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

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MODERN BEAUTY SALON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF PROPERTY**

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DEFINITIONS

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

“Acquisition”	acquisition of the Property by the Purchaser pursuant to the terms of the Agreements;
“Agreements”	Provisional Agreement and Formal Agreement;
“Board”	the board of directors of the Company;
“Company”	Modern Beauty Salon Holdings Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange;
“Consideration”	HK\$132,800,000;
“Directors”	the directors of the Company;
“Formal Agreement”	the formal agreement expected to be signed by the Purchaser and the Vendor on or before 24 June 2008 for the acquisition of the Property;
“Group”	the Company and its subsidiaries;
“Independent Third Party(ies)”	independent third party(ies) not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules;
“Latest Practicable Date”	17 June 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Property”	Kowloon Inland Lot No.10103 (Ground Floor, Mezzanine Floor, First Floor, Second Floor, Third Floor, Fourth Floor, Fifth Floor, Sixth Floor, Seventh Floor, Eighth Floor, Ninth Floor, Tenth Floor, Eleventh Floor, Caretaker’s Flat on the Roof), No.5 Minden Avenue, Kowloon, Hong Kong;
“Provisional Agreement”	the binding provisional agreement dated 5 June 2008 for the acquisition of the Property;
“Purchaser”	Rise Luck Development Limited, a wholly-owned subsidiary of the Company;

DEFINITIONS

“Share(s)”	ordinary share(s) of nominal value HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	Ching Ming International Development Limited which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is Independent Third Party and an investment holding company holding property in Hong Kong; and
“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)

Board of Directors

Executive Directors

Ms. Tsang Yue, Joyce

Chairperson and Chief Executive Officer

Mr. Lee Soo Ghee

Vice Chairperson

Ms. Yuen Siu Ping

Chief Operating Officer

Mr. Yip Kai Wing

Chief Technology Officer

Mr. Kwong Chi Ching

Ms. Mok Hin Yuk

Independent Non-executive Directors

Mr. Cheng Kai Tai, Allen

Mr. Yip Ki Chi Luke

Mr. Soo SK Sean

Company Secretary

Mr. Chan Chit Ming, Joeie

Registered office

PO 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

23 June 2008

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION ACQUISITION OF PROPERTY

INTRODUCTION

On 12 June 2008, the Board made an announcement that on 5 June 2008, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Provisional Agreement with the Vendor.

Pursuant to the terms of the Provisional Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Property at a consideration of HK\$132,800,000. The Company decided to acquire the Property to secure the business strategy of operating a service network in Tsim Sha Tsui.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information on the Acquisition.

THE ACQUISITION

On 5 June 2008, the Purchaser entered into the Provisional Agreement with the Vendor for the acquisition of the Property.

Parties

Vendor: Ching Ming International Development Limited which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is Independent Third Party. The ultimate beneficial owner of the Vendor, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is Independent Third Party. The Vendor is an investment holding company holding property in Hong Kong

Purchaser: Rise Luck Development Limited, a wholly-owned subsidiary of the Company.

The Consideration

Pursuant to the terms of the Provisional Agreement, the Purchaser will acquire the Property from the Vendor at a consideration of HK\$132,800,000.

The Consideration was arrived at after arm's length negotiation between the Purchaser and the Vendor and was determined with reference to the current market value of properties in the nearby locality, such information being provided by the property agent of the Acquisition. The property agent from whom the Company obtained current market value of the Property, HK\$132,800,000, is an independent third party. The date to which the current market value of HK\$132,800,000 refers is 5 June 2008.

Of the Consideration, an initial deposit of HK\$5,000,000 has been paid by the Purchaser to the Vendor upon the signing of the Provisional Agreement on 5 June 2008 and a further deposit of HK\$8,280,000 is payable by the Purchaser upon the signing of the Formal Agreement on or before 24 June 2008.

The balance of the Consideration amounting to HK\$119,520,000 will be paid upon completion, which is scheduled to take place on or before 2 December 2008. The Acquisition will be funded by internal resources of the Group.

Upon completion vacant possession of the Property will be delivered to the Purchaser.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Property is a commercial premises located in Tsim Sha Tsui, Hong Kong. It has a gross floor area of approximately 13,355 square feet. The Property is currently vacant and has not been rented out

LETTER FROM THE BOARD

during the past two years; as a result, the information on the net profits attributable to the Property is not available. The Property is intended to be used by the Group for the purpose of operating beauty and healthcare service centre and related business. The Acquisition was made with a view to cope with the future expansion of the Group.

The Group currently operates two beauty and healthcare service centres in Tsim Sha Tsui which are two of the major servicing locations of the Group's operations in Hong Kong. The Company decided to acquire the Property to secure the business strategy of operating a service network in Tsim Sha Tsui. Further, in view of the strong financial position of the Group, acquiring the Property would enable the Group to achieve considerable rental saving and is believed to be for the long term benefit of the Group as a whole.

Save that the bank balances of the Company has been decreased by HK\$132,800,000 with a corresponding increase of HK\$132,800,000 in its fixed assets, the Acquisition does not have any other effect on the earnings, assets and liabilities of the Company.

The Directors are of the view that the Acquisition is in the interests of the Company and the terms of acquisition in the Agreement are in normal commercial terms, which are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Directors have compared the market value of the properties nearby to arrive at the conclusion that the consideration is fair and reasonable, such information being provided by the property agent of the Acquisition. The property agent from whom the Company obtained current market value of the Property, HK\$132,800,000, is an independent third party. The date to which the current market value of HK\$132,800,000 refers is 5 June 2008.

The Company has not acquired any asset from the Vendor, its ultimate beneficial owners and associates (as defined in the Listing Rules) in the past 12 months and the Company has not acquired any properties adjacent to the Property that makes the Acquisition subject to aggregation under Rule 14.22 of the Listing Rules.

GENERAL

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the provision of beauty and healthcare services. The principal activity of the Purchaser is property investment for rental income.

The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Tsang Yue, Joyce
Chairperson

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

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests or Short Positions in Shares, Underlying Shares or Debentures

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which will be 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 he is taken or deemed to have under such provisions of the SFO), or will be required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules, were as follows:

Long positions in Shares/underlying Shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares	Number of Shares subject to options granted under the Share Option Scheme (Note 1)	Total Shares	Approximate percentage of issued Shares (Note 2)
Ms. Tsang Yue, Joyce	Interests of controlled corporations	468,000,000 (Note 3)	—	468,000,000	64.68%
	Beneficial owner	5,908,000	1,350,000 (Note 4)	7,258,000	1%
	Interest of spouse	650,000	1,350,000 (Note 4)	2,000,000	0.28%
Mr. Lee Soo Ghee	Beneficial owner	650,000	1,350,000 (Note 4)	2,000,000	0.28%
	Interest of spouse	473,908,000 (Note 5)	1,350,000 (Note 4)	475,258,000	65.69%
Ms. Yuen Siu Ping	Beneficial owner	400,000	1,500,000	1,900,000	0.26%
Mr. Yip Kai Wing	Beneficial owner	185,000	500,000	685,000	0.09%
Mr. Kwong Chi Ching	Beneficial owner	—	200,000	200,000	0.03%

Notes:

1. Further details of the interests of the Directors in the options under the Share Option Scheme are set out under the paragraph headed “Share Option Scheme” below.
2. The relevant percentages are calculated by reference to the Shares in issue as at the Latest Practicable Date, i.e. 723,520,000 Shares.
3. Ms. Tsang Yue, Joyce owns the entire shareholding in Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp., each holding 367,200,000 Shares and 100,800,000 Shares, respectively.
4. Ms. Tsang Yue, Joyce has been granted an option for 1,350,000 Shares under the Share Option Scheme and Mr. Lee Soo Ghee has been granted an option for 1,350,000 Shares under the Share Option Scheme. Mr. Lee Soo Ghee is the husband of Ms. Tsang and, for the purposes of the SFO, Mr. Lee is deemed or taken to be interested in the options granted to Ms. Tsang under the Share Option Scheme and Ms. Tsang is deemed or taken to be interested in the options granted to Mr. Lee under the Share Option Scheme.
5. Mr. Lee Soo Ghee is the husband of Ms. Tsang and is deemed to be interested in the Shares in which Ms. Tsang is deemed or taken to be interested for the purpose of the SFO.

Long positions in shares of the associated corporations of the Company

Name of Director	Capacity	Name of the associated corporation	Number of Shares	Percentage of the issued shares of the associated corporation
Ms. Tsang Yue, Joyce	Beneficial owner	Silver Compass Holdings Corp.	100 (Note)	100%
	Beneficial owner	Silver Hendon Enterprises Corp.	100 (Note)	100%

Note: Both Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp. (each holding 367,200,000 Shares and 100,800,000 Shares, respectively) are wholly-owned by Ms. Tsang Yue, Joyce.

Share Option Scheme

The Company has adopted a share option scheme (“Share Option Scheme”) on 20 January 2006 whereby the Directors are authorised to invite any employee (whether full-time or part-time), director, consultant or adviser of the Group, to take up options to subscribe for Shares at a nominal consideration of HK\$1.00 per grant under the Share Option Scheme. Each option gives the holder the right to subscribe for one Share.

APPENDIX**GENERAL INFORMATION**

Details of the options granted under the Share Option Scheme to the Directors were as follows:

Grantee Directors	Date of grant	Period during which options are exercisable	Exercise price per share	No. of options as at the Latest Practicable Date	Percentage of the issued share capital of the Company
Ms. Tsang Yue, Joyce	23/10/2006	23/10/2010 to 22/10/2016	HK\$1.33	337,500	0.05
Ms. Tsang Yue, Joyce	23/10/2006	23/10/2014 to 22/10/2016	HK\$1.33	472,500	0.07
Ms. Tsang Yue, Joyce	23/10/2006	23/10/2015 to 22/10/2016	HK\$1.33	540,000	0.07
Mr. Lee Soo Ghee	23/10/2006	23/10/2010 to 22/10/2016	HK\$1.33	337,500	0.05
Mr. Lee Soo Ghee	23/10/2006	23/10/2014 to 22/10/2016	HK\$1.33	472,500	0.07
Mr. Lee Soo Ghee	23/10/2006	23/10/2015 to 22/10/2016	HK\$1.33	540,000	0.07
Ms. Yuen Siu Ping	23/10/2006	23/10/2010 to 22/10/2016	HK\$1.33	375,000	0.05
Ms. Yuen Siu Ping	23/10/2006	23/10/2014 to 22/10/2016	HK\$1.33	525,000	0.07
Ms. Yuen Siu Ping	23/10/2006	23/10/2015 to 22/10/2016	HK\$1.33	600,000	0.08
Mr. Yip Kai Wing	23/10/2006	23/10/2010 to 22/10/2016	HK\$1.33	125,000	0.02
Mr. Yip Kai Wing	23/10/2006	23/10/2014 to 22/10/2016	HK\$1.33	175,000	0.02
Mr. Yip Kai Wing	23/10/2006	23/10/2015 to 22/10/2016	HK\$1.33	200,000	0.03
Mr. Kwong Chi Ching	23/10/2006	23/10/2010 to 22/10/2016	HK\$1.33	50,000	0.01
Mr. Kwong Chi Ching	23/10/2006	23/10/2014 to 22/10/2016	HK\$1.33	70,000	0.01
Mr. Kwong Chi Ching	23/10/2006	23/10/2015 to 22/10/2016	HK\$1.33	80,000	0.01

Save as disclosed above, none of the Directors or chief executives of the Company had, as at the Latest Practicable Date, any interests or short positions 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 would have 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 he was taken or deemed to have under such provisions of the SFO), or which would have to be, pursuant to section 352 of the SFO, entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial Shareholders

So far as is known to any Directors or chief executives of the Company, as at the Latest Practicable Date, Shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions of substantial Shareholders in the Shares and underlying Shares of the Company

Name	Capacity	Number of Shares	Approximate percentage of issued Shares (Note 1)
Silver Compass Holdings Corp.	Beneficial owner	367,200,000 (Note 2)	50.76%
Silver Hendon Enterprises Corp.	Beneficial owner	100,800,000 (Note 2)	13.93%

Notes:

1. The relevant percentages are calculated by reference to the Shares in issue as at the Latest Practicable Date, i.e. 723,520,000 Shares.
2. Both Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp. are wholly owned by Ms. Tsang Yue, Joyce.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

JF (Singapore) Group (comprising JF Holdings (S) Pte Limited and its subsidiaries) is principally engaged in the provision of beauty and healthcare services at its network of beauty centres in Singapore and engaged in the provision of beauty services in Malaysia while the Group is principally engaged in the provision of beauty and healthcare services and sale of skincare products and equipment in Hong Kong.

Ms. Tsang Yue, Joyce is the beneficial owner of JF (Singapore) Group. Given that JF (Singapore) Group is principally engaged in the provision of beauty services in Singapore and Malaysia, which is in a different geographical location from that of the Group, the Directors consider that the business activities of JF (Singapore) Group do not compete with those of the Group.

Nevertheless, each of JF Holdings (S) Pte Limited and Ms. Tsang Yue, Joyce has entered into a deed of undertaking in favour of the Group to the effect that each of them will not, and will procure that none of its subsidiaries (other than the Group) and the companies controlled by her (other than the Group), respectively, will engage or otherwise be involved in any business which competes or is likely to compete with any of the business carried on by any member of the Group in relation to the provision of (i) beauty and facial services, (ii) spa and massage services, (iii) slimming services, (iv) fitness services and sales of skincare products and equipment, as at 9 February 2006 in any of the regions in the world (but exclude Singapore and Malaysia).

Save as disclosed herein, none of the Directors or their respective associates (as defined in the Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

SERVICE CONTRACTS

Each of Ms. Tsang Yue, Joyce, Mr. Lee Soo Ghee, Ms. Yuen Siu Ping and Mr. Yip Kai Wing has entered into a service contract with the Company dated 20 January 2006 under which they each agreed to act as an executive Director for a term of three years commencing from 9 February 2006 unless terminated by, in the case of Ms. Tsang Yue, Joyce and Mr. Lee Soo Ghee not less than three months' notice and, in the case of Ms. Yuen Siu Ping and Mr. Yip Kai Wing, not less than one month's notice in writing served by either party on the other; whereas Mr. Cheng Kai Tai, Allen has entered into a letter of appointment dated 20 January 2006 for a term of three years commencing from 9 February 2006.

There is no service contract between the Company and Mr. Kwong Chi Ching or Ms. Mok Hin Yuk in respect of their appointment of executive Directors. They will, at the discretion of the Board, be entitled to directors' fee of such amount as determined by the Board from time to time with reference to their performance.

There is no service contract between the Company and Mr. Yip Ki Chi Luke or Mr. Soo SK Sean in respect of their appointment of independent non-executive Directors. In accordance with the Articles of Association of the Company, Mr. Yip and Mr. Soo will hold office until the 2008 Annual General Meeting and will then stand for re-election by the shareholders of the Company in accordance with the Articles of Association of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has entered into or proposed to enter into any service contract with the Company which will not expire or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against any member of the Group.

MISCELLANEOUS

- (a) The registered office of the Company is situated at PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The head office and principal place of business of the Company is at 6th Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong.
- (b) The qualified accountant of the Company is Ms. Yeung See Man. Ms. Yeung is a fellow of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.
- (c) The company secretary of the Company is Chan Chit Ming, Joeie. Mr. Chan is a member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.
- (d) The English version of this circular shall prevail over the Chinese text.