as the case may be, waived (to the extent they are capable of being waived) or such later date as may be agreed between the Purchaser and the Vendor.

Upon Completion, each member of the Target Group will become a wholly-owned subsidiary of the Company and the financial results and position of the Target Group will be consolidated into the Company's consolidated financial statements.

The Consideration

The Consideration of HK\$250,000,000 was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, the prospects of the Target Group's business and the potential synergy with the Group's existing beauty and related business as well as the Business Valuation. The Consideration will be satisfied in full by the issue of the Convertible Note.

As at the date of this announcement, the Business Valuation and its underlying methodologies are yet to be determined by the relevant independent valuers and the details of which will be included in the relevant valuation report to be contained in the Company's circular to be issued in compliance with the Listing Rules. In the event the valuation method adopted in the Business Valuation falls into the meaning of "profit forecast" under Rule 14.62 of the Listing Rules, the Company will comply with the applicable requirements.

Given that (i) the Consideration is the same as the minimum amount of the Business Valuation which is required as a condition precedent under the Sale and Purchase Agreement; (ii) the prospects of the Target Group's business (as detailed below); and (iii) the geographical expansion of the Group's business to Singapore and Malaysia and the potential synergies to be created with the Group's existing beauty and beauty related business after Completion, the Directors (excluding the independent non-executive Directors whose opinions will be rendered after having obtained the advice from the independent financial adviser) consider that the terms of the Sale and Purchase Agreement (including the Consideration) are fair and reasonable and the entering into of the Sale and Purchase Agreement is in the interest of the Company and its shareholders as a whole.

Principal terms of the Convertible Note

| | | |
|----------------------------------|---|---|
| Principal amount | : | HK\$250,000,000 |
| Maturity Date | : | the date falling on the fifth anniversary of the date of issue of the Convertible Note |
| Interest | : | interest on the outstanding principal amount shall accrue at a rate of 2% per annum on a daily basis and shall be paid annually on 31 March of each year after the issue until conversion or redemption |
| Conversion right | : | holder(s) of the Convertible Note will have the right to convert the Convertible Note in whole or in part (in the amount not less than a whole multiple of HK\$1,000,000 or if the remaining outstanding amount of the Convertible Note is in a lesser amount, such lesser amount) into the Conversion Shares at the Conversion Price and no conversion right attached to the Convertible Note may be exercised if following such exercise, the public float of the Company will fall below the minimum requirement as prescribed under the Listing Rules |
| Mandatory conversion | : | the principal amount of the Convertible Note which remains outstanding on the Maturity Date shall be mandatorily converted into the Conversion Shares at the then prevailing Conversion Price |
| Conversion Price | : | the initial Conversion Price of HK\$1.05 per Conversion Share, is subject to adjustment as a result of consolidation, subdivision or reclassification of the Shares only |
| Ranking of the Convertible Note | : | the Convertible Note shall at all times rank pari passu with all the Company's other present and future unsecured and unsubordinated obligations |
| Ranking of the Conversion Shares | : | the Conversion Shares will rank pari passu in all respects with the Shares in issue on the date of their allotment and issue |
| Transferability | : | the Convertible Note may be assigned or transferred in whole or in part (in the amount not less than a whole multiple of HK\$1,000,000 or if the remaining outstanding amount of the Convertible Note is in a lesser amount, such lesser amount) to any person. Any transfer of the Convertible Note to a connected person of the Company shall be made in compliance with the requirement of the Stock Exchange imposed from time to time (if applicable) |

- Redemption Rights : The Company shall have the right at any time during the period commencing from the date immediately following the issue date of the Convertible Note and prior to the Maturity Date, to redeem the whole of the outstanding Convertible Note at 100% of the principal amount of the Convertible Note by serving on the holder of the Convertible Note a notice to redeem which shall be effective on the third business day after its service (“Redemption Effective Date”). Notwithstanding the aforesaid, the holder(s) of the Convertible Note may exercise the right to convert all (but not part only) the outstanding Convertible Note by depositing a conversion notice at least two business days immediately before the Redemption Effective Date, and in such case, the notice to redeem given by the Company shall be treated as revoked and cease to have effect.
- Mandatory redemption : the conditions to the Convertible Note contain an event of default provision which provides that on the occurrence of certain events of default, the holders of the Convertible Note may, unless such event of default has been waived in writing by them, by notice in writing require the Company to redeem the whole (but not part) of the outstanding principal amount of the Convertible Note at 100% of the principal amount of the outstanding Convertible Note

The Conversion Price

The Conversion Price of HK\$1.05 per Conversion Share represents:

- (i) a premium of approximately 10.5% over the closing price of the Shares on the Stock Exchange on 4 July 2011, the last trading day before the date of the Sale and Purchase Agreement;
- (ii) neither premium nor discount to the average closing price of the Shares on the Stock Exchange on five trading days before the date of the Sale and Purchase Agreement;
- (iii) a discount of approximately 0.1% to the average closing price of the Shares on the Stock Exchange on ten trading days before the date of the Sale and Purchase Agreement; and
- (iv) a premium/discount of approximately 150.0% over/to the net asset value per Share as at 31 March 2011 of approximately HK\$0.42 (base on the net asset value attributable to the Shareholders of approximately HK\$304.2 million as disclosed in the Company’s annual results announcement for the year ended 31 March 2011 dated 29 June 2011 and the total number of 723,520,000 Shares as at the date of this announcement).

The Conversion Shares

As at the date of this announcement, there are 723,520,000 Shares in issue, assuming the conversion rights attached to the Convertible Note are exercised in full without having regard the public float requirement as described above, the 238,095,238 Conversion Shares represent (i) approximately 33.0% of the existing issued share capital of the Company; and (ii) approximately 24.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The Conversion Shares will, upon exercise (if so exercised) of the conversion rights attached to the Convertible Note, be allotted and issued pursuant to a specific mandate proposed to be granted to the Directors in relation to the allotment and issue of the Conversion Shares by the Shareholders at the EGM.

Listing Application

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in the Conversion Shares upon the exercise of the conversion rights attached to the Convertible Note. No application will be made by the Company for the listing of the Convertible Note on the Stock Exchange or any other stock exchanges.

THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company as at the date of the Sale and Purchase Agreement and immediately after the conversion rights attached to the Convertible Note having been exercised in full:

| | As at the date of the Sale and Purchase Agreement | | Immediately after the exercise of the conversion rights attached to the Convertible Note | | | |
|----------------------------------|---|---------------|---|---------------|---------------------------------|---------------|
| | Number of Shares | % | Number of Shares (Note 1) | % | Number of Shares (Note 2) | % |
| The Vendor and her associates | 496,934,000 | 68.68 | 735,029,238 | 76.44 | 678,838,761 | 74.98 |
| Yip Kai Wing (Note 3) | 185,000 | 0.03 | 185,000 | 0.02 | 185,000 | 0.02 |
| <i>Sub-total</i> | <i>497,119,000</i> | <i>68.71</i> | <i>735,214,238</i> | <i>76.46</i> | <i>679,023,761</i> | <i>75.00</i> |
| Public Shareholders | 226,401,000 | 31.29 | 226,401,000 | 23.53 | 226,401,000 | 25.00 |
| | <u>723,520,000</u> | <u>100.00</u> | <u>961,615,238</u> | <u>100.00</u> | <u>905,424,761</u> | <u>100.00</u> |
| | | | (Note 4) | | (Note 4) | |

Notes:

1. Pursuant to the terms and conditions of the Convertible Note, no conversion right attached to the Convertible Note can be exercised by the Vendor if the public float of the Company fall below the minimum requirement of 25% as prescribed under the Listing Rules. The figures shown in this column are for illustrative purpose only.
2. The figures shown in this column illustrate the shareholding structure of the Company assuming that the minimum public float of 25% as required under the Listing Rules is maintained taking into account the conversion rights attached to the Convertible Note must be exercised in the integral multiples of HK\$1,000,000.
- 3 Yip Kai Wing is an executive Director.
4. Assuming that no Shares will be issued or repurchased by the Company from the date of this announcement until the conversion rights attached to the Convertible Note are exercised in full.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong with limited liability with its issued share capital being wholly and beneficially owned by the Vendor, and through its wholly-owned subsidiaries, the Target Group is principally engaged in a wide range of beauty care services including facial treatment, body slimming programs as well as spa, and fitness courses in Singapore and Malaysia under the brandname “Giman”. As at the date of this announcement, the Target Group had a total of 9 and 3 beauty service centres in Singapore and Malaysia, respectively, with an aggregate total gross floor area of approximately 22,000 square feet and 8,900 square feet, respectively. As at 31 March 2011, the Target Group had total customers of over 76,000 and 19,000 for its beauty shops in Singapore and Malaysia, respectively. Furthermore, the Target Group has formulated 39 natural and herbal-based skincare and body products under the brand name “Giman”.

Based on the unaudited consolidated financial information of the Target Group, the Target Group recorded (i) consolidated profit before tax of approximately HK\$37.1 million and HK\$28.2 million for each of the years ended 31 March 2010 and 2011, respectively; (ii) consolidated profit after tax of approximately HK\$28.7 million and HK\$24.2 million during the same corresponding periods, respectively; and (iii) consolidated net asset value of approximately HK\$35.7 million as at 31 March 2011.

Since the Target Group is established by the Vendor, her original purchase cost of the Target Company is represented by her investment in the Target Group which amounted to approximately HK\$2.8 million.

RELATIONSHIP BETWEEN THE COMPANY, THE TARGET COMPANY AND THE VENDOR

The Vendor is an executive Director and a controlling Shareholder who is interested in approximately 68.68% of the issued share capital of the Company as at the date of this announcement.

The Target Company was incorporated on 20 October 2008. Since then the issued share capital of the Target Company has been wholly and beneficially owned by the Vendor.

As disclosed in the Prospectus, JFH and the Vendor had entered into the Deed of Undertaking pursuant to which JFH irrevocably granted to the Company an option to purchase the whole

of the business of JFH at a fair market value to be determined by an independent valuer nominated by the Company at any time after the Company's listing on the Stock Exchange. At the time of entering into the Deed of Undertaking, the business of JFH in providing beauty and healthcare services in Singapore and Malaysia was mostly operated by two of its wholly-owned subsidiaries, one being a company incorporated in Singapore and the other being a company incorporated in Malaysia (together, the "Subject Operating Companies") respectively. As a result of a corporate reorganisation undertaken by the Vendor, JFH and its subsidiaries, the issued share capital of the Subject Operating Companies (hence the then business of JFH) were transferred to the Target Company and the remaining JFH group only comprises of defunct companies pending dissolution. In light of the above, the Directors are of the view that the Acquisition is in line with the spirit of the Deed of Undertaking.

FINANCIAL IMPACT OF THE TRANSACTIONS UNDER THE SALE AND PURCHASE AGREEMENT

Upon Completion, each member of the Target Group will become a wholly-owned subsidiary of the Company and the assets, liabilities and results of the Target Group will be consolidated into the Group's consolidated financial statements.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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 sale of beauty products at its network of service centres in Hong Kong and China. The Group's beauty and healthcare services are marketed under different trade names, including "Modern Beauty Salon" (for beauty and facial services), "be Sanctuary Spa" (for spa and massage services), "Slim Express" (for slimming service) and "Modern Fitness" (for fitness service) whereas the Group's skincare and wellness products are sold through its service centres and retail network comprising "be Beauty Shop", "FERRCARE Concept Store" and "p.e.n Shop". As at 31 March 2011, the Group had 29 and 10 beauty service centres located in Hong Kong and China (i.e. Beijing, Guangzhou and Shanghai), respectively with gross floor area amounting to approximately 258,000 square feet and 57,000 square feet. In addition, during the year ended 31 March 2011, the Group also recorded approximately 278,000 customers and 31,300 customers in Hong Kong and China respectively (representing an increase of approximately 6.1% and 15.9% from the same period in the previous year, respectively). With the combined products/services from the Target Group, the Group will become one of the leading regional beauty groups with business network covering some of the most affluent cities in the Asia-Pacific region, including Hong Kong, Guangzhou, Shanghai and Beijing of China, Kuala Lumpur of Malaysia and Singapore, offering multiple brands of products and beauty and wellness services. Furthermore, leveraged on its regional network in the Asia-Pacific region following the Acquisition, it is expected that the Group will be able to formulate strategic development plans to promote its beauty products/services more efficiently and effectively which will in turn, enhance its market presence in the region.

In addition to the above, the economies of both Singapore and Malaysia have recorded significant growth in recent years. According to the Singapore Department of Statistics, during 2005 to 2010, the annual gross domestic product of Singapore increased from approximately S\$208,763.7 million to S\$303,652.2 million (representing a compound annual growth rate (“CAGR”) of approximately 7.8%) and the average monthly household income from work among resident employed households of Singapore also increased from approximately S\$6,052 to S\$8,058 (representing a CAGR of approximately 5.9%). According to the Department of Statistics of Malaysia, private consumption expenditure also experienced a strong growth of approximately 57% from 2005 to approximately RM368,275 million in 2010 (representing a CAGR of approximately 9.5%). As such, it is expected that the future financial and business performance of the Group following the Acquisition will be benefited from the growing consumption power of the general public in Singapore and Malaysia and allow the Group to capture the growth opportunities in these countries and formulate a more effective and efficient strategic development plans to promote its beauty business in the Southeast Asia regions and in turn enhance its market presence within the region.

All of these together with the Target Group’s proven profitable track record of profit after tax of over HK\$20 million for each of the past two years, the Directors (excluding the independent non-executive Directors whose opinions will be rendered after the having obtained the advice from the independent financial adviser) are of the view that the Acquisition is beneficial to the Group and the entering into of the Sale and Purchase Agreement is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since the Vendor is an executive Director and a controlling Shareholder, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the transactions contemplated under the Sale and Purchase Agreement (including the Acquisition, the issue of the Convertible Note, the allotment and issue of the Conversion Shares) are subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

GENERAL

Since the Vendor is a controlling Shareholder and an executive Director, she is considered having a material interest in the Sale and Purchase Agreement and has abstained from voting on the relevant board resolution of the Company relating to the entering into of the Sale and Purchase Agreement.

The Independent Board Committee comprising all of the independent non-executive Directors has been established to advise the Independent Shareholders in relation to transactions contemplated under the Sale and Purchase Agreement (including the Acquisition, the issue of the Convertible Note, the allotment and issue of the Conversion Shares). OSK Capital Hong Kong Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the issue of the Convertible Note.

The EGM will be convened at which resolutions will be proposed to seek the Independent Shareholders' approval of, among other things, the transactions contemplated under the Sale and Purchase Agreement (including the Acquisition, the issue of the Convertible Note, the allotment and issue of the Conversion Shares). Since the Vendor is a controlling Shareholder and holds 496,934,000 Shares and has a material interest in the Acquisition as at the date of this announcement, the Vendor and her associates will be required to abstain from voting at the EGM regarding the relevant resolutions.

A circular of the Company containing details regarding, among others, (i) the Sale and Purchase Agreement (including the Acquisition, the issue of the Convertible Note, the allotment and issue of the Conversion Shares); (ii) the recommendation from the Independent Board Committee in respect of the Acquisition; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the issue of the Convertible Note; (iv) the accountants' report on the Target Group; (v) the relevant unaudited pro forma financial information of the Enlarged Group; (vi) the valuation reports on the Target Group; (vii) a notice convening the EGM; and (viii) other information required under the Listing Rules will be despatched to the Shareholders on or before 17 August 2011 so as to allow sufficient time for the preparation of the relevant information to be included in the circular.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 5 July 2011 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in Shares with effect from 1:30 p.m. on 5 July 2011.

DEFINITIONS

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

| | |
|----------------|---|
| “Acquisition” | the acquisition of the Sale Share by the Company from the Vendor pursuant to the Sale and Purchase Agreement |
| “associate(s)” | has the meaning as ascribed to it under the Listing Rules |
| “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 |
| “Completion” | completion of the Acquisition as contemplated under the Sale and Purchase Agreement |

| | |
|-------------------------------|--|
| “Consideration” | the aggregate consideration of HK\$250 million for the Acquisition |
| “Convertible Note” | the Convertible Note with a 2% coupon per annum proposed to be issued by the Company to settle the entire Consideration, which entitles the holder(s) thereof to convert the principal amount outstanding into the Conversion Shares at the Conversion Price. |
| “Conversion Price” | the initial conversion price of HK\$1.05 per Conversion Share (subject to adjustment as a result of consolidation, subdivision or reclassification of the Share only) |
| “Conversion Shares” | the new shares of the Company to be issued upon the exercise of the conversion right attached to the Convertible Note |
| “Cut Off Date” | 1 August 2011, being the date for ascertaining the financial positions of each of the Reorganized Entities |
| “Deed of Undertaking” | a deed of undertaking dated 26 January 2006 executed by JFH and the Vendor in favour of the Group setting out, among other things, the non-competition undertakings given by JFH and the Vendor in favour of the Group and the option granted to the Company to purchase the business of JFH |
| “Director(s)” | director(s) of the Company |
| “Enlarged Group” | the Group immediately after the Completion |
| “EGM” | the extraordinary general meeting (and any adjournment thereof) of the Company to be convened to consider and, if thought fit, approve the transactions contemplated under the Sale and Purchase Agreement |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “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 and Mr. Hong Po Kui, Martin established to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement |
| “Independent Shareholders” | the Shareholders other than the Vendor and her associates |

| | |
|-------------------------------|--|
| “JFH” | JF Holdings (S) Pte Limited, a company incorporated in Singapore with limited liability and wholly and beneficially owned by the Vendor |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Maturity Date” | the maturity date of the Convertible Note, being the date falling on the fifth anniversary of the date of the issue of the Convertible Note |
| “New Singapore Company” | a limited liability company to be incorporated under the laws of Singapore which will be wholly-owned by the Target Company and will form part of the Target Group |
| “Prospectus” | the Company’s prospectus dated 27 January 2006 in connection with the listing of the Shares on the Main Board of the Stock Exchange |
| “Purchaser” | Be Universal Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Sale Share” | the 1 share of HK\$1.00 in the share capital of the Target Company, representing the entire issued share capital of the Target Company |
| “Sale and Purchase Agreement” | the agreement dated 5 July 2011 entered into between the Purchaser and the Vendor in respect of the Acquisition |
| “Shares(s)” | share(s) of HK\$0.10 each of the Company |
| “Singapore” | Republic of Singapore |
| “Shareholder(s)” | shareholder(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Zegna Management Limited, a company incorporated in Hong Kong with limited liability and wholly and beneficially owned by the Vendor |
| “Target Group” | the Target Company and its subsidiaries |
| “Vendor” | Ms. Tsang Yue, Joyce, an executive Director and a controlling Shareholder |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |

“S\$” Singapore dollars, the lawful currency of Singapore

“RM” Ringgit Malaysia, the lawful currency of Malaysia

By the order of the Board of
Modern Beauty Salon Holding Limited
Leung Man Kit
Executive Director

Hong Kong, 5 July 2011.

As at the date hereof, the Board consists of four executive Directors, Ms. Tsang Yue, Joyce, Mr. Yip Kai Wing, Mr. Leung Man Kit and Mr. Wong Shu Pui and three independent non-executive Directors, Ms. Liu Mei Ling, Rhoda, Mr. Wong Man Hin, Raymond and Mr. Hong Po Kui, Martin.