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 2009

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

This announcement, for which the directors of Blu Spa Holdings Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 aspects 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 2009 was HK$49,294,137, representing an increase of HK$33,120,365 or 2.0 times as compared to the turnover of the Group of HK$16,173,772 for the previous year.

- Net profit for the year ended 30 June 2009 was HK$11,413,618 as compared to net profit of HK$1,282,244 for the previous year.

- Basic earnings per share for the year ended 30 June 2009 was HK2.80 cents as compared to basic earnings per share of HK1.77 cents for the previous year.

- The directors do not recommend the payment of any final dividend for the year ended 30 June 2009.

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 2009 together with the comparative figures for the corresponding year in 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	NOTES	**2009** **HK$**	2008 HK$
TURNOVER	*3*	**49,294,137**	16,173,772
COST OF SALES		**(17,153,101)**	(8,349,841)
Gross profit		**32,141,036**	7,823,931
Other revenue		**255,922**	18,441
Distribution costs		**(7,952,828)**	(483,916)
Administrative expenses		**(13,030,512)**	(5,503,955)
Finance costs	*4*	**–**	(572,097)
Profit before taxation		**11,413,618**	1,282,404
Taxation	*5*	**–**	(160)
Profit for the year	*6*	**11,413,618**	1,282,244
Dividends	*7*	**–**	–
		HK cents	*HK cents*
Earnings per share			
Basic	*8*	**2.80**	1.77
Diluted	*8*	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 30 June 2009

	NOTES	2009 HK$	2008 HK$
Non-current assets			
Intangible assets		**9,360,000**	10,296,000
Property, plant and equipment		**1,418,240**	674,652
		10,778,240	10,970,652
Current assets			
Inventories		**169,140**	50,436
Trade receivables	*10*	**45,031,120**	9,630,501
Deposits, prepayment and other receivables		**19,456,039**	1,055,670
Deposit paid for purchase of inventories		**12,420,600**	–
Bank balances and cash		**1,116,547**	48,189,700
		78,193,446	58,926,307
Current liabilities			
Deposits from customers		**1,724,514**	1,385,398
Accruals and other payables		**2,655,282**	7,752,385
Amounts due to directors	*11*	**7,674**	651,795
Amounts due to a related company	*12*	**2,404,457**	4,516,630
Amounts due to a related party	*12*	**47,837**	–
Provision for taxation		**4,691**	4,700
		6,844,455	14,310,908
Net current assets		**71,348,991**	44,615,399
Total net assets		**82,127,231**	55,586,051
Capital and reserves			
Share capital		**47,240,000**	39,368,000
Reserves	*9*	**34,887,231**	16,218,051
		82,127,231	55,586,051

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

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 address of the registered office of the Company is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY-1111, Cayman Islands. The address of the principal place of business of the Company is Room 2303, 23/F., World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong.

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. APPLICATION 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 standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's accounting periods beginning on 1 July 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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 standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellation[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Revised)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC)– Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)– Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)– Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC)– Int 18	Transfers of Assets from Customers[6]

[1] *Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*

[2] *Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate*

[3] *Effective for annual periods beginning on or after 1 January 2009*

[4] *Effective for annual periods beginning on or after 1 July 2009*

[5] *Effective for annual periods beginning on or after 1 October 2008*

[6] *Effective for transfers on or after 1 July 2009*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures, and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies. The directors of the Company have commenced considering the potential impact of the other new and revised standards, amendments or interpretations but not yet in a position to determine whether they would have a significant impact on how its results and financial position are prepared and presented.

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 2009					
TURNOVER					
External sales					
– Sales of products	**41,134,141**	**130,871**	**–**	**–**	**41,265,012**
– Royalty fee income	**4,109,046**	**–**	**–**	**–**	**4,109,046**
– Therapy services	**–**	**1,920,079**	**–**	**–**	**1,920,079**
– Provision of training courses	**2,000,000**	**–**	**–**	**–**	**2,000,000**
Total revenue	**47,243,187**	**2,050,950**	**–**	**–**	**49,294,137**
RESULT					
Segment result	**35,973,884**	**(3,832,848)**	**–**	**–**	**32,141,036**
Unallocated corporate incomes					**255,742**
Unallocated corporate expenses					**(20,983,340)**
Interest income					**180**
Finance costs					**–**
Taxation					**–**
Profit for the year					**11,413,618**
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

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$*	**Consolidated** *HK$*
2009				
ASSETS				
Segment assets	**45,031,120**	**–**	**–**	**45,031,120**
Unallocated corporate assets				**43,940,566**
Consolidated total assets				**88,971,686**
LIABILITIES				
Segment liabilities	**–**	**(1,724,514)**	**–**	**(1,724,514)**
Unallocated corporate liabilities				**(5,119,941)**
Consolidated total liabilities				**(6,844,455)**
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)

GEOGRAPHICAL SEGMENT	**PRC**	**Hong Kong**	**Others**	**Consolidated**
	HK$	*HK$*	*HK$*	*HK$*
2009				
ASSETS				
Segment assets	**44,964,883**	**65,320**	**917**	**45,031,120**
Unallocated corporate assets				**43,940,566**
Consolidated total assets				**88,971,686**
LIABILITIES				
Segment liabilities	**–**	**(1,724,514)**	**–**	**(1,724,514)**
Unallocated corporate liabilities				**(5,119,941)**
Consolidated total liabilities				**(6,844,455)**
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)

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 location of 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 property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2009	2008	**2009**	2008
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**44,005,886**	59,923,718	**1,074,192**	283,358
PRC	**44,964,883**	9,972,324	**–**	–
Others	**917**	917	**–**	–
	88,971,686	69,896,959	**1,074,192**	283,358

4. FINANCE COSTS

	2009	2008
	HK$	*HK$*
Interest on:		
Loan from shareholders and a director	**–**	571,211
Interest on obligation under finance lease	**–**	886
	–	572,097

5. TAXATION

	2009	2008
	HK$	*HK$*
The charge comprises:		
Company and subsidiaries		
Current year profits tax – PRC	**–**	160
Deferred tax		
Current year	**–**	–
Taxation attributable to the Group	**–**	160

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 FOR THE YEAR

	2009	2008
	HK$	*HK$*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**3,122,750**	995
Other staff costs	**5,687,130**	3,380,250
Retirement benefit scheme contributions	**219,885**	147,057
Total staff costs	**9,029,765**	3,528,302
Amortisation of intangible assets	**936,000**	936,000
Auditors' remuneration	**200,000**	200,000
Depreciation	**330,604**	183,536
Written off of deposits and other receivables	**29,724**	–
And after crediting:		
Bank interest income	**180**	955
Written off of accruals and other payables	**254,946**	–
Provision for inventories written back	**30,984**	79,035

7. DIVIDENDS

No dividend was paid or proposed for the year ended 30 June 2009, nor has any dividend been proposed since the balance sheet date (2008: HK$Nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 30 June 2009 is based on the profit for the year of HK$11,413,618 (2008: HK$1,282,244) and the weighted average number of 407,698,630 (2008: 72,507,869) ordinary shares in issue during the year.

All outstanding share options were lapsed during the year, thus there are no dilutive shares for the year ended 30 June 2009. (2008: No diluted earnings per share for the year ended 30 June 2008 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. The directors consider that there is no potential dilutive shares in issue.)

9. RESERVES

	Share premium *HK$*	Merger difference *HK$*	Translation reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
THE GROUP					
At 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 and 1 July 2008	49,785,364	22,734,577	(6,288)	(56,295,602)	16,218,051
Issue of new shares pursuant to the subscription agreements dated 27 April 2009	7,872,000	–	–	–	7,872,000
Transactions costs attributable to issue of new shares	(597,580)	–	–	–	(597,580)
Exchange differences arising from translation of operations outside of Hong Kong	–	–	(18,858)	–	(18,858)
Profit for the year	–	–	–	11,413,618	11,413,618
At 30 June 2009	**57,059,784**	**22,734,577**	**(25,146)**	**(44,881,984)**	**34,887,231**

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:

	2009	2008
	HK$	*HK$*
Aged:		
0-60 days	**16,397,520**	5,773,211
61-120 days	**10,484,296**	1,650,961
121-180 days	**5,023,040**	664,573
181-365 days	**13,126,264**	1,541,756
Over 365 days	**47,963**	47,963
	45,079,083	9,678,464
Provision for doubtful debts	**(47,963)**	(47,963)
	45,031,120	9,630,501

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

An amount of HK$44,859,051 (2008: HK$9,562,212) included in trade receivables were due from the sole PRC distributor, Beauty Concept. Such trade receivable represented approximately 54.6% (2008: 17.2%) of the total net asset value. Such trade receivable is unsecured, interest-free and with credit terms of 120 days. The amount primarily arose from the Group's sales of products, royalty fee income and provision of training course.

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 2009, trade receivables over 120 days amounted to HK$18,149,304 (2008: HK$2,206,329) were past due but not impaired.

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

	2009	2008
	HK$	*HK$*
Balance at the beginning of the year	**47,963**	47,963
Impairment losses recognised on trade receivables	**–**	–
Balance at the end of the year	**47,963**	47,963

11. AMOUNTS DUE TO DIRECTORS

As at 30 June 2009, the amounts due to Directors are HK$7,674 (2008: HK$651,795, part of which bears interest at Hong Kong Dollar prime lending rate quoted by The Hong Kong and Shanghai Banking Corporation Limited), which are non-interest bearing, unsecured and repayable on demand.

12. AMOUNTS DUE TO A RELATED COMPANY/A RELATED PARTY

As at 30 June 2009, the amount due to a related company, the controlling shareholder of which is the chief executive officer of the Company, amounted to HK$2,404,457 (2008: HK$4,516,630) is unsecured, non-interest bearing and repayable upon demand.

At 30 June 2009, the amount due to a related party who is the chief executive officer of the Company, amounted to HK$47,837 (2008: Nil) is unsecured, non-interest bearing and repayable upon demand.

The Directors consider that the carrying amounts approximate 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**	**2009** *HK$*	2008 *HK$*
Balance at 30 June 2009:				
Garrick International Limited (“Garrick”)	*(iii)*	Purchases of products and expenses paid on behalf	**(2,404,458)**	(4,516,630)
Garrick	*(iii)*	Deposit paid for purchase of inventories	**3,000,000**	–
Ms. Keung Wai Fun, Samantha	*(iii)*	Expenses claimed to be reimbursed	**(47,837)**	–
Ms. Chan Choi Har, Ivy	*(ii)*	Expenses claimed to be reimbursed	**(6,230)**	(651,795)
Mr. Cheung Tsun Hin, Samson	*(iv)*	Expenses claimed to be reimbursed	**(1,444)**	–
Transactions arose in the ordinary course of the Group’s business:				
Mr. Cheung Tsun Hin, Samson	*(iv)*	Salary	**360,000**	–
	(iv)	Director fee	**110,000**	–
			470,000	–
Ms. Chan Choi Har, Ivy	*(i)*	Interest expense on loan	**–**	571,211
	(i)	Salary	**1,200,000**	–
	(i)	Director fee	**110,000**	–
			1,310,000	571,211
Ms. Keung Wai Fun, Samantha	*(iii)*	Salary	**1,200,000**	1,170,000
Garrick	*(iii)*	Purchases of products	**8,749,716**	3,878,927
Garrick	*(iii)*	Purchases of equipment	**148,048**	–
Garrick	*(iii)*	Purchases of finance lease	**–**	20,866

Compensation for key management personnel

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

	THE GROUP	
	2009	2008
	HK$	*HK$*
Short-term employee benefits	**3,324,500**	720,000

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. For the year ended 30 June 2008, 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. Garrick has signed the contract of purchasing machine on behalf of the Group, amounting to HK$120,000 under finance lease. Garrick has paid an amount of HK$20,866 including interest of HK$866 on behalf of the Group during the year ended 30 June 2008. Also, the Group purchased products at arm's length from Garrick during the year ended 30 June 2008 .

    As at 30 June 2009, an amount of HK$3,000,000 was deposit paid to Garrick to purchase of inventories on behalf of the Group.

iv. Mr. Cheung Tsun Hin, Samson is the director of Blu Spa Holdings Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

For the year ended 30 June 2009, the Group recorded a turnover of HK$49,294,137, representing an increase of 2.0 times as compared to last year (2008: HK$16,173,772). This significant increase in turnover was mainly attributable to growth in product distribution and beauty care services in Hong Kong and the PRC.

The Group’s gross profit for the year ended 30 June 2009 was HK$32,141,036, representing an increase of 3.1 times as compared to last year (2008: HK$7,823,931) which was mainly attributable to increased product distribution for the year.

The Group’s distribution costs for the year ended 30 June 2009 was HK$7,952,828, representing an increase of 15.4 times as compared to last year (2008: HK$483,916). The increase in distribution costs was mainly attributable to increased promotion expenses incurred for exhibitions in China to promote the Company's brand and its beauty products during the Year Under Review.

The Group’s administrative expense for the year ended 30 June 2009 was HK$13,030,512, representing an increase of 1.4 times as compared to last year (2008: HK$5,503,955). The increase in administrative expense was mainly attributable to increased payments of staff costs, directors’ remuneration and licence costs.

No finance cost was incurred for the year ended 30 June 2009 (2008: HK$572,097) as all directors’ and shareholders’ loans were repaid as at last year end date.

The Group had profit attributable to shareholders of the Company of HK$11,413,618 for the year ended 30 June 2009 representing an increase of 7.9 times as compared to last year (2008: HK$1,282,244).

Liquidity and financial resources

As at 30 June 2009, the equity attributable to equity holders of the Company amounted to HK$82,127,231, representing an increase of HK$26,541,180 or approximately 47.7% from previous year.

As at 30 June 2009, current ratio of the Group was 11.4 (2008: 4.1).

As at 30 June 2009, the cash and bank balances of the Group were HK$1,116,547 (2008: HK$48,189,700).

For the year ended 30 June 2009, the Group mainly financed its operations with internally generated resources and from the issuance of 245,000,000 Subscription Shares and 78,720,000 Subscription Shares on 18 June 2008 and 29 May 2009 respectively, generating net proceeds of approximately HK$45,745,230 and HK$15,146,420 respectively.

As at 30 June 2009, the Group did not have any banking facilities.

Gearing ratio

As at 30 June 2009, the Group's gearing ratio, expressed as a ratio of total borrowings to total assets, was 0% (2008: 0%).

Capital structure

On 27 April 2009, the Company entered into three separate Subscription Agreements. Pursuant to the Subscription Agreements, the Company issued 78,720,000 Subscription Shares all at the Subscription Price of HK$0.20 per Share on 29 May 2009. The 78,720,000 Subscription Shares represent approximately 20.0% of the issued share capital of the Company at the date of issue and approximately 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares respectively. The gross proceeds from the Subscription Shares is approximately HK$15,744,000 and the net proceeds (after deduction of related expenses payable by the Company) is approximately HK$15,146,420, which is used as the Group's general working capital.

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$49,294,137, representing an increase of 2.0 times as compared to last year (2008: HK$16,173,772). This significant increase in turnover was attributed to the continuing efforts of the Group in improving its product distribution, customer service and beauty care services in Hong Kong and the PRC. Notwithstanding the slow economic recovery of the region during this period, the Group's business performance was reasonably satisfactory.

While the Hong Kong was experiencing its economic slowdown in retail industry, during the Year Under Review, the Group opened its first cosmetic sales and spa service counter in Harvey Nichols with the aim to enhance its corporate image, tap into the upscale beauty care industry and promote its market image by establishing a presence in central.

During the same period, the PRC distributor encouraged by the overall performance of Blu Spa cosmetic sales counters in department stores in leading Chinese cities and image store/spa center in Beijing and Tianjin, continued to expand its distribution network in Northern China in key cities such as Harbin. At the same time, the PRC distributor further extended its distribution network via a newly established marketing channel of Li Ren Fang, one of the leading lady fashion chains based in Guangzhou. The Group is confident that such strategic business model has the potential of becoming a key contributor to the future business growth of the PRC distributor in the PRC market.

PROSPECTS

The Group is pleased to note its increasingly important role as a provider of high quality beauty care products and services as well as spa management services both in Hong Kong and Mainland China in light of the new challenges faced by the Asian region after the US-sub-prime economic meltdown. The Group considers these challenges as unique opportunities for businesses consolidation and operational streamlining.

For Hong Kong, following the successful opening of Blu Spa cosmetic sales and spa service counter in Harvey Nichols, the Group is actively seeking new opportunities to expand its distribution network through establishing cosmetic sales and spa service counters in leading department stores in Hong Kong during the second half of 2009. There are on-going negotiations with leading property developers in Hong Kong for additional spa facility management opportunity in high-end residential estates as well as hotels.

As regards the PRC, given the strong economic foundation of the China market and its rapid recovery from the global financial crisis, the Group's distributorship business in Mainland China will continue to be the key contributor to the Group's business growth. Encouraged the high turnout of visiting guests to Blu Spa booth in Spring 2009-exhibition. Jointly with the PRC distributor, the Group is planning to participate the Guangzhou International Beauty & Cosmetic Import-Export Expo Autumn 2009 as well as other trade exhibitions to be held in Shanghai and Beijing.

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 2009.

CORPORATE GOVERNANCE PRACTICES

For the year ended 30 June 2009, 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 annual general meetings.

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. On 1 August 2008, Mr. Cheung Tsun Hin, Samson was appointed as executive Director and also Chairman of the Company. 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 satisfied that the Chairman of the Company should not be subject to retirement by rotation.

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 2009 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
Blu Spa Holdings Limited
Cheung Tsun Hin, Samson
Chairman

Hong Kong, 25 September 2009

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

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

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

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