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)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 JUNE 2007

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 2007 was HK$4,058,311, representing an increase of HK$3,924,846, or 29.4 times as compared to the consolidated turnover of the Group of HK$133,465 for the previous year.

- The net loss for the year ended 30 June 2007 was HK$3,734,818, representing a decrease of loss of HK$1,193,146 or 24.2% as compared to the net loss of HK$4,927,964 for the previous year.

- Basic loss per share for the year ended 30 June 2007 improved 23.5% to HK0.62 cents.

- The directors do not recommend the payment of final dividend for the year ended 30 June 2007.

RESULTS

The board of directors (the "Board") is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 30 June 2007 together with the comparative figures for the corresponding year in 2006 as follows:

CONSOLIDATED INCOME STATEMENT

		2007	2006
	Notes	***HK$***	*HK$*
Turnover	*4*	**4,058,311**	133,465
Cost of sales		**(2,867,621)**	(25,669)
Gross profit		**1,190,690**	107,796
Other revenue		**539,644**	482,430
Distribution costs		**(24,379)**	–
Administrative expenses		**(4,702,588)**	(5,057,218)
Finance costs	*5*	**(737,196)**	(468,291)
Loss before taxation		**(3,733,829)**	(4,935,283)
Taxation	*6*	**(989)**	7,319
Loss for the year	*7*	**(3,734,818)**	(4,927,964)
Dividends	*8*	**–**	–
Loss per share, in HK cents	*9*	**(0.62)**	(0.81)

CONSOLIDATED BALANCE SHEET

	Notes	2007 HK$	2006 HK$
Non-current assets			
Intangible assets		**11,232,000**	12,168,000
Plant and equipment		**577,824**	706,281
		11,809,824	12,874,281
Current assets			
Inventories		**16,238**	5,932
Trade receivables	*12*	**1,144,231**	79,989
Deposits and other receivables		**557,175**	525,833
Bank balances and cash		**260,804**	70,377
		1,978,448	682,131
Current liabilities			
Deposit received		**676,458**	96,003
Accruals and other payables		**5,816,744**	4,279,835
Amounts due to directors	*13*	**10,576,161**	2,811,981
Amounts due to shareholders	*14*	**1,550,000**	5,400,000
Amounts due to related companies	*15*	**616,817**	2,593,411
Obligation under finance lease		**20,000**	80,000
Provision for taxation		**4,245**	3,901
		19,260,425	15,265,131
Net current liabilities		**(17,281,977)**	(14,583,000)
Total assets less current liabilities		**(5,472,153)**	(1,708,719)
Non-current liabilities			
Amounts due to shareholders	*14*	**3,572,276**	3,572,276
Obligation under finance lease		**–**	20,000
Deferred tax liabilities		**–**	–
		3,572,276	3,592,276
Net liabilities		**(9,044,429)**	(5,300,995)
Capital and reserves			
Share capital		**6,068,000**	6,068,000
Reserves	*11*	**(15,112,429)**	(11,368,995)
		(9,044,429)	(5,300,995)

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.

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, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. 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 standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 23 (Revised)	Borrowing Costs [2]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating Segments [2]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment [3]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions [4]
HK(IFRIC) – Int 12	Service Concession Arrangements [5]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 November 2006.
[4] Effective for annual periods beginning on or after 1 March 2007.
[5] Effective for annual periods beginning on or after 1 January 2008.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group incurred a loss attributable to the shareholders of HK$3,734,818 for the year ended 30 June 2007. In addition, the Group had net current liabilities and net liabilities of HK$17,281,977 and HK$9,044,429, respectively, as at 30 June 2007. Notwithstanding this, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern. In the opinion of the Directors, the Group will have sufficient working capital to continue its operations in the coming year, after taking into consideration of the following:

(a) The Group has been undergoing serious negotiations with interested investors for new equity to be introduced to the Group;

(b) The Group has been taking ongoing action to tighten cost controls over various general and administrative expenses;

(c) The Group will continue to promote and sell its products through selected distributors. At present, the Group engaged distributors for Hong Kong, the PRC and Taiwan markets respectively. The Group will continue to identify and negotiate with other prospective distributors in the Southeast Asia market;

(d) The Group will continue to negotiate to set up more spa centers in the club house of prestige residential developments in Hong Kong.

In the opinion of the Directors, in light of the measures taken to date and on the basis of the above-mentioned assumptions, the Group would have sufficient working capital to finance its operation to maintain its operating existence in the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to prepare the accounts on a going concern basis.

The financial statements have not incorporated any adjustments for the possible failure of the Group to implement the aforesaid measures. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The consequential effects of these potential adjustments have not been reflected in the financial statements as at 30 June 2007.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Turnover and contribution to operating results and assets and liabilities by business segment has not been prepared as all the Group's turnover, assets and liabilities was derived from the development, distribution and marketing of personal care treatment products.

Geographical segments

An analysis of the Group's turnover and contribution to operating results and segment assets and liabilities by geographical market is 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 2007					
TURNOVER					
External sales					
– Distributorship	**3,255,815**	**353,766**	**12,612**	**–**	**3,622,193**
– Retailing and therapy services	**–**	**436,118**	**–**	**–**	**436,118**
Inter-segment sales	**47,877**	**–**	**–**	**(47,877)**	**–**
Total revenue	**3,303,692**	**789,884**	**12,612**	**(47,877)**	**4,058,311**

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

RESULT					
Segment result	**2,772,527**	**(1,592,130)**	**10,293**	**–**	**1,190,690**
Unallocated corporate incomes					**539,005**
Unallocated corporate expenses					**(4,726,967)**
Interest income					**639**
Loss from operations					**(2,996,633)**
Finance costs					**(737,196)**
Taxation					**(989)**
Loss for the year					**(3,734,818)**
Assets and liabilities at 30 June 2007					
ASSETS					
Segment assets	**–**	**1,144,231**	**–**	**–**	**1,144,231**
Unallocated total assets					**12,644,041**
Consolidated total assets					**13,788,272**
LIABILITIES					
Segment liabilities					**–**
Unallocated corporate liabilities					**(22,832,701)**
Consolidated total liabilities					**(22,832,701)**

	The People's Republic of China ("PRC") *HK$*	Hong Kong *HK$*	Others *HK$*	Elimination *HK$*	Consolidated *HK$*
For the year ended 30 June 2006					
TURNOVER					
External sales					
– Distributorship	59,227	22,290	8,798	–	90,315
– Retailing	–	43,150	–	–	43,150
Inter-segment sales	–	9,500	–	(9,500)	–
Total revenue	59,227	74,940	8,798	(9,500)	133,465

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	48,288	57,704	1,804	–	107,796
Unallocated corporate incomes					481,867
Unallocated corporate expenses					(5,057,218)
Interest income					563
Operating loss					(4,466,992)
Interest expense					(468,291)
Taxation					7,319
Loss for the year					(4,927,964)
Assets and liabilities at 30 June 2006					
ASSETS					
Segment assets	–	79,989	–	–	79,989
Unallocated total assets					13,476,423
Consolidated total assets					13,556,412
LIABILITIES					
Segment liabilities					–
Unallocated corporate liabilities					(18,857,407)
Consolidated total liabilities					(18,857,407)

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**	
	2007	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**13,748,054**	13,494,706	**48,700**	684,370
PRC	**40,218**	61,706	**–**	–
	13,788,272	13,556,412	**48,700**	684,370

5. FINANCE COSTS

	2007	2006
	HK$	*HK$*
Interest on:		
Loan from shareholders and Directors *(Note 10)*	**733,652**	467,387
Interest on obligation under finance lease	**3,544**	886
Others	**–**	18
	737,196	468,291

6. TAXATION

	2007	2006
	HK$	*HK$*
The charge (credit) comprises:		
Company and subsidiaries		
Current year profits tax – PRC	**989**	681
Deferred tax		
Credit of current year	**–**	(8,000)
Taxation attributable to the Group	**989**	(7,319)

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

The charge for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2007	2006
	HK$	*HK$*
Loss before taxation	**(3,733,829)**	(4,935,283)
Tax at applicable rate	**(653,420)**	(863,675)
Tax effect of non-deductible expenses	**401,646**	400,882
Tax effect of non-taxable revenues	**(97,516)**	1,678
Tax effect on temporary differences not recognised	**20,831**	(15,102)
Effect of different tax rate of subsidiary in other jurisdiction	**(3,589)**	42,915
Tax effect of tax losses not recognised	**333,037**	433,983
Tax charge for the year	**989**	681

At the balance sheet date, the Group has unused estimated tax losses of HK$31,403,584 (2006: HK$29,505,676) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams.

7. LOSS FOR THE YEAR

	2007	2006
	HK$	*HK$*
Loss for the year has been arrived at after charging:		
Directors' remuneration	**10,000**	32,500
Other staff costs	**2,549,805**	717,293
Retirement benefit scheme contributions	**88,664**	30,083
Total staff costs	**2,648,469**	779,876
Amortisation of intangible assets included in administrative expenses	**936,000**	1,142,191
Auditors' remuneration	**100,000**	101,923
Depreciation	**177,541**	177,150
Written off of fixed assets	**–**	442,197
Allowance for inventory	**–**	627,419
Written off of intangible assets	**–**	148,797
And after crediting:		
Bank interest income	**639**	563

8. DIVIDENDS

No dividend was paid or proposed for the year ended 30 June 2007, nor has any dividend been proposed since the balance sheet date (2006: HK$ nil).

9. LOSS PER SHARE

The calculation of the basic loss per share for the year ended 30 June 2007 is based on the loss for the year of HK$3,734,818 (2006: HK$4,927,964) and on the 606,800,000 (2006: 606,800,000) shares in issue during the year.

No diluted loss per share for the year ended 30 June 2007 and 2006 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.

10. RELATED PARTY TRANSACTIONS

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

Name of party	*Notes*	**Nature of transactions**	**2007** ***HK$***	2006 *HK$*
Ms. Chan Choi Har, Ivy	*(i)*	Loan from a director	**10,576,161**	2,535,391
Profit Trick Holdings Limited	*(i)*	Loan from shareholders	**1,550,000**	1,550,000
Rocket High Investments Limited	*(i)*	Loan from shareholders	**–**	3,850,000
Garrick International Limited	*(ii)*	Rental payment	**–**	71,089
Garrick International Limited	*(ii)*	Purchases of products	**515,659**	13,008
Garrick International Limited	*(ii)*	Provision of finance lease	**83,544**	20,886

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, the Group had not paid any interest for the loan from shareholders and a director but the Group has accrued interest for the loan from Ms. Chan Choi Har, Ivy, Profit Trick Holdings Limited and Rocket High Investments Limited in amount of HK$336,249, HK$123,999 and HK$273,403 respectively.

ii. Ms Keung Wai Fun, Samantha, who is the chief executive officer of Blu Spa (Hong Kong) 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$83,544 including interest of HK$3,544 on behalf of the Group during the year.

In addition, the Group had certain balances with its shareholders and related company, details of these are set out in notes 14, and 15 respectively.

11. RESERVES

	Share premium *HK$*	Merger difference *HK$*	Translation reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
THE GROUP					
At 1 July 2005	19,740,134	22,734,577	(7,746)	(48,915,064)	(6,448,099)
Exchange differences arising from translation of operations outside Hong Kong	–	–	7,068	–	7,068
Loss for the year	–	–	–	(4,927,964)	(4,927,964)
At 30 June 2006 and 1 July 2007	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	**19,740,134**	**22,734,577**	**(9,294)**	**(57,577,846)**	**(15,112,429)**

12. TRADE RECEIVABLES

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

	THE GROUP	
	2007	2006
	HK$	*HK$*
Aged:		
0-60 days	**779,662**	18,446
61-120 days	**306,649**	2,257
Over 180 days	**57,920**	59,286
	1,144,231	79,989

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

13. AMOUNTS DUE TO DIRECTORS

As at 30 June 2007, the amounts due to Directors including an amount of HK$7,784,391 (2006: HK$2,535,391) which is repayable on demand and bear interest at Hong Kong Dollar prime lending rate quoted by The Hong Kong and Shanghai Banking Corporation Limited. The remaining balances are unsecured, non-interest bearing and repayable on demand.

14. AMOUNTS DUE TO SHAREHOLDERS

		THE GROUP	
		2007	2006
	Note	***HK$***	*HK$*
Current liabilities			
Profit Trick Holdings Limited	*2*	**1,550,000**	1,550,000
Rocket High Investments Limited	*2*	**–**	3,850,000
		1,550,000	5,400,000
Non-current liabilities			
XO-Holdings Limited	*1*	**3,572,276**	3,572,276
		5,122,276	8,972,276

Note:

1. As at 30 June 2007 and 2006 the amount due to a shareholder, XO-Holdings Limited, amounted to approximately HK$3,572,276, was unsecured and non-interest bearing.

   XO-Holdings Limited has undertaken to the Company that (i) it will not demand repayment of the amount due to it of HK$3,572,276 within one year from the listing of the shares of the Company on GEM; and (ii) it will not demand repayment of any outstanding amount due to it after one year from the date of listing of the shares of the Company on GEM unless the Group has positive cash flow from operations and retained earnings in a financial year and each of the independent non-executive Directors has given an opinion that such payment will not adversely affect the operations of the Group and the implementation of the business objectives of the Company as stated in the Prospectus.

   The directors considered the amount approximate to their fair value.

2. As at 30 June 2007, the amount due to Profit Trick Holdings Limited, being a substantial shareholder of the Company, is repayable on demand and bear interest at Hong Kong Dollar prime lending rate quoted by The Hong Kong and Shanghai Banking Corporation Limited. As at 30 June 2007, the amount due to Rocket High Investments Limited was assigned to a director of the Company.

15. AMOUNTS DUE TO RELATED COMPANIES

As at 30 June 2007, the amount due to a related company, the controlling shareholder of which is the chief executive of a subsidiary of the Group, amounted to HK$616,817 (2006: HK$93,411) is unsecured, non-interest bearing and repayable upon demand. As at 30 June 2007, the amount of HK$2,500,000 (2006: HK$2,500,000) represented a loan from a related company, which has a common shareholder with Rocket High Investments Limited, a substantial shareholder of the Company, was assigned to a director of the Company.

MODIFIED OPINION

Fundamental uncertainty relating to the going concern basis of the Group

In forming the auditors' opinion, the auditors have considered the adequacy of the disclosures made in note 3 of the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As at 30 June 2007, the Group had net current liabilities and net liabilities of HK$17,281,977 and HK$9,044,429 , respectively. The Group also incurred a loss attributable to the shareholders of HK$3,734,818 for the year ended 30 June 2007. The Group's financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available to meet its debts as and when they fall due in the foreseeable future. The financial statements do not include any adjustments that would result from the failure of such funding. We consider that appropriate estimates and disclosures have been made in the financial statements and the auditors' opinion is not qualified in this respect.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Results

For the year ended 30 June 2007, the Group recorded a turnover of HK$4,058,311, representing an increase of 29.4 times as compared to last year (2006: HK$133,465). This significant increase in turnover was attributable to the Group's transition from retail business to distributorship business and re-deployment of its resources to the development of distributorship business pursuant to its revamped marketing strategy.

The Group's gross profit was HK$1,190,690 for the year ended 30 June 2007, representing an increase of 10 times as compared to last year (2006: HK$107,796).

Other revenue, which mainly comprised of incomes from beauty training courses in the PRC, earned by the Group for the year ended 30 June 2007 was HK$539,644, representing an increase of 11.3% as compared to last year (2006: HK$482,430).

The Group's administrative expense was HK$4,702,588 for the year ended 30 June 2007, representing a decrease of 7% as compared to last year (2006: HK$5,057,218).

The Group's finance cost was HK$737,196 for the year ended 30 June 2007, representing an increase of 57.4% as compared to last year (2006: HK$468,291) The increase in finance cost was due to the increase in directors' loans and Hong Kong Dollar prime lending rate. As at 30 June 2007, there were shareholders' and directors' loans of HK$9,334,391, which were interest bearing at Hong Kong Dollar prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time.

For the year ended 30 June 2007, the loss attributable to shareholders of the Group amounted to HK$3,734,818, representing a decrease of HK$1,193,146 as compared to last year (2006: HK$4,927,964).

Loan structure of the Group

	2007	2006
	HK$'000	*HK$'000*
Amounts due to directors *(Note 13)*	**10,576**	2,812
Profit Trick Holdings Limited *(Note 14)*	**1,550**	1,550
Rocket High Investments Limited *(Note 14)*	**–**	3,850
XO-Holdings Limited *(Note 14)*	**3,572**	3,572
Amount due to related companies *(Note 15)*	**617**	2,500
	16,315	14,284

Liquidity and financial resources

For the year ended 30 June 2007, the Group mainly financed its operations with internally generated resources, loans from directors and advances from substantial shareholders, namely, Profit Trick Holdings Limited and XO-Holdings Limited. As at 30 June 2007, the Group did not have any banking facilities.

As at 30 June 2007, there was a deficit in the shareholders' funds amounting to HK$9,044,429 (2006: HK$5,300,995). Current assets amounted to HK$1,978,448, of which HK$16,238 were inventories, HK$1,144,231 were trade receivables; HK$557,175 were deposits and other receivables and HK$260,804 were bank and cash balances. The Group's current liabilities amounted to HK$19,260,425 which comprised of accruals and other payables amounted to HK$5,816,744; amounts due to directors amounted to HK$10,576,161; amounts due to related companies amounted to HK$616,817; amounts due to shareholders amounted to HK$1,550,000; obligation under finance lease amounted to HK$20,000; provision for taxation amounted to HK$4,245 and deposit received amounted to HK$676,458.

Gearing ratio

As at 30 June 2007, the Group's gearing ratio, expressed as percentage of total borrowings (comprising amounts due to directors, shareholders and related companies of the Company) over total assets, was 118.3% (2006: 106.1%). The Directors believe that the gearing ratio is at a high level for the Group and the Group was actively seeking strategic investors to inject fresh funds to repay the loans and increase its cash position.

Business Review

In the year under review, the Group continued to concentrate its resources on distributorship business. The Directors believe that the strong and steady economic recovery in Hong Kong will drive the growth of the retail market, particularly, in the beauty care products and service segment. Given the relaxed travel policy applicable to the PRC tourists visiting Hong Kong, the number of visitor arrivals including group and individual travelers from the PRC continued to grow at a steady pace. The retail market had experienced a healthy growth attributable mainly to the stronger spending power of individual travelers as compared to group travelers.

By intensifying our brand building and promotional efforts in both Hong Kong and the PRC, the Group was able to attract potential distributors in the PRC, and South-east Asian region. The Group will continue to identify and actively seek prospective distributors in other key cities in the PRC such as Guangzhou,, Shanghai and Chengdu as well as in countries such as South Korea, Thailand, and Dubai.

During the year under review, the Group had been working closely with Chinese and overseas OEM manufacturers in anticipation of the debut of new designs and packaging of Blu Spa products with new or enhanced formulations. At the same time, the Group continued its effort in sourcing high quality botanical beauty care products, using its brand name to promote anti-aging, whitening, fabric mask, hydrating and purifying face care products, which are targeted for relaunch with new designs and packaging in the first quarter of 2008, while continuing its research and development of new and improved formulations for existing products, of which samples are at the testing stage. The Group further continued its research and development efforts on high quality new innovative skin care products and product quality enhancement. Following a prolonged screening process, the Group had shortlisted a small group of OEM manufacturers in Canada and packaging suppliers in the PRC to work with.

In March 2007, a spa centre, managed by the Group, was opened in the clubhouse premises of AquaMarine. AquaMarine comprising of luxurious residential complexes is developed by Hang Lung Properties Limited. The opening of the spa centre at the clubhouse premises of AquaMarine was an instant success and incoming bookings for spa treatments and therapies soon exceeded the spa centre's capacity. In consequence, all spa treatments and services had to be provided against at least 2-week advance booking. In view of the growing demand from the residents of AquaMarine, the Group reached an agreement with the estate management to enlarge the spa centre area in order to augment the spa service offerings and to maintain the level of quality service to the residents. In March, the Group entered into an agreement with Cobes International Co., Limited, pursuant to which Cobes was appointed as an exclusive agent of Blu Spa (Hong Kong) Limited (the "BSHK") to distribute Blu Spa products in the Duty Free shop of Cobes in the PRC. The Group is currently in the process of designing and developing a new line of cosmetic products that cater for Duty Free shop customers. In view of the growing demand of retail customers for after-office and week-end spa services, the Group opened a 1704 sq.ft. spa centre in Lan Kuai Fong, Central in June 2007. To facilitate efficient management and provide additional area for beauty training lessons, the spa services had been relocated from the Worldwide House to the Lan Kuai Fong spa centre. Following the opening of Blu Spa cosmetic sales counters in Shenyang and Chongqing respectively in the months of January and March 2007, the PRC distributor opened two additional cosmetic sales counters at Beijing Shin Kong Misukoshi (新光天地) department store and Beijing Sunlight department store (晨曦百貨) respectively in April 2007. In the same month, the PRC distributor opened its new office and spa centre in Century Plaza Hotel (新都酒店), Shenzhen. As part of the PRC Distributor's expansion programme Blu Spa cosmetic sales counters were opened in Yixing and Suzhou respectively in June 2007. As at 30 June 2007, the PRC Distributor had a total of seven retail outlets in Beijing, Shenzhen, Shenyang, Chongqing, Yixing and Suzhou respectively.

PROSPECTS

Given the robust and steady global economic recovery and the continuous economic growth in the PRC market, the Group is optimistic of its future prospects. Continuing efforts will be directed to developing and introducing new innovative botanical beauty care products and therapy/treatment services for the end users, brand building and advertisement designed to promote women new-age holistic lifestyle concepts and to introduce new innovative and prestigious botanical beauty care products and services to the consumers. The Group will continue to collaborate with local co-operative partners in co-branding joint promotional campaigns designed to promote market awareness of Blu Spa brand products and services.

In addition to continuous product promotions, the Group has directed its attention to customer service and support for both retails and wholesale customers. The Directors believe that the continuing opening of Blu Spa brand retail outlets in cities like Shenyang, Chongqing, Beijing, Shenzhen, Yixing, and Suzhou and additional cosmetic sales counters in other major cities in the PRC a show of confidence by the PRC Distributor in the Group's products and quality service on this regard, a spa centre and beauty academy, managed by the PRC distributor, is scheduled for opening at the Mayfair Hotel in Tianjin in November 2007. The Group is confident of its business prospects in the near future owing to the increasing attractions of Hong Kong, Macau and China attributable to the buoyant casino market in Macau, Hong Kong Disneyland, Hong Kong Ocean Park and 2008 Olympic Games in Beijing. The Group is optimistic of its future sustained and strong growth in the turnover. The Group will continue to look for distributors in Asia and overseas countries by participating in international and regional cosmetics exhibitions and trade shows such as Cosmoprof Asia.

The successful opening of the spa centre at AquaMarine has opened new business opportunities to the Group for managing additional spa centres at luxurious residential clubhouses of similar class such as the Hampton Place, a luxurious residential apartment project developed by Cheung Kong (Holding) Limited in West Kowloon, which is due to open in November 2007 under the Group's management. The Group is currently in negotiations with other estate management for spa facility management right in high-end residential estates. The Group is committed to provide premium quality beauty care products and services to the end users. The Group plans to introduce to the market new designs and packaging of Blu Spa products in the first quarter of 2008. With the introduction of the Beauteca skin care line, the Group is well positioned to support its distributors in developing new distribution channels such as Duty Free shops and cosmetic surgery clinics. In addition, the PRC Distributor is expected to manage spa centre at hotels and luxurious residential projects in major cities in the PRC as part of their ongoing efforts in developing new distribution channels for Blu Spa products and services. Given the on-going development mentioned above, the Directors are confident that the Group will realize stronger and better business performance in the coming future.

DISCLOSURE OF THE INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the interests and short positions of each Director and Chief Executive 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 are required to be entered in the register pursuant to section 352 of the SFO or interests or short positions which are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

A. Long position in shares

Name	Type of interests	Number of shares	Percentage of issued share capital
Chan Choi Har, Ivy	Corporate interest	110,657,870	18.24%

Note: These shares are held by XO-Holdings Limited. Chan Choi Har, Ivy is the beneficial owner as to 65% of the issued share capital of XO-Holdings Limited.

B. Short position in shares

No short position of Directors and Chief Executives in the shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Save as disclosed above, none of the Directors and the Chief Executive of the Company had any interests or short position in share capital of the Company or its associated corporations as at 30 June 2007. There were no debt securities issued by the Group during the year.

C. Share options

Options to subscribe for shares in the Company:

Name	Date of grant	Exercise price	Number of shares options outstanding as at 30 June 2007
		HK$	
Chan Choi Har, Ivy	30 January 2002	0.30	10,250,000

Note: 50% of the outstanding share options may be exercised at any time after the expiry of 12 months from the date of grant and the remaining 50% may be exercised at any time after 24 months from the date of grant, and in each case not later than 29 January 2012.

Save as disclosed above, as at 30 June 2007, the Directors are not aware of any Director and Chief Executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to the Division 7 and 8 of Part XV of the SFO, or will be required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company, or will be required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors and Chief Executive of the Company to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Share Option Schemes", at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors or their spouses or children under the age 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the register of substantial shareholders required to be maintained under Section 336 of the SFO showed that, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Long position in shares

Name of shareholders	Number of shares	Percentage of issued share capital
Chan Choi Har, Ivy *(Note 1)*	110,657,870	18.24%
XO-Holdings Limited *(Note 2)*	110,657,870	18.24%
Wah Hing Consultants Limited *(Notes 2 and 3)*	110,657,870	18.24%
Heung See Wai, Angela *(Note 3)*	110,657,870	18.24%
Rajewski, Natalie N. *(Note 4)*	84,099,330	13.86%
Eastpoint Resources Limited *(Note 4)*	84,099,330	13.86%
Well Arts Enterprises Limited *(Note 5)*	84,099,330	13.86%
Wai Suk Chong, Helena *(Note 6)*	107,132,600	17.66%
Profit Trick Holdings Limited *(Note 6)*	107,132,600	17.66%
David Chiu *(Note 7)*	146,151,360	24.09%
Rocket High Investments Limited *(Note 7)*	146,151,360	24.09%

Notes:

1. The interests of Chan Choi Har, Ivy in the Company comprise 18.24% shareholding interest through her 65% interest in XO-Holdings Limited.

2. These shares are held by XO-Holdings Limited which is beneficially owned as to 65% by Chan Choi Har, Ivy and as to 35% by Wah Hing Consultants Limited.

3. Wah Hing Consultants Limited is beneficially owned as to 100% by Heung See Wai, Angela.

4. These shares are held by Eastpoint Resources Limited, a company whose entire issued share capital is held by Well Arts Enterprises Limited in its capacity as trustee of the Eastpoint Trust, a discretionary trust, the discretionary objects of which include Rajewski, Natalie N. and certain of her family members.

5. Well Arts Enterprises Limited holds the entire issued share capital of Eastpoint Resources Limited in its capacity as trustee of the Eastpoint Trust, a discretionary trust and Well Arts Enterprises Limited is deemed to have an interest in the 84,099,330 shares in the Company in which Eastpoint Resources Limited is interested.

6. These shares are held by Profit Trick Holdings Limited. The entire issued share capital of Profit Trick Holdings Limited is beneficially owned by Wai Suk Chong, Helena.

7. These shares are held by Rocket High Investments Limited. The entire issued share capital of Rocket High Investments Limited is beneficially owned by David Chiu.

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more or any short positions in the issued share capital of the Company as at 30 June 2007.

SHARE OPTION SCHEMES

On 30 January 2002, the Company adopted the Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") and a new share option scheme (the "Scheme"), for the primary purpose of providing incentives or rewards to the directors and employees of the Group and to recognise the contribution of such eligible persons to the growth of the Group, and will expire on 29 January 2012. No options had been granted under the Pre-IPO Scheme and the Scheme during the year.

SHARE OPTIONS

(1) Pre-IPO Share Option Scheme

Under the Pre-IPO Scheme, the Board may grant options to directors and employees of the Company or any subsidiaries, to subscribe for shares in the Company at any time upon the adoption date of the Pre-IPO Scheme and prior to the listing date. Any grant of options to a connected person or any of its associates must be approved by all the independent non-executive directors of the Company.

As at 30 June 2007, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO Scheme was 10,250,000, representing 1.69% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Pre-IPO Scheme and any other scheme is not permitted to exceed 30% of the issued share capital of the Company from time to time. Subject to the above rule, the total number of shares in respect of which options may be granted under the Pre-IPO Scheme and any other scheme is 41,000,000 shares, representing 10% of the total issued share capital of the Company as at the listing date, without prior approval from the Company's shareholders.

The number of shares issued and issuable in respect of which options may be granted under the Pre-IPO Scheme and any other scheme to any individual within 12-month period immediately preceding the date of such new grant is not permitted to exceed 1% of the issued share capital of the Company at the date of such new grant, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors, when aggregated with the options granted under the Pre-IPO Scheme and any other scheme in the past 12 months, in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders. Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per grant. The exercise price is HK$0.30 representing the IPO placing price. 50% of the options may be exercised at any time after the expiry of 12 months from the date of grant and the remaining 50% may be exercised at any time after 24 months from the date of grant, and in each case not later than 29 January 2012.

(2) Share Option Scheme

Under the Scheme, the Board may grant options to directors and employees of the Company or any subsidiaries, to subscribe for shares in the Company within 10 years from the adoption date of the Scheme. Any grant of options to a connected person or any of its associates must be approved by all the independent non-executive directors of the Company.

As at 30 June 2007, no options had been granted under the Scheme. The total number of shares in respect of which options may be granted under the Scheme and any other scheme is not permitted to exceed 30% of the issued share capital of the Company from time to time. Subject to the above rule, the total number of shares in respect of which options may be granted under the Scheme and any other scheme is 41,000,000 shares, representing 10% of the total issued share capital of the Company as at the listing date, without prior approval from the Company's shareholders.

The number of shares issued and issuable in respect of which options may be granted under the Scheme and any other scheme to any individual within 12-month period immediately preceding the date of such new grant is not permitted to exceed 1% of the issued share capital of the Company at the date of such new grant, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors, when aggregated with the options granted under the Scheme and any other scheme in the past 12 months, in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. The exercise price is determined by the Board, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the Company's shares for the five business days immediately preceding the date of grant.

The following table discloses movements in the Company's share options granted under the Pre-IPO Scheme during the year:

	Outstanding at 1 July 2006	Lapsed during the year	Outstanding at 30 June 2007
Directors			
Chan Choi Har, Ivy	10,250,000	–	10,250,000
Total for Directors	10,250,000	–	10,250,000
Employees	–	–	–
Grand Total	10,250,000	–	10,250,000

Details of the options are as follows:

Date of grant	Vesting period	Exercisable period	Exercise Price *HK$*
30.1.2002	30.1.2002 – 9.1.2003	30.1.2003 – 29.1.2012	0.30

Note: 50% of the options may be e0tes or any shareholders, which, to the knowledge of the Directors of the Company, owned more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers of the Group.

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 2007.

CORPORATE GOVERNANCE

The Board considers that the Company has complied with the Code on Corporate Governance Practices as set out in the GEM Listing Rules Appendix 15 (the "Code on Corporate Governance") effective from the accounting periods from 1 January 2005. The Company prepared a Corporate Governance Report in accordance with Rule 18.44 of the GEM Listing Rules for the financial year ended 30 June 2007 which will be contained in the 2007 Annual Report.

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 specify 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 financial statements of the Company for the year ended 30 June 2007 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
Chan Choi Har, Ivy
Chairman

Hong Kong, 21 September 2007

Executive Directors:
Ms. Chan Choi Har, Ivy
Mr. Chan Shun Kuen, Eric

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

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