BLU SPA HOLDINGS LIMITED
富麗花•譜控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8176)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2008

Characteristics of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This announcement, for which the directors (the "Directors") of Blu Spa Holdings Limited (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to Blu Spa Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this announcement is accurate and complete in all material respects and not misleading: (2) there are no other matters the omission of which would make any statement in this announcement misleading: and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL HIGHLIGHTS

- Turnover of the Group for the year ended 30 June 2008 was HK$16,173,772, representing an increase of HK$11,615,461 or 2.5 times as compared to the turnover of the Group of HK$4,558,311 for the previous year.
- Net profit for the year ended 30 June 2008 was HK$1,282,244 as compared to net loss of HK$3,734,818 for the previous year.
- Basic earnings per share for the year ended 30 June 2008 was HK1.77 cents as compared to a basic loss per share of HK6.15 cents for the previous year.
- The directors do not recommend the payment of any final dividend for the year ended 30 June 2008.

RESULTS

The board of directors (the "Board") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (together, the "Group") for the year ended 30 June 2008 together with the comparative figures for the corresponding year in 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2008

	Notes	**2008** *HK$*	2007 *HK$*
TURNOVER	*3*	**16,173,772**	4,558,311
COST OF SALES		**(8,349,841)**	(2,867,621)
Gross profit		**7,823,931**	1,690,690
Other revenue		**18,441**	39,644
Distribution costs		**(483,916)**	(24,379)
Administrative expenses		**(5,503,955)**	(4,702,588)
Finance costs	*4*	**(572,097)**	(737,196)
Profit (loss) before taxation		**1,282,404**	(3,733,829)
Taxation	*5*	**(160)**	(989)
Profit (loss) for the year	*6*	**1,282,244**	(3,734,818)
Dividends	*7*	**–**	–
Earnings (loss) per share		***HK cents***	*HK cents* (Restated)
Basic	*8*	**1.77**	(6.15)
Diluted	*8*	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	2008 HK$	2007 HK$
Non-current assets			
Intangible assets		**10,296,000**	11,232,000
Property, plant and equipment		**674,652**	577,824
		10,970,652	11,809,824
Current assets			
Inventories		**50,436**	16,238
Trade receivables	*10*	**9,630,501**	1,144,231
Deposits and other receivables		**1,055,670**	557,175
Bank balances and cash		**48,189,700**	260,804
		58,926,307	1,978,448
Current liabilities			
Deposits from customers		**1,385,398**	676,458
Accruals and other payables		**7,752,385**	5,816,744
Amounts due to a director	*11*	**651,795**	10,576,161
Amounts due to a shareholder		**–**	1,550,000
Amounts due to a related company	*12*	**4,516,630**	616,817
Obligation under finance lease		**–**	20,000
Provision for taxation		**4,700**	4,245
		14,310,908	19,260,425
Net current assets (liabilities)		**44,615,399**	(17,281,977)
Total assets less current liabilities		**55,586,051**	(5,472,153)
Non-current liability			
Amounts due to a shareholder		**–**	3,572,276
Net assets (liabilities)		**55,586,051**	(9,044,429)
Capital and reserves			
Share capital		**39,368,000**	6,068,000
Reserves	*9*	**16,218,051**	(15,112,429)
		55,586,051	(9,044,429)

Notes:

1. GENERAL

The Company was incorporated in the Cayman Islands on 30 August 2001 as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its parent and ultimate holding company is Million Fortune Group Limited (incorporated in the British Virgin Islands).

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for accounting periods of the Company beginning on 1 July 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK (IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business and Geographical segments

An analysis of the Group's turnover and contribution to operating results by business segment and geographical segment are as follows:

	The People's Republic of China ("PRC") HK$	Hong Kong HK$	Others HK$	Elimination HK$	Consolidated HK$
For the year ended 30 June 2008					
TURNOVER					
External sales					
– Sales of products	**11,723,336**	**97,512**	**942**	**–**	**11,821,790**
– Royalty fee income	**1,169,547**	**–**	**–**	**–**	**1,169,547**
– Therapy services	**–**	**1,182,435**	**–**	**–**	**1,182,435**
– Provision of training courses	**2,000,000**	**–**	**–**	**–**	**2,000,000**
Total revenue	**14,892,883**	**1,279,947**	**942**	**–**	**16,173,772**
RESULT					
Segment result	**10,409,889**	**(2,586,900)**	**942**	**–**	**7,823,931**
Unallocated corporate incomes					**17,486**
Unallocated corporate expenses					**(5,987,871)**
Interest income					**955**
Finance costs					**(572,097)**
Taxation					**(160)**
Profit for the year					**1,282,244**
For the year ended 30 June 2007					
TURNOVER					
External sales					
– Sales of products	3,255,815	353,766	12,612	–	3,622,193
– Therapy services	–	436,118	–	–	436,118
– Provision of training course	–	500,000	–	–	500,000
Inter-segment sales	47,877	–	–	(47,877)	–
Total revenue	3,303,692	1,289,884	12,612	(47,877)	4,558,311

Inter-segment sales are charged at cost plus certain markup.

	The People's Republic of China ("PRC") HK$	Hong Kong HK$	Others HK$	Elimination HK$	Consolidated HK$
RESULT					
Segment result	2,772,527	(1,092,130)	10,293	–	1,690,690
Unallocated corporate incomes					39,005
Unallocated corporate expenses					(4,726,967)
Interest income					639
Finance costs					(737,196)
Taxation					(989)
Loss for the year					(3,734,818)

An analysis of the Group's assets and liabilities by business segment and geographical segment are as follows:–

BUSINESS SEGMENT	Sales of products *HK$*	Therapy services *HK$*	Provision of training courses *HK$*	Consolidated *HK$*
2008				
ASSETS				
Segment assets	**9,630,501**	**–**	**–**	**9,630,501**
Unallocated corporate assets				**60,266,458**
Consolidated total assets				**69,896,959**
LIABILITIES				
Segment liabilities	**–**	**(1,385,398)**	**–**	**(1,385,398)**
Unallocated corporate liabilities				**(12,925,510)**
Consolidated total liabilities				**(14,310,908)**
2007				
ASSETS				
Segment assets	1,144,231	–	–	1,144,231
Unallocated corporate assets				12,644,041
Consolidated total assets				13,788,272
LIABILITIES				
Segment liabilities	–	(676,458)	–	(676,458)
Unallocated corporate liabilities				(22,156,243)
Consolidated total liabilities				(22,832,701)

GEOGRAPHICAL SEGMENT	PRC *HK$*	Hong Kong *HK$*	Others *HK$*	Consolidated *HK$*
2008				
ASSETS				
Segment assets	**9,972,324**	**5,222**	**917**	**9,978,463**
Unallocated corporate assets				**59,918,496**
Consolidated total assets				**69,896,959**
LIABILITIES				
Segment liabilities	**–**	**(1,385,398)**	**–**	**(1,385,398)**
Unallocated corporate liabilities				**(12,925,510)**
Consolidated total liabilities				**(14,310,908)**

GEOGRAPHICAL SEGMENT	PRC *HK$*	Hong Kong *HK$*	Others *HK$*	Consolidated *HK$*
2007				
ASSETS				
Segment assets	–	1,144,231	–	1,144,231
Unallocated corporate assets				12,644,041
Consolidated total assets				13,788,272
LIABILITIES				
Segment liabilities	–	(676,458)	–	(676,458)
Unallocated corporate liabilities				(22,156,243)
Consolidated total liabilities				(22,832,701)

Analysis of capital expenditure and depreciation by geographical market is not presented because, in the opinion of the Directors, there is no direct relationship between geographical market and the capital assets which are located in Hong Kong and PRC.

The following is an analysis of the carrying amount of segment assets and additions to plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to plant and equipment and intangible assets**	
	2008 ***HK$***	2007 *HK$*	**2008** ***HK$***	2007 *HK$*
Hong Kong	**69,857,525**	13,748,054	**283,358**	48,700
PRC	**39,434**	40,218	–	–
	69,896,959	13,788,272	**283,358**	48,700

4. FINANCE COSTS

	2008 ***HK$***	2007 *HK$*
Interest on:		
Loan from shareholders and Directors	**571,211**	733,652
Interest on obligation under finance lease	**886**	3,544
	572,097	737,196

5. TAXATION

	2008	2007
	HK$	*HK$*
The charge comprises:		
Company and subsidiaries		
Current year profits tax – PRC	**160**	989
Deferred tax		
Current year	**–**	–
Taxation attributable to the Group	**160**	989

No tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

Taxes arising in the PRC are calculated at the rates of tax prevailing in the PRC.

6. PROFIT (LOSS) FOR THE YEAR

	2008	2007
	HK$	*HK$*
Profit (loss) for the year has been arrived at after charging:		
Directors' remuneration	**995**	10,000
Other staff costs	**3,380,250**	2,549,805
Retirement benefit scheme contributions	**147,057**	88,664
Total staff costs	**3,528,302**	2,648,469
Amortisation of intangible assets	**936,000**	936,000
Auditors' remuneration	**200,000**	100,000
Depreciation	**183,536**	177,541
And after crediting:		
Bank interest income	**955**	639

7. DIVIDENDS

No dividend was paid or proposed for the year ended 30 June 2008, nor has any dividend been proposed since the balance sheet date (2007: HK$ nil).

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for the year ended 30 June 2008 is based on the profit for the year of HK$1,282,244 (2007: loss of HK$3,734,818) and the weighted average number of 72,507,869 (2007 (restated): 60,680,000 being adjusted to reflect the effect of share consolidation on 18 June 2008) ordinary shares in issue during the year.

No diluted earnings (loss) per share for the year ended 30 June 2008 and 2007 was presented as the Company did not assume the exercise of share option outstanding because the exercise prices of the Company's share options were higher than the average market price for shares.

9. RESERVES

	Share premium *HK$*	Merger difference *HK$*	Translation reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
THE GROUP					
At 1 July 2006	19,740,134	22,734,577	(678)	(53,843,028)	(11,368,995)
Exchange differences arising from translation of operations outside Hong Kong	–	–	(8,616)	–	(8,616)
Loss for the year	–	–	–	(3,734,818)	(3,734,818)
At 30 June 2007 and 1 July 2007	19,740,134	22,734,577	(9,294)	(57,577,846)	(15,112,429)
Issue of new shares pursuant to the subscription agreement dated 1 February 2007	24,500,000	–	–	–	24,500,000
Issue of new shares upon capitalisation of the loans due to a director	8,800,000				8,800,000
Transactions costs attributable to issue of new shares	(3,254,770)	–	–	–	(3,254,770)
Exchange differences arising from translation of operations outside of Hong Kong	–	–	3,006	–	3,006
Profit for the year	–	–	–	1,282,244	1,282,244
At 30 June 2008	**49,785,364**	**22,734,577**	**(6,288)**	**(56,295,602)**	**16,218,051**

10. TRADE RECEIVABLES

The Group allows average credit period of two months to four months to its customers. Details of the ageing analysis of trade receivables are as follows:

	2008	2007
	HK$	*HK$*
Aged:		
0-60 days	**5,773,211**	779,662
61-120 days	**1,650,961**	306,649
121-180 days	**664,573**	521
181-365 days	**1,541,756**	57,399
Over 365 days	**47,963**	47,963
	9,678,464	1,192,194
Provision for doubtful debts	**(47,963)**	(47,963)
	9,630,501	1,144,231

The Directors consider that the carrying amounts of trade receivables approximates their fair value.

The Group assesses the credit status and imposes credit limits for the customers in accordance with the Group's credit policy. The credit limits are closely monitored and subject to periodic reviews.

As at 30 June 2008, trade receivables over 60 days amounted to HK$3,857,290 were past due but not impaired as the balances were related to debtors with sound repayment history and no recent history of default.

The movements in the provision for doubtful debts during the year are set out below:

	2008	2007
	HK$	*HK$*
Balance at the beginning of the year	**47,963**	47,963
Impairment losses recognised on trade receivables	**–**	–
Amount written off as uncollectible	**–**	–
Balance at the end of the year	**47,963**	47,963

11. AMOUNTS DUE TO A DIRECTOR

The Group and the Company

As at 30 June 2008, the amounts due to a Director including an amount of HK$651,795, which is non-interest bearing (2007: HK$10,576,161, part of which bears interest at Hong Kong Dollar prime lending rate quoted by The Hong Kong and Shanghai Banking Corporation Limited), and is unsecured and repayable on demand.

12. AMOUNTS DUE TO A RELATED COMPANY

As at 30 June 2008, the amounts due to a related company, the controlling shareholder of which is the chief executive officer of the Company, amounted to HK$4,516,630 (2007: HK$616,817) is unsecured, non-interest bearing and repayable upon demand.

The Directors consider that the carrying amount of amounts due to a related company approximates their fair value.

13. RELATED PARTY TRANSACTIONS

During the year, the Group had the transactions with the following parties:

Name of party	*Notes*	**Nature of transactions**	**2008** *HK$*	2007 *HK$*
Balance as at 30 June 2008:				
Ms. Chan Choi Har, Ivy	*(i)*	Loan from a director	**–**	10,576,161
Ms. Chan Choi Har, Ivy	*(ii)*	Reimbursement claimed	**651,796**	–
Profit Trick Holdings Limited	*(i)*	Loan from a shareholder	**–**	1,550,000
Garrick International Limited	*(iii)*	Purchases of products and expenses paid on behalf	**4,516,630**	599,203
Ms. Keung Wai Fun, Samantha	*(iii)*	Salary	**1,170,000**	630,000
Transactions arose in the ordinary course of the Group's business:				
Ms. Chan Choi Har, Ivy	*(i)*	Interest expense on loan	**571,211**	336,249
Garrick International Limited	*(iii)*	Purchases of products	**3,878,927**	515,659
Garrick International Limited	*(iii)*	Provision of finance lease	**20,866**	83,544

Compensation for key management personnel

The remuneration of directors and other members of key management personnel during the year are as follows:

	The Group	
	2008 *HK$*	2007 *HK$*
Short-term employee benefits	**720,000**	550,000

The remuneration of directors and key management personnel is determined or proposed by the remuneration committee having regard to the performance of individuals and market trends.

Notes:

i. In accordance to the shareholders' and director's loan agreements, the loans are repayable on demand and bear interest at Hong Kong Dollar prime lending rate quoted by The Hong Kong and Shanghai Banking Corporation Limited from time to time. During the year, interest on director's loan of HK$571,211 was incurred and the total balance of director's and shareholder's loan and accrued interest were settled by issuing of shares according to the Capitalization Agreement announced on 18 June 2008.

ii. The amount due to a director is unsecured, interest free and has no fixed repayment terms.

iii. Ms Keung Wai Fun, Samantha, who is the chief executive officer of Blu Spa Holdings Limited, is the controlling shareholder and director of Garrick International Limited. Garrick International Limited has signed the contract of purchasing machine on behalf of the Group, amounting to HK$120,000 under finance lease. Garrick International Limited has paid an amount of HK$20,866 including interest of HK$866 on behalf of the Group during the year. Also, the Group purchased products at arm's length from Garrick International Limited during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Results

For the year ended 30 June 2008, the Group recorded a turnover of HK$16,173,772, representing an increase of 2.5 times as compared to last year (2007: HK4,558,311). This significant increase in turnover was mainly attributable to improved performance in product distribution and beauty care services in Hong Kong and the PRC.

The Group's gross profit for the year ended 30 June 2008 was HK$7,823,931, representing an increase of 3.6 times as compared to last year (2007: HK$1,690,690) which was mainly attributable to increased product distribution for the year.

The Group's administrative expense for the year ended 30 June 2008 was HK$5,503,955, representing an increase of 17.0% as compared to last year (2007: HK$4,702,588).

The Group's finance cost for the year ended 30 June 2008 was HK$572,097, representing a decrease of 22.4% as compared to last year (2007: HK$737,196). The finance costs for the year mainly comprised interests paid for loans from a director. The decrease in finance cost was due to reduction of interest rates during the year.

The Group shifted from loss attributable to shareholders of the Company of HK$3,734,818 for the year ended 30 June 2007 to profit attributable to shareholders of the Company for the year ended 30 June 2008 of HK$1,282,244.

Liquidity and financial resources

The Group shifted from its net liabilities attributable to shareholders of HK$9,044,429 as at 30 June 2007 to net assets attributable to shareholders of HK$55,586,051 as at 30 June 2008. The Group had total assets of HK$69,896,959 (2007: HK$13,788,272), an increase of HK$56,108,687 or 4.1 times as compared with that at the beginning of the year. Total non-current assets were HK$10,970,652 (2007: HK$11,809,824), representing a decrease of 7.1% as compared with that at the beginning of the year and accounting for 15.7% of total assets. Total current assets of the Group were HK$58,926,307 (2007: 1,978,448), representing an increase of 28.8 times as compared with that at the beginning of the year and accounting for 84.3% of total assets.

As at 30 June 2008, total liabilities of the Group were HK$14,310,908 (2007: HK$22,832,701), representing a decrease of HK$8,521,793 or 37.3% as compared with that at the beginning of the year. Total current liabilities were HK$14,310,908 (2007: HK$19,260,425), representing a decrease of HK$4,949,517 as compared with that at the beginning of the year. Total non-current liabilities were HK$ Nil (2007: HK$3,572,276), representing a decrease of HK$3,572,276 as compared with that at the beginning of the year.

The Group shifted from its total net current liabilities of HK$17,281,977 as at 30 June 2007 to total net current assets of HK$44,615,399 as at 30 June 2008.

As at 30 June 2008, the cash and bank balances of the Group were HK$48,189,700 (2007: HK$260,804).

For the year ended 30 June 2008, the Group mainly financed its operations with internally generated resources and loans from a director. Following the issue of Subscription Shares on 18 June 2008, the Company recorded a cash inflow of HK$49,000,000. The directors believe that the Group will have a sound and strong financial position as well as sufficient resources for meeting its working capital requirements.

As at 30 June 2008, the Group did not have any banking facilities.

Gearing ratio

As at 30 June 2008, the Group's gearing ratio, expressed as a ratio of total borrowings (comprising loans from a director, substantial shareholders and a related company of the Company) to total assets, was 0% (2007: 113.9%). The improvement in gearing ratio was mainly attributable to the completion of the Resumption Proposal.

Capital Structure

After the completion of the Resumption Proposal (involving, among other things, the Subscription, the Capitalisation, the Share Consolidation and the Franchise Agreement) (as defined in the Company's announcement dated 11 April 2008), the Company issued 245,000,000 Subscription Shares of par value of HK$0.10 each to the Offeror, Queensbury Global Limited, at an aggregate consideration of HK$49,000,000 and 88,000,000 Capitalisation Shares of par value of HK$0.10 each to a director, Ms. Ivy Chan, in consideration for the capitalization of the loans due from the Company to Ms. Ivy Chan of HK$17,600,000 on 18 June 2008. Also, Share Consolidation of every 10 issued and unissued ordinary shares of HK$0.01 each into one ordinary share of HK$0.10 each in the share capital of the Company was effective on 18 June 2008.

The cash and cash equivalents of the Group are mainly denominated in Hong Kong dollars.

Business Review

During the year under review, the turnover of the Group amounted to HK$16,173,772 representing an 254.8% increase from HK$4,558,311 in last year. Such increase was mainly contributed by improved performance in product distribution and beauty care services in Hong Kong and the PRC. The management believes that the retail market including the beauty care segment continued to benefit from the strong and sustained economic growth of the region, growing number of visitor arrivals and stronger consumer spending largely due to the joint efforts between Beijing Tourism Administration and Hong Kong Tourism Board to promote Olympic travel in the two cities.

During the year under review, with the successful opening of spa centre at AquaMarine and Hampton Place, the Group was given the opportunity to manage the third spa center at Long Beach, another luxurious residential apartment complex developed by Hang Lung Properties Limited in West Kowloon. The Long Beach spa center is scheduled to open in the second half of year 2008.

During the year under review, the Group continued to underpin its distributorship business and its marketing and promotional support to distributors. As part of its continuing marketing and promotional efforts, in March 2008, the Group in conjunction with the PRC distributor participated as exhibitor in Guangzhou International Beauty & Cosmetic Import-Export Expo Spring '08, one of the most influential beauty trade events in China, held at China Import and Export Fair LiuHua Complex in Guangzhou.

Following the successful operation of Blu Spa cosmetic sales counters in department stores in major cities in the PRC, the PRC distributor continued to strengthen its retail network by opening 5 cosmetic sales counters in ITAT in Shenzhen. In addition to the opening of an 8,000 sq. ft. image store/spa center at Beijing Chateau de Luze Hotel in the month of January 2008, a 20,000 sq. ft. image store/spa centre/ beauty academy was opened at the Mayfair Hotel in Tianjin Economic – Technological Development Area (TEDA) in the month of April 2008 under the management of the PRC distributor.

PROSPECTS

The Group will continue to dedicate its efforts to research and development and timely debut of new botanical beauty care products such as the "Crystal line", a newly designed and formulated Blu Spa face care product line featuring crystal-like packaging which was launched during the year under review. The Group believes that new product introduction on a timely basis will help foster customer's loyalty and maintain its market share in the beauty care industry.

The successful operation of the spa centre at AquaMarine and Hampton Place presented the Group new spa facility management right at respectively Long Beach, another luxurious residential apartment complex developed by Hang Lung Properties Limited in West Kowloon and Cosmopolitan Hotel Hong Kong (麗都酒店), a four-star hotel located in the commercial district of Wan Chai, both spa centres are scheduled to open in the second half of 2008. Ongoing negotiations with other estate management for spa facility management right in high-end residential estates are expected to build up the Group's spa management service portfolio. In addition to spa management, the Group is actively sourcing additional spa outlets in Hong Kong Island and Kowloon to meet the growing consumer needs for top quality spa treatments and services. Meanwhile, the Group is also seeking new opportunities to open sales counter in leading department stores in Hong Kong in the first half of 2009. The Group believes that opening sales counter in leading department stores will help promote its corporate image and gain its market presence.

Encouraged by the high turnout of guests visiting Blu Spa booth in Cosmoprof Asia 2007 and Guangzhou International Beauty & Cosmetic Import-Export Expo Spring '08, the Group will in conjunction with the PRC distributor participate in the forthcoming Guangzhou International Beauty & Cosmetic Import-Export Expo Autumn '08, the most comprehensive beauty trade show in China to be held at Pazhou Complex in Guangzhou in September 2008. The Group perceives these international and regional beauty industry events as a platform that allows the Group to efficiently and cost effectively promote market recognition of Blu Spa brand, products and services.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 30 June 2008.

CORPORATE GOVERNANCE

For the year ended 30 June 2008, the Group had been in compliance with most of the provisions of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules, save as the deviations discussed below. The Company adopted the code provisions set out in the Code on Corporate Governance Practices as its own code of corporate governance practices.

According to Code Provision A.4.1, non-executive directors must be appointed for a specific term and subject to re-election. The existing non-executive Directors of the Company do not have specific terms of appointment. However, pursuant to the Bye-laws of the Company, all Directors of the Company (including executive and non-executive Directors) (except the Chairman of the Company) shall be subject to retirement by rotation in every annual general meeting.

According to Code Provision A.4.2, every director is subject to retirement by rotation at least once every three years. Pursuant to the Bye-laws of the Company, at each annual general meeting, one-third of the directors must retire. Notwithstanding any requirements of that provision, the Chairman of the Company is not subject to retirement by rotation or taken into account in determining the number of Directors to retire. During the year under review, Mr. Wu Wenzhi was once the Chairman and executive Director of the Company. On 8 August 2007, Mr. Wu Wenzhi resigned as the Chairman and executive Director of the Company, Ms. Ivy Chan, the executive Director and Chief Executive Officer of the Company, then took up the duty of Chairman. On 1 August 2008, Mr. Cheung Tsun Hin, Samson was appointed as executive Director and also Chairman of the Company in place of Ms. Ivy Chan. As Mr. Cheung Tsun Hin, Samson, the Chairman and executive Director of the Company, is responsible for market development of the Group, the Board believes that continuity is the key to implementing the long-term business plans successfully, and that with the Chairman continuing in office, it can provide the Group with strong and consistent leadership, thus long-term business strategies can be planned and implemented more effectively. The Board is of the view that the Chairman of the Company should not be subject to retirement by rotation.

According to Code Provision A.2.1, the roles of the chairman and the chief executive shall be separate, and shall not be undertaken by the same individual. On 8 August 2007, Mr. Wu Wenzhi resigned as the Chairman and executive Director of the Company, Ms. Ivy Chan, the executive Director and Chief Executive Officer of the Company, then took up the duty of Chairman. On 24 June 2008, Ms. Samantha Keung was appointed as Chief Executive Officer of the Company in place of Ms. Ivy Chan. During the year under review, Ms. Ivy Chan, the executive Director of the Company, was the Chairman and Chief Executive Officer of the Company for the period from 8 August 2007 to 24 June 2008. As Ms. Ivy Chan is one of the founders and responsible for market development of the Group, the Board considers that it is in the best interests of the Company and its shareholders for Ms. Ivy Chan to fill the vacancy of Chairman.

AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company established an audit committee (the "Audit Committee") on 10 December 2001 with written terms of reference which precisely specifies its powers and duties. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The Audit Committee currently comprises three INEDs, namely, Mr. Chan Sze Hon, Mr. Lam Wai Pong and Mr. Yeung Mario Bercasio. Mr. Chan Sze Hon is the Chairman of the Audit Committee.

The Group's annual results for the year ended 30 June 2008 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") on 30 March 2005 with written terms of reference. The Remuneration Committee currently comprises three INEDs of the Company, namely, Mr. Chan Sze Hon, Mr. Lam Wai Pong and Mr. Yeung Mario Bercasio. Mr. Chan Sze Hon is the Chairman of the Remuneration Committee.

By order of the Board of
Blu Spa Holdings Limited
Cheung Tsun Hin, Samson
Chairman

Hong Kong, 19 September 2008

Executive Directors:
Mr. Cheung Tsun Hin, Samson
Ms. Chan Choi Har, Ivy

Non-Executive Directors:
Mr. Chan Shun Kuen, Eric

Independent Non-Executive Directors:
Mr. Chan Sze Hon
Mr. Lam Wai Pong
Mr. Yeung Mario Bercasio

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from the day of its posting.