富麗花 ● 譜控股有限公司
BLU SPA HOLDINGS LIMITED
Annual Report 2009

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:8176)

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This report, 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 of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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COMPANY INFORMATION

LEGAL NAME

Blu Spa Holdings Limited

BOARD OF DIRECTORS

Executive Directors:
Cheung Tsun Hin, Samson *(Chairman)*
Chan Choi Har, Ivy *(Vice Chairman)*

Non-executive Directors:
Chan Shun Kuen, Eric
Ji He Qun

Independent non-executive Directors:
Chan Sze Hon
Lam Wai Pong
Yeung Mario Bercasio

SENIOR MANAGEMENT

Keung Wai Fun, Samantha
(Chief Executive Officer)

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Huen Lai Chun, FCCA

COMPLIANCE OFFICER

Chan Choi Har, Ivy

AUTHORISED REPRESENTATIVES

Chan Choi Har, Ivy
Huen Lai Chun

AUDIT COMMITTEE

Chan Sze Hon *(Chairman of Committee)*
Lam Wai Pong
Yeung Mario Bercasio

REMUNERATION COMMITTEE

Chan Sze Hon *(Chairman of Committee)*
Lam Wai Pong
Yeung Mario Bercasio

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2303, 23/F. World-Wide House,
19 Des Voeux Road Central, Central, Hong Kong

AUDITORS

HLM & Co.
Certified Public Accountants

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

26/F., Tesbury Centre,
28 Queen's Road East,
Wan Chai,
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited

WEBSITE ADDRESS

www.bluspa.com

STOCK CODE

8176

CHAIRMAN'S STATEMENT

I am pleased to present the annual results to the shareholders of the Company for the year ended 30 June 2009 (the "Year Under Review").

OPERATING OVERVIEW

The Year Under Review was a challenging year for the Group and the cosmetic industry, owing to the far-reaching effect of the US sub-prime economic meltdown in North America and Europe across the globe in undermining investors' confidence in the global stock markets and the financial service industry as a whole. The mounting unemployment rate and swine flu epidemic affecting all countries and regions posed as additional factors hindering the global economic recovery.

Faced with such new challenges, the Group however managed to record 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 attributed to the resilient performance of the Group in product distribution and beauty care services in Hong Kong and the PRC. Strong economic foundation of the China market and its rapid recovery from the global financial crisis were also contributing factors to such results.

Despite the economic slowdown of the Hong Kong market, the Group continued to expand its spa network with the opening of its third spa centre at Long Beach, a luxurious residential apartment complex developed in West Kowloon by Hang Lung Properties Limited during the Year Under Review. Additionally, 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. The Group was gratified with the award from Sisters Beauty Pro for the "Prime Awards For Best Beauty Salon 2009", in recognition of our quality professional services and contributions to the beauty industry and signified vote of consumer confidence to the Group.

During the Year Under Review, the Group continued to direct its focus to the distributorship business in the PRC by strengthening marketing and promotional support to its distributors. Together with the PRC distributor, the Group participated in Guangzhou International Beauty & Cosmetic Import-Export Expo Autumn 2008 and Spring 2009, held at the China Import and Export Fair Pazhou Complex in September 2008 and in March 2009 respectively. Encouraged by the high turnout of visiting guests at the Blu Spa booth, the Group is planning to take part in the Guangzhou International Beauty & Cosmetic Import-Export Expo Autumn 2009 as well as other trade exhibitions to be held in Shanghai and Beijing together with the PRC distributor.

To cope with mounting unemployment in Hong Kong and increasing demand for retraining of the idle labour force, the Group established a new beauty training academy in Kowloon for professional beauty therapists.

PROSPECTS AND APPRECIATION

The next financial year is expected be another challenging year. The group will meet the new challenges ahead by intensifying its efforts in research and development, new products introduction and product range expansion to meet ever-changing needs of the consumers in addition to brand building and advertising. The Group will continue to concentrate on product distribution in China which is considered to the prime mover to the Group's business growth.

Given the acute competition among the beauty industry, the Group will additionally devote its efforts to recruitment of potential distributors in Asia and other oversea countries via participation in international and regional cosmetics exhibitions held in Hong Kong and China. The Group is confident that recruitment of new distributors will help boost the Group's revenue in the coming years.

On behalf of the board of Directors, I would like to take this opportunity to express my heart-felt appreciation to our shareholders, customers and business partners for their past support and to our fellow directors and staff of the Group for their commitment and dedication towards the successful performance of the Group. I am confident that we will overcome all hurdles and will make our best effort in developing our business to achieve good results and maximize return for our shareholders in the years to come.

Cheung Tsun Hin, Samson
Chairman

Hong Kong, 25 September 2009

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).

Material acquisitions and disposals

For the year ended 30 June 2009, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies (2008: Nil).

Charges on group assets

For the year ended 30 June 2009, the Group did not have any charges on the Group's assets (2008: Nil).

Foreign exchange risk exposure

The Group mainly earns revenue and incurs costs in Hong Kong dollars and Renminbi. The Directors consider the impact of foreign exchange risks of the Group is not significant as they will consider the foreign exchange effect of the terms of purchase and sale contracts dealt with foreign enterprises and will not bear unforeseeable foreign currency exchange risks.

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.

Details of future plans for material investment of capital assets

The Directors currently do not have any future plans for material investment of capital assets.

Employees and remuneration policies

As at 30 June 2009, the Group had 35 employees (2008: 26) and staff costs (excluding directors' remuneration) amounted to HK$5,039,942 (2008: HK$3,527,307). Remuneration is determined by reference to market conditions and the performance, qualification and experience of individual employee. Other benefits include share option schemes as detailed in the prospectus dated 4 February 2002 and contributions to statutory mandatory provident fund scheme to its employees in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Cheung Tsun Hin, Samson, aged 30, Chairman and executive Director of the Company, has obtained a Bachelor of Arts degree in Economics by the University of British Columbia, Canada. He has also received a Diploma in Beauty Therapy from the City & Guilds of UK. He has over 6 years of experience in beauty care industry and is an expert in beauty care therapy and treatment practice and professional training. He was appointed as Chairman and executive Director of the Company on 1 August 2008. He is a shareholder and director of the Company's franchisor, Garrick International Limited (formally known as Geneda Skin Care International Limited) ("the Franchisor"). He has also acquired extensive experience in corporate management and finance while serving the position of director of Garrick International Limited since 2000. He is the son of Ms. Keung Wai Fun, Samantha, Chief Executive Officer of the Company.

Ms. Chan Choi Har, Ivy ("Ms. Ivy Chan"), aged 58, one of the founders of the Group and Vice Chairman and executive Director of the Company, is responsible for market development, general administration and financing of the Group. She has over 20 years of experience in real estate development and related investments including hotel projects in the PRC and residential development in Macau. She also has experience in and has been responsible for take-over, initial public offering, equity financing and public listing of several public listed companies in Hong Kong and Toronto.

NON-EXECUTIVE DIRECTORS

Mr. Chan Shun Kuen, Eric, aged 47, non-executive Director of the Company, holds a master degree in corporate finance and an LLB degree and is an associate member of the Hong Kong Institute of Certified Public Accountants. He had been in the investment banking industry for over 10 years. He is currently an independent non-executive director of Tianjin Tianlian Public Utilities Company Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. He first joined the Company as independent non-executive Directors and Chairman of the Audit Committee on 28 September 2004.

Mr. Ji He Qun, aged 29, non-executive Director of the Company, studied in the Institute of Electronic Education of Wuhan Polytechnic University between 1998 and 2000. He has acquired extensive knowledge and experience in telecommunication, shipping and financial services industries. He also has acquired extensive experience in corporate and financial management. Mr. Ji joined the Company as non-executive Directors on 16 July 2009.

INDEPENDENT NON-EXECUTIVE IDRECTORS ("INEDS")

Mr. Chan Sze Hon, aged 36, was appointed as INED and Chairman of the Audit Committee and Remuneration Committee of the Company on 7 September 2007. He holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and a Master Degree in Corporate Finance from The Hong Kong Polytechnic University. He is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He has 13 years of experience in accounting and financial management and had worked for an international accounting firm in Hong Kong. He is currently the non-executive Director of Greater China Holdings Limited and INED of China Mining Resources Group Limited, both shares of which are listed on the Main Board of the Stock Exchange, and INED of Era Holdings Global Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Yeung Mario Bercasio, aged 47, INED and member of Audit Committee and Remuneration Committee of the Company, holds a Bachelor of Engineering and a postgraduate certificate in Law from Newcastle Upon Tyne Polytechnic, England and the University of Hong Kong respectively. He is a member of the Law Society of Hong Kong and has extensive experience in corporate finance and direct investment. He was appointed as INED of the Company on 28 December 2004.

Mr. Lam Wai Pong, aged 54, INED and member of Audit Committee and Remuneration Committee of the Company, graduated from University of London with a degree in Civil Engineering. He is a chartered civil engineer. He has extensive experience in civil engineering. He was appointed as INED of the Company on 12 August 2005.

SENIOR MANAGEMENT

Ms. Keung Wai Fun, Samantha ("Ms. Samantha Keung"), aged 55, is Chief Executive Officer of the Company. She was first appointed as the General Manager of the Company in July 2004 and was re-designated as Chief Executive Officer of Blu Spa (Hong Kong) Limited ("BSHK") in May 2006. She is responsible for overseeing the Group's operation, business expansion and product developments. She has over 10 years of experience in beauty care industry and is an expert in beauty care therapy and treatment practice and professional training. She holds the diploma of aesthetician in the International Therapy Examination Council and Confederation of International Beauty Therapy, both are beauty professional bodies based in Europe. In addition, she was awarded the cosmetology diploma in aesthetic treatment by the British Association of Beauty Therapy and Cosmetology Limited as well as the diploma in aesthetician from Frederique Academy of Germany. In 2003, she received her accreditation as a qualified beauty therapist by the Labour and Social Bureau of Guangzhou. At the same time, she has acquired extensive experience in corporate management in the fields of banking, real estate and finance as demonstrated by her past track record, through serving the positions of the vice president of Chase Manhattan Bank from 1984 to 1990, the director of L&D Holding Limited from 1990 to 1994 and the managing director of Center Pacific Holdings Limited from 1994 to 1996. She is a controlling shareholder and director of the Company's Franchisor and a controlling shareholder of Million Fortune Group Limited, the Company's ultimate holding company. Mr. Samson Cheung, Chairman and executive Director of the Company, is son of Ms. Samantha Keung.

DIRECTORS' REPORT

The Board of the Company has pleasure in submitting the directors' report together with the audited financial statements of the Group for the year ended 30 June 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 26 to the financial statements. There was no significant change in the principal activities of the Company during the Year Under Review.

RESULTS

Details of the Group's results for the year ended 30 June 2009 are set out in the consolidated income statement on page 29 of the annual report.

DIVIDENDS

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 19 to the financial statements.

CONVERTIBLE SECURITIES

For the year ended 30 June 2009, the Group did not grant any convertible securities, options, warrants or other similar rights.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 20 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors who held office during the year and up to the date of this report were:

Executive Directors:
Mr. Cheung Tsun Hin, Samson *(Chairman)* (Appointed on 1 August 2008)
Ms. Chan Choi Har, Ivy *(Vice Chairman)*
(Re-designated from Chairman to Vice Chairman on 1 August 2008)

Non-executive Directors:
Mr. Chan Shun Kuen, Eric
(Re-designated from Executive Director to Non-executive Director on 1 August 2008)
Mr. Ji He Qun (Appointed on 16 July 2009)

INEDs:
Mr. Chan Sze Hon
Mr. Lam Wai Pong
Mr. Yeung Mario Bercasio

The INEDs of the Company were appointed without specific terms but subject to retirement and re-election at annual general meetings of the Company.

Save as disclosed above, none of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DISCLOSURE OF THE INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2009, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO); or (ii) to be entered in the register referred to therein pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

A. Long position in shares

Name	Nature of interests	Number of shares	Approximate percentage of shareholding
Executive Director and Vice Chairman			
Ms. Ivy Chan	Beneficial owner	3,500,000	0.74%
	Corporate interest	11,065,787 *(Note 1)*	2.34%
Chief Executive Officer			
Ms. Samantha Keung	Corporate interest	245,682,200 *(Note 2)*	52.01%

Notes:

1. These shares are held by XO-Holdings Limited. The issued share capital of XO-Holdings Limited is beneficially owned as to 65% by Ms Ivy Chan.

2. These shares are held by Queensbury Global Limited. Queensbury Global Limited is owned as to 88.38% by Million Fortune Group Limited. Million Fortune Group Limited is owned as to 87% by Ms. Samantha Keung, a chief executive officer of the Company.

B. Share options

Options to subscribe for shares in the Company:

Name	Date of grant	Exercise price	Number of share options outstanding as at 1 July 2008	Number of share options lapsed during the year	Number of share options outstanding as at 30 June 2009
		HK$			
Executive Director and Vice Chairman					
Ms. Ivy Chan	30 January 2002	3.00	1,025,000	1,025,000	–

Note: The number of share options and exercise price were adjusted to reflect the effect of Share Consolidation effective on 18 June 2008.

Save as disclosed above, as at 30 June 2009, none of the Directors or chief executives of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, 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 benefit 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.

DIRECTORS' INTERESTS IN CONTRACTS

Save as the Franchise Agreement disclosed under the heading "Continuing Connected Transaction" and in note 24 to the financial statements, there were no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, as far as is known to the Directors and chief executives of the Company, the following person (not being a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required pursuant to section 336 of the SFO to be entered in the register referred to therein:

Long position in shares

Shareholder	Nature of interests	Number of shares	Approximate percentage of shareholding
Queensbury Global Limited	Beneficial owner	245,682,200 *(Note 1)*	52.01%
Million Fortune Group Limited	Interest of controlled corporation	245,682,200 *(Note 1)*	52.01%
Ms. Samantha Keung	Interest of controlled corporation	245,682,200 *(Note 1)*	52.01%
Dadra Inc.	Beneficial owner	30,000,000 *(Note 2)*	6.35%
Mr. Chan Ping Che	Interest of controlled corporation	30,000,000 *(Note 2)*	6.35%
Mr. Cheung Tung Lan Tony	Interest of controlled corporation	30,000,000	6.35%

Notes:

1. As at 30 June 2009, Queensbury Global Limited owned 245,682,200 ordinary shares of the Company. As Million Fortune Group Limited holds 88.38% interest in the issued share capital of Queensbury Global Limited and Ms. Samantha Keung holds 87.0% interest in the issued share capital of Million Fortune Group Limited, Ms. Samantha Keung is deemed to be interested in all of the 245,682,200 ordinary shares of the Company held by Queensbury Global Limited. Ms. Samantha Keung's indirect interest in these 245,682,200 ordinary shares of the Company is also disclosed in the paragraph headed "Disclosure of the interests and short positions of directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations". These ordinary shares represent the same interest and therefore duplicate amongst Queensbury Global Limited, Million Fortune Group Limited and Ms. Samantha Keung.

2. As at 30 June 2009, Dadra Inc. owned 30,000,000 ordinary shares of the Company. As Mr. Chan Ping Che holds 100.0% interest in the issued share capital of Dadra Inc., Mr. Chan Ping Che is deemed to be interested in all of the 30,000,000 ordinary shares of the Company held by Dadra Inc. These ordinary shares represent the same interest and therefore duplicate between Dadra Inc. and Mr. Chan Ping Che.

Save as disclosed above, Directors and chief executives of the Company are not aware of any other person (other than Directors or chief executives of the Company) who, as at 30 June 2009, had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required pursuant to section 336 of the SFO to be entered in the register referred to therein.

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 option was granted under the Pre-IPO Scheme and the Scheme during the Year Under Review.

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 its 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 INEDs of the Company.

As at 30 June 2009, no options remained outstanding under the Pre-IPO Scheme. 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 4,100,000 shares (adjusted to reflect the effect of Share Consolidation effective on 18 June 2008), representing 10% of the total issued share capital of the Company as at the listing date (adjusted to reflect the effect of Share Consolidation effective on 18 June 2008), 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 INEDs, 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 issued 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 from the date of grant, upon payment of HK$1 per grant. The exercise price is HK$3.00 (adjusted to reflect the effect of Share Consolidation effective on 18 June 2008) 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 listing and the remaining 50% may be exercised at any time after 24 months from the date of listing, and in each case not later than 29 January 2012.

(2) The Scheme

Under the Scheme, the Board may grant options to directors and employees of the Company or any of its 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 INEDs of the Company.

As at 30 June 2009, 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 4,100,000 shares (adjusted to reflect the effect of Share Consolidation effective on 18 June 2008), representing 10% of the total issued share capital of the Company as at the listing date (adjusted to reflect the effect of Share Consolidation effective on 18 June 2008), 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 INEDs, 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 issued 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 from the date of grant. Upon acceptance of the option, the grantee shall pay HK$1 to the Company being the consideration for the 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 under the Pre-IPO Scheme during the Year Under Review:

	Number of share options outstanding at 1 July 2008	Number of share options lapsed during the year	Number of share options outstanding at 30 June 2009
Executive Director and Vice Chairman			
Ms. Ivy Chan	1,025,000	1,025,000	–
Total for Directors	1,025,000	1,025,000	–
Employees	–	–	–
Grand total	1,025,000	1,025,000	–

Details of the options are as follows:

Date of grant	Vesting period	Exercisable period	Exercise Price HK$
30.1.2002	30.1.2002 – 29.1.2003	31.1.2003 – 29.1.2012	3.00

Note: The number of share options and exercise price were adjusted to reflect the effect of Share Consolidation effective on 18 June 2008.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2009, the amount of purchases attributable to the Group's five largest suppliers represented approximately 99.9% of the Group's total purchases and the amount of sales attributable to the Group's five largest customers represented approximately 96.2% of the Group's total turnover. The Group's total purchases and turnover attributable to its largest supplier and its largest customer were approximately 76.4% and 95.8% respectively.

Save as the Franchise Agreement entered between BSHK and Garrick International Limited, the largest supplier of the Company for the year, disclosed under "Continuing Connected Transactions" below and in note 24 to the financial statements, as far as the Directors are aware, neither the directors, their associates nor shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any interests in the Group's five largest customers or suppliers during the year.

RELATED PARTY TRANSACTIONS

In relation to the related party transactions set out in note 24 to the financial statements, the Board has confirmed that with the exception of those disclosed under "Continuing Connected Transactions" below, there is no transaction which required to make connected transaction disclosures under the GEM Listing Rules for the year ended 30 June 2009.

CONTINUING CONNECTED TRANSACTIONS

On 1 February 2007, BSHK, being a wholly-owned subsidiary of the Company, entered into the Franchise Agreement with the Franchisor, Garrick International Limited, whereby the Franchisor agreed to appoint and BSHK agreed to act as the sole and exclusive distributor of its skin care products under the brand name of "Beauteca" worldwide except Taiwan for a period of three years from 1 July 2007 to 30 June 2010.

The Franchisor is a company incorporated in Hong Kong and is engaged in the trading of beauty and skin care products. As Ms. Samantha Keung, Chief Executive Officer of the Company and controlling shareholder of Million Fortune Group Limited (the Company's ultimate holding company), and Mr. Cheung Tsun Hin, Samson, Chairman and executive Director of the Company, are directors of the Franchisor, both of them are connected persons of the Company. In addition, as the entire issued share capital of the Franchisor is owned as to 90% by Ms. Samantha Keung and as to 10% by her son, Mr. Cheung Tsun Hin, Samson, the Franchisor is an associate of Ms. Samantha Keung and Mr. Cheung Tsun Hin, Samson, and a connected person of the Company. Accordingly, the transaction contemplated under the Franchise Agreement constitutes non-exempt continuing connected transaction under Chapter 20 of the GEM Listing Rules.

Pursuant to the Franchise Agreement and Franchise Agreement Annual Caps approved at an extraordinary general meeting held on 5 June 2008, the annual caps are HK$7.80 million, HK$9.36 million and HK$11.23 million respectively for the three years ending 30 June 2010 for the amount payable by BSHK to the Franchisor for the goods purchased. Terms of payment of goods are 50% of the invoiced amount shall be payable upon making the purchase order and the remaining balance shall be payable upon collection of goods.

In relation to the related party transactions as set out in note 24 to the financial statements, for the year ended 30 June 2009, the amount of purchase by BSHK under the Franchise Agreement was HK$8,897,764, which is within the cap.

The continuing connected transactions mentioned above have been reviewed by the INEDs of the Company who have confirmed that the transactions have been entered into:

1. in the ordinary and usual course of business of the Company;

2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

3. in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has provided a letter to the Company's board of directors confirming that the continuing connected transactions:

1. have received the approval of the Company's board of directors;

2. have been conducted on terms in accordance with the terms of the relevant agreements governing the transactions; and

3. have not exceeded the relevant annual cap as disclosed in the relevant press announcement.

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.

RETIREMENT BENEFITS COSTS

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

MANAGEMENT CONTRACTS

During the Year Under Review, no management and administrative contracts regarding the entire or any major businesses of the Company have been entered into or have existed.

ADVANCES TO AN ENTITY

As at 30 June 2009, the Group did not have, in its normal and ordinary course of business, any relevant advance to an entity that is required to be disclosed pursuant to Rule 17.22 and 17.24 of the GEM Listing Rules.

COMPETING INTERESTS

During the Year Under Review, none of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had any interest in business that competes or might compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

BOARD OF DIRECTORS

The Board of the Company comprises seven Directors, of which two are executive Directors, namely Mr. Cheung Tsun Hin, Samson and Ms. Ivy Chan, two are non-executive Directors, namely Mr. Chan Shun Kuen, Eric and Mr. Ji He Qun, and three are INEDs, namely Mr. Chan Sze Hon, Mr. Lam Wai Pong and Mr. Yeung Mario Bercasio.

The Directors are collectively responsible for the development of the Group's strategies and policies. The executive Directors are responsible for the daily operation of the Group while the non-executive Directors provide their professional advices to the Group. The non-executive Directors have professional experiences in legal, finance and accounting and engineering respectively. The Company has received confirmation from each of the INEDs as regards to their independence to the Company for the Year Under Review pursuant to Rule 5.09 of the GEM Listing Rules and considers that each of the INEDs is independent of the Company.

With the exception of the Chairman of the Company not subject to retirement by rotation or taken into account in determining the number of Directors to retire, one-third of all the Directors shall retire by rotation from office each year in accordance with the Company's Bye-laws. The term of office of the Directors is the period up to their retirement by rotation. Those Directors at any time appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

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.

BOARD PRACTICES AND PROCEDURES

During the Year Under Review, the Company has been in compliance with the requirements for the Board Practices and Procedures as set out in Rule 5.34 of the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

During the Year Under Review, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. After making specific enquiries of all Directors, the Company was not aware of any Directors who were in breach of the required standard of dealings and the Company's code of conduct on securities transactions by directors for the Year Under Review.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of Directors, as at the date of this report, there is sufficient public float, as not less than 25% of the Company's issued shares are held by the public.

AUDITORS

The financial statements have been audited by Messrs. HLM & Co.. A resolution will be submitted to the upcoming annual general meeting of the Company to re-appoint Messrs. HLM & Co. as the Company's auditors.

On behalf of the Board
Blu Spa Holdings Limited

Cheung Tsun Hin, Samson
Chairman

Hong Kong, 25 September 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.

SECURITIES TRANSACTIONS BY DIRECTORS

During the Year Under Review, the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. After making specific enquiries of all Directors of the Company, the Company was not aware of any Directors who were in breach of the required standard of dealings and the Company's code of conduct on securities transactions by Directors for the Year Under Review.

BOARD OF DIRECTORS

The Board currently comprises seven directors, of which two are executive Directors, two are non-executive Directors and three are INEDs, namely:

Executive Directors:
Mr. Cheung Tsun Hin, Samson *(Chairman)* (Appointed on 1 August 2008)
Ms. Ivy Chan *(Vice Chairman)*
(Re-designated from Chairman to Vice Chairman on 1 August 2008)

Non-executive Directors:
Mr. Chan Shun Kuen, Eric
(Re-designated from executive Director to non-executive Director on 1 August 2008)
Mr. Ji He Qun (Appointed on 16 July 2009)

INEDs:
Mr. Chan Sze Hon
Mr. Lam Wai Pong
Mr. Yeung Mario Bercasio

The Board has four scheduled meetings at quarterly interval and meets as and when required. During the year ended 30 June 2009, the Board held eight meetings.

The attendance of the Directors at the Board meetings is as follows:

	Number of attendance
Mr. Cheung Tsun Hin, Samson (Appointed on 1 August 2008)	7/8
Ms. Ivy Chan	8/8
Mr. Chan Shun Kuen, Eric	8/8
Mr. Ji He Qun (Appointed on 16 July 2009)	n/a
Mr. Chan Sze Hon	8/8
Mr. Lam Wai Pong	8/8
Mr. Yeung Mario Bercasio	8/8

The Board is responsible for approving and monitoring the Group's overall strategies and policies, approving business plans, and assessing the Group's performance and the management's governance. The Board is also responsible for facilitating the success of the Group and its businesses by providing guidelines on and monitoring the Group's affairs.

The Board focuses on overall strategy and policy, in particular the growth and financial performance of the Group.

The day-to-day operations of the Group are delegated by the Board to the executive Directors and senior management. Certain material events are decided by the Board, which includes the annual operations plan, annual financial budget, annual remuneration plan, quarterly, interim and annual financial statements, quarterly, interim and annual profit pre-distribution plan, and material matters which involve corporate development, acquisition or organization adjustment. The Board, through the executive Directors, passes its decisions to the management. The management of the Group is delegated the authority by the Board to take up the day-to-day operations and implementation of the different aspects of the Group's businesses.

The Company appointed three INEDs who have sufficient experience and qualification to carry out their duties. The qualification and experience of the INEDs are set out in the "Directors and Senior Management Profile" contained in this annual report. In addition, the Company has received annual confirmations of independence pursuant to Rule 5.09 of the GEM Listing Rules from all INEDs for the Year Under Review. The Board has assessed their independence and concluded that all INEDs are independent (as defined in the GEM Listing Rules).

Save as disclosed elsewhere in this annual report, to the best knowledge of the Directors, there is no other financial, business, family and other material relationship among members of the Board, and between Chairman and chief executive officer of the Company.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 30 March 2005. The Remuneration 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 Remuneration Committee.

The Remuneration Committee is largely responsible for making recommendations to the Board on Company's policies and structures in connection with the remuneration of Directors, establishing a set of formal and transparent procedures for the formulation of the remuneration policy. It is also responsible for determining the specific remuneration packages of all executive Directors and senior management, reviewing and approving the performance-based remuneration and the compensation payable to executive Directors and senior management as a result of their departure from office, termination of their employment, dismissal and removal, and ensuring that no directors or their associates are involved in determining their own remuneration.

During the Year Under Review, the Remuneration Committee had reviewed the remuneration of the Directors and held one meeting, and the attendance of the members of the Remuneration Committee at the meeting is as follows:

	Number of attendance
Mr. Chan Sze Hon	1/1
Mr. Lam Wai Pong	1/1
Mr. Yeung Mario Bercasio	1/1

AUDITORS' REMUNERATION

During the year, the remuneration paid to the auditors of the Company, Messrs. HLM & Co., Certified Public Accountants, is set out as follows:

	HK$
Audit services rendered	200,000
Non-audit services rendered	5,000

AUDIT COMMITTEE

The Company established the Audit Committee on 10 December 2001 with written terms of reference which precisely specify its powers and duties.

The Audit Committee currently comprises three members, 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. All of the members of the Audit Committee are INEDs of the Company. The primary duties of the Audit Committee are to advise the Board on the appointment and removal of external auditors, approve the remuneration and terms of appointment of the external auditors, as well as review and supervise the financial reporting process and internal control system of the Group and review the Company's annual reports and accounts and interim and quarterly reports, and provide advice and recommendations to the Board thereon.

During the Year Under Review, the Audit Committee had reviewed the Group's unaudited quarterly reports for the three months and nine months ended 30 September 2008 and 31 March 2009 respectively and half-year report for the six months ended 31 December 2008. The Audit Committee considers that these reports had been prepared in compliance with the accounting standards and GEM Listing Rules. The Audit Committee had also reviewed the Group's annual report and accounts for the year ended 30 June 2009.

The Audit Committee held four meetings during the Year Under Review.

The attendance of the members of the Audit Committee at the meetings is as follows:

	Number of attendance
Mr. Chan Sze Hon	4/4
Mr. Lam Wai Pong	4/4
Mr. Yeung Mario Bercasio	4/4

INTERNAL CONTROL

The Board is responsible for the maintenance of a sound and effective internal control system of the Group.

The internal control system of the Group includes a well-defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, to ensure maintenance of proper books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations.

The Company appointed an independent accountant to conduct a review of the Group's internal control system for the Year Under Review. The Directors concluded that they are satisfied that the prevailing internal control systems as appropriate to the Group's operations are in place and have been implemented properly. No significant areas of improvement that are required to be brought to the attention to the Audit Committee are revealed.

RESPONSIBILITY OF THE DIRECTORS AND AUDITORS TOWARDS THE ACCOUNTS

The Directors confirms that it is their responsibilities for preparing the Group's financial statements. The Directors shall ensure that the financial statements of the Group have been prepared in accordance with statutory requirements and applicable accounting standards.

The statement of the auditors of the Company regarding their responsibilities for reporting the Group's financial statements is set out in the Independent Auditor's Report on page 27 of this annual report.

RELATIONS WITH SHAREHOLDERS

The management undertakes that it will maintain transparency of the highest standard, and adopts a policy of disclosing relevant information to its shareholders in an open and timely manner. The Company also communicates with its shareholders via its annual, interim and quarterly reports.

INDEPENDENT AUDITORS' REPORT

恒健會計師行
HLM & Co.
Certified Public Accountants

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TO THE MEMBERS OF BLU SPA HOLDINGS LIMITED
富麗花•譜控股有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Blu Spa Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 71, which comprise the consolidated balance sheet as at 30 June 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2009 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM & Co.
Certified Public Accountants

Hong Kong, 25 September 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	NOTES	**2009** **HK$**	2008 HK$
TURNOVER	6	**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	7	**–**	(572,097)
Profit before taxation		**11,413,618**	1,282,404
Taxation	9	**–**	(160)
Profit for the year	10	**11,413,618**	1,282,244
Dividends	11	**–**	–
		HK cents	HK cents
Earnings per share			
Basic	12	**2.80**	1.77
Diluted	12	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 30 June 2009

	NOTES	2009 HK$	2008 HK$
Non-current assets			
Intangible assets	13	**9,360,000**	10,296,000
Property, plant and equipment	14	**1,418,240**	674,652
		10,778,240	10,970,652
Current assets			
Inventories	16	**169,140**	50,436
Trade receivables	17	**45,031,120**	9,630,501
Deposits, prepayment and other receivables		**19,456,039**	1,055,670
Deposit paid for purchase of inventories	24	**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	18	**7,674**	651,795
Amounts due to a related company	21	**2,404,457**	4,516,630
Amounts due to a related party	21	**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	19	**47,240,000**	39,368,000
Reserves		**34,887,231**	16,218,051
		82,127,231	55,586,051

The financial statements on pages 29 to 71 were approved and authorised for issue by the Board of directors on 25 September 2009 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

BALANCE SHEET

At 30 June 2009

	NOTES	2009 HK$	2008 HK$
Non-current asset			
Interests in subsidiaries	15	**59,525,428**	3,334,559
Current assets			
Deposits and other receivables		**–**	28,600
Bank balances		**1,051,100**	48,103,311
		1,051,100	48,131,911
Current liabilities			
Amounts due to a director	18	**1,000**	254,540
Accruals and other payables		**936,755**	3,756,858
		937,755	4,011,398
Net current assets		**113,345**	44,120,513
Total net assets		**59,638,773**	47,455,072
Capital and reserves			
Share capital	19	**47,240,000**	39,368,000
Reserves	20	**12,398,773**	8,087,072
		59,638,773	47,455,072

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

	Share capital HK$	Share premium HK$	Merger difference HK$	Translation reserve HK$	Accumulated losses HK$	Total HK$
THE GROUP						
At 1 July 2007	6,068,000	19,740,134	22,734,577	(9,294)	(57,577,846)	(9,044,429)
Issue of new shares pursuant to the subscription agreement dated 1 February 2007	24,500,000	24,500,000	–	–	–	49,000,000
Issue of new shares upon capitalisation of the Loans due to a director	8,800,000	8,800,000	–	–	–	17,600,000
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	39,368,000	49,785,364	22,734,577	(6,288)	(56,295,602)	55,586,051
Issue of new shares pursuant to the subscription agreements dated 27 April 2009	7,872,000	7,872,000	–	–	–	15,744,000
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	**47,240,000**	**57,059,784**	**22,734,577**	**(25,146)**	**(44,881,984)**	**82,127,231**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2009

	2009 HK$	2008 HK$
OPERATING ACTIVITIES		
Profit before taxation	**11,413,618**	1,282,404
Adjustment for:		
Interest income	**(180)**	(955)
Interest expense	**–**	572,097
Depreciation on plant and equipment	**330,604**	183,536
Loss on disposal of fixed assets	**–**	1,999
Amortisation of intangible assets	**936,000**	936,000
Written off of deposits, prepayment and other receivables	**29,724**	–
Written off of accruals and other payables	**(254,946)**	–
Provision for inventories written back	**(30,984)**	(79,035)
Operating cash flow before movements in working capital	**12,423,836**	2,896,046
(Increase) decrease in inventories	**(87,720)**	44,837
Increase in trade receivables	**(35,400,619)**	(8,486,270)
Increase in deposits, prepayment and other receivables	**(18,430,093)**	(498,495)
Increase in deposit paid for purchase of inventories	**(12,420,600)**	–
(Decrease) increase in accruals and other payables	**(4,842,157)**	1,252,628
(Decrease) increase in amounts due to directors	**(644,121)**	702,791
(Decrease) increase in amounts due to a related company	**(2,112,173)**	3,899,813
Increase in amounts due to a related party	**47,837**	–
Increase in deposits from customers	**339,116**	708,940
Cash (used in) generated from operations	**(61,126,694)**	520,290
Interest paid	**–**	(572,097)
PRC Profit Tax paid	**–**	(160)
NET CASH USED IN OPERATING ACTIVITIES	**(61,126,694)**	(51,967)
INVESTING ACTIVITIES		
Interest received	**180**	955
Proceeds from disposal of property, plant and equipments	**–**	1,136
Purchases of property, plant and equipment	**(1,074,192)**	(283,358)
NET CASH USED IN INVESTING ACTIVITIES	**(1,074,012)**	(281,267)
FINANCING ACTIVITIES		
Repayment of obligation under finance lease	**–**	(20,000)
Proceed from issue of new shares	**15,744,000**	49,000,000
Payment of transaction costs attributable to issue of shares	**(597,580)**	(721,190)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**15,146,420**	48,258,810
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(47,054,286)**	47,925,576
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(18,867)**	3,320
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**48,189,700**	260,804
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**1,116,547**	48,189,700
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**1,116,547**	48,189,700

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 addresses of the registered office and principal place of business of the Company are disclosed in the corporation information section of the annual report.

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. Particulars of the principal activities of its subsidiaries are set out in note 26.

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.

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, available-for-sale investments and financial assets at fair value through profit or loss, which are measured at fair values as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with the new HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions, balances, income and expenses have been eliminated on consolidation.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

- Sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to customers.
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.
- Royalty fee income is recognised on the accrual basis in accordance with the substance of the relevant agreement in related to the sales of goods when goods are delivered and title has passed.
- Services income is recognised when services are provided. Payment that are related to service not yet rendered are shown as deposits from customers in consolidated balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Trademarks/tradenames

Trademarks/tradenames represent purchase cost for the trademarks/tradenames, initial fees for the registration of the trademarks/tradenames in the respective country/place of registration and fees for obtaining the relevant approvals for the sales and distribution of personal care products within the respective country/place, are stated at cost less amortisation and accumulated impairment loss. The cost of the trademarks/tradenames is amortised over a period of 4 to 20 years.

Deposits and prepayment

Deposits and prepayment are measure at cost on initial recognition. Deposits and prepayment will be charged to consolidated income statement in the period to which they relate.

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as expenses in the year in which they are incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and amortisation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Furniture, fixture and equipment	20%
Leasehold improvement	20%
Plant and machinery	20%
Motor vehicle	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that accounting standard.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designed as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or

- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement ("HKAS 39") permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated unlisted equity securities as available-for-sales financial assets.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Other financial liabilities

Other financial liabilities including trade and other payables, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity are recorded in its functional currency at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year. The corresponding exchange differences, if any, are recognised as a separate component of equity. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement benefits costs

Payments to defined contribution retirement benefit plans are charged as expenses as they fall due.

Cash and cash equivalents

Cash and cash equivalents as presented in the balance sheet represent cash on hand, cash and time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents which have short-term maturity of generally within three months upon acquisition, together with bank overdrafts and bank loans, if any, which are repayable on demand and form an integral part of the Group's cash management, are included as components of cash and cash equivalents as presented in the consolidated cash flow statement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these consolidated financial statements require the management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses as well as the related disclosures. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

(A) Depreciation and amortisation

The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(B) Allowance for bad and doubtful debts

The Group's provision policy for bad and doubtful debts is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, deposits, prepayment and other receivable, deposits from customer, accruals and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Management manages and monitors these exposures closely to ensure appropriate measures are implemented on a timely and effective manner.

Foreign exchange risk management

The Group and the Company's functional currency is Hong Kong dollar. The Group's transactions, trade receivables and trade payables are mainly denominated in Hong Kong dollar.

The Group has certain investments in foreign operations, whose net assets or net liabilities are exposed to foreign currency translation risk. However, as the net foreign exchange exposure of the foreign operations is not significant, the Management does not anticipate any material foreign currency risk and the Group does not actively hedge this foreign exchange exposure.

The Group periodically reviews monetary assets and liabilities held in currencies other than the functional currency to ensure that net exposure is kept at an acceptable level. Management does not anticipate any material foreign currency risk in this aspect, but will consider hedging significant foreign currency exposure should the need arise.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk management

The Group is exposed to both cash flow interest rate risk and fair value interest rate risk through the impact of rate changes on interest bearing assets. The Group does not have any borrowings as at the year end date. Directors of the Company believe its exposure to interest rate risk is minimal. Cash at bank earns interest at floating rates based on daily bank deposit rates.

The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure.

Commodity price risk management

The Group is exposed to commodity price risk due to certain factors, such as level of demand and supply in the market and government policy and regulations. Such exposure mainly arises from its purchase of raw materials and the profit margin on sale of its finished products may be affected if the increase in cost of raw materials increases and the Group is unable to pass such cost increases to its customers. In addition, the Group is also subject to fluctuations in the selling price of its finished products due to competition and market demand.

The Group does not have any formal hedging policy for such exposure. However, the Group will closely monitor the costing and consider to take appropriate action should the need arise.

Fair values

As at 30 June 2009, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short-term maturities of these assets and liabilities. The Group considers that financial assets at fair value through profit or loss are included in the balance sheet at amounts approximating to their fair values.

Investment price risk management

The Group has no equity investment held for trading as at 30 June 2009, therefore, the Group does not have any investment price risk exposure.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Operation risk management

The Group's exposure to operation risk is primarily attributable to heavy reliance on the sole distributor in the PRC, Shenzhen Beauty Concept Trading Limited深圳市美麗概念貿易有限公司 ("Beauty Concept"), for the sales of the Group's products and on a related company, Garrick International Limited ("Garrick"), for the supply of beauty and skin care products.

The Group's total sales to Beauty Concept amounted to HK$47,243,187 which accounted for approximately 95.8% of the Group's total turnover for the year ended 30 June 2009. The directors have measures to closely monitor the performance and financial position of Beauty Concept and will expand its sales channels to reduce the concentration of the operation risk.

The Group's purchase from Garrick amounted to HK$8,749,716 which accounted for approximately 76.4% of the Group's total purchase for the year ended 30 June 2009. The directors have measures to closely monitor the performance of Garrick and will expand its product lines to reduce the level of reliance on Garrick's products.

Credit risk management

As at the year end date, trade receivables due from Beauty Concept and prepayments paid to it amounted approximately to HK$44.9 million and HK$17.8 million respectively, the aggregate amount of which represents approximately 76.4% of the Group's total net assets. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit histories and that the directors review their outstanding balances regularly. The directors have measures to closely monitor the transactions with and outstanding balances due from Beauty Concept and are satisfied that there is no impairment to balances due from Beauty Concept.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, carrying out fund raising activities and matching the maturity profiles of financial assets and liabilities. The maturity profile of the Group's financial liabilities at the balance sheet date based on contractual undiscounted payments is summarized below:

	2009			
		Within 1 year	**2-5 years**	**Total**
	HK$	**HK$**	**HK$**	**HK$**
Deposits from customers	**1,724,514**	**–**	**–**	**1,724,514**
Accruals and other payables	**2,655,282**	**–**	**–**	**2,655,282**
Amounts due to directors	**7,674**	**–**	**–**	**7,674**
Amount due to a related company	**2,404,457**	**–**	**–**	**2,404,457**
Amount due to a related party	**47,837**	**–**	**–**	**47,837**
	6,839,764	**–**	**–**	**6,839,764**

	2008			
	On demand	Within 1 year	2-5 years	Total
	HK$	HK$	HK$	HK$
Deposits from customers	1,385,398	–	–	1,385,398
Accruals and other payables	7,752,385	–	–	7,752,385
Amounts due to directors	651,795	–	–	651,795
Amount due to a related company	4,516,630	–	–	4,516,630
	14,306,208	–	–	14,306,208

6. 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

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business and Geographical segments (Continued)

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)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business and Geographical segments (Continued)

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.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business and Geographical segments (Continued)

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

7. FINANCE COSTS

	2009	2008
	HK$	HK$
Interest on:		
Loan from shareholders and a director (note 24)	**–**	571,211
Interest on obligation under finance lease	**–**	886
	–	572,097

8. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

The emolument paid or payable to each of the six (2008: six)) directors were as follows:

2009		**Other emoluments**		
	Fees	**Salaries and other benefits**	**Retirement benefit scheme contributions**	**Total emoluments**
	HK$	**HK$**	**HK$**	**HK$**
Chan Choi Har, Ivy	**110,000**	**1,200,000**	**12,300**	**1,322,300**
Cheung Tsun Hin, Samson	**110,000**	**360,000**	**12,450**	**482,450**
Chan Shun Kuen, Eric	**110,000**	**260,000**	**–**	**370,000**
Yeung Mario Bercasio	**110,000**	**260,000**	**–**	**370,000**
Lam Wai Pong	**110,000**	**260,000**	**–**	**370,000**
Chan Sze Hon	**110,000**	**98,000**	**–**	**208,000**
	660,000	**2,438,000**	**24,750**	**3,122,750**

2008		Other emoluments		
	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total emoluments
	HK$	HK$	HK$	HK$
Chan Choi Har, Ivy	–	–	–	–
Wu Wenzhi	–	995	–	995
Chan Shun Kuen, Eric	–	–	–	–
Yeung Mario Bercasio	–	–	–	–
Lam Wai Pong	–	–	–	–
Chan Sze Hon	–	–	–	–
	–	995	–	995

8. DIRECTORS' AND EMPLOYEES' REMUNERATION (Continued)

(b) Employees' emoluments

The five highest paid employees included four (2008: Nil) directors, details of whose remunerations are set out in note 8(a) above. The remunerations paid to the five highest paid employees (including the four directors) are as follow:

	2009 **HK$**	2008 HK$
Salaries and other benefits	**3,720,000**	1,472,025
Retirement benefit scheme contributions	**37,050**	54,975
	3,757,050	1,527,000

9. TAXATION

	2009 **HK$**	2008 HK$
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.

9. TAXATION (Continued)

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

	2009	2008
	HK$	HK$
Profit before taxation	**11,413,618**	1,282,404
Tax at applicable rate	**1,883,247**	224,421
Tax effect of non-deductible expenses	**1,013,123**	383,914
Tax effect of non-taxable revenues	**(47,304)**	(155)
Tax effect on temporary differences not recognised	**(10,069)**	9,959
Utilisation of tax losses previously not recognised	**(2,838,875)**	(621,627)
Effect of different tax rate of subsidiary in other jurisdiction	**(122)**	3,648
Tax charge for the year	**–**	160

At the balance sheet date, the Group has unused estimated tax losses of HK$10,646,132 (2008: HK$27,851,432) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unused estimated tax losses is not yet agreed by the Inland Revenue Department and there is uncertainty to the amount.

10. PROFIT FOR THE YEAR

	2009 HK$	2008 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

11. 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).

12. 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.)

13. INTANGIBLE ASSETS

	2009 HK$	2008 HK$
THE GROUP		
COST		
At beginning and end of the year	**18,720,000**	18,720,000
AMORTISATION		
At 1 July	**8,424,000**	7,488,000
Provided for the year	**936,000**	936,000
At 30 June	**9,360,000**	8,424,000
NET BOOK VALUE		
At 30 June	**9,360,000**	10,296,000

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$	Leasehold improvement HK$	Furniture, fixture and equipment HK$	Motor vehicle HK$	Total HK$
THE GROUP					
COST					
At 1 July 2007	203,000	408,276	464,959	–	1,076,235
Exchange difference	–	105	381	–	486
Disposal	–	(2,671)	(9,703)	–	(12,374)
Additions	–	179,735	103,623	–	283,358
At 30 June 2008 and 1 July 2008	203,000	585,445	559,260	–	1,347,705
Additions	406,000	413,860	8,800	245,532	1,074,192
At 30 June 2009	**609,000**	**999,305**	**568,060**	**245,532**	**2,421,897**
ACCUMULATED DEPRECIATION					
At 1 July 2007	45,367	92,844	360,200	–	498,411
Exchange difference	–	75	270	–	345
Written back on disposal	–	(2,088)	(7,151)	–	(9,239)
Provided for the year	40,600	101,580	41,356	–	183,536
At 30 June 2008 and 1 July 2008	85,967	192,411	394,675	–	673,053
Provided for the year	82,750	161,484	49,540	36,830	330,604
At 30 June 2009	**168,717**	**353,895**	**444,215**	**36,830**	**1,003,657**
NET BOOK VALUES					
At 30 June 2009	**440,283**	**645,410**	**123,845**	**208,702**	**1,418,240**
At 30 June 2008	117,033	393,034	164,585	–	674,652

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2009	2008
	HK$	HK$
Unlisted shares, at cost	**482,700**	482,700
Impairment loss	**(480,000)**	(312,554)
	2,700	170,146
Amounts due from subsidiaries	**94,097,057**	37,715,143
	94,099,757	37,885,289
Less: Allowance on amounts due from subsidiaries	**(34,574,329)**	(34,550,730)
	59,525,428	3,334,559

Movements in allowance on amounts due from subsidiaries:

	2009	2008
	HK$	HK$
Balance at beginning of the year	**(34,550,730)**	(34,550,730)
Allowance on amounts due from subsidiaries during the year	**(23,599)**	–
	(34,574,329)	(34,550,730)

In the opinion of the Directors, the amounts due from subsidiaries are unsecured, non-interest bearing and are unlikely to be repaid within one year from the balance sheet date and are therefore shown in the balance sheet as non-current.

The Directors of the Company consider that the carrying amounts due from subsidiaries approximate their fair values.

Particulars of the Company's subsidiaries at 30 June 2009 are set out in note 26.

16. INVENTORIES

	THE GROUP	
	2009	2008
	HK$	HK$
Raw materials	**676,640**	527,417
Finished goods	**52,002**	113,505
Less: Provision for inventories	**(559,502)**	(590,486)
	169,140	50,436

Inventories of the Group were carried at net realisable value of HK$Nil (2008: HK$Nil) at the balance sheet date.

Movements in provision for inventories:

	2009	2008
	HK$	HK$
Balance at beginning of the year	**(590,486)**	(669,521)
Provision for inventories written back	**30,984**	79,035
	(559,502)	(590,486)

17. 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 HK$	2008 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
180-365 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.

17. TRADE RECEIVABLES (Continued)

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

18. AMOUNTS DUE TO DIRECTORS/A DIRECTOR

The Group and the Company

As at 30 June 2009, the amounts due to Directors/a Director including amounts of HK$7,674 and HK$1,000 of the Group and the Company respectively, which are non-interest bearing (2008: HK$651,795 and HK$254,540 of the Group and the Company respectively, 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.

19. SHARE CAPITAL

	Number of shares of HK$0.1 each	Number of shares of HK$0.01 each	Amount HK$
Authorised:			
At 1 July 2007	–	10,000,000,000	100,000,000
Share consolidation	1,000,000,000	(10,000,000,000)	–
At 30 June 2008, 1 July 2008 and 30 June 2009	**1,000,000,000**	**–**	**100,000,000**
Issued and fully paid:			
At 1 July 2007	–	606,800,000	6,068,000
Share consolidation	60,680,000	(606,800,000)	–
Shares issued pursuant to the subscription agreement dated 1 February 2007	245,000,000	–	24,500,000
Shares issued upon capitalisation of the loans due to a director	88,000,000	–	8,800,000
At 30 June 2008 and 1 July 2008	393,680,000	–	39,368,000
Shares issued pursuant to the subscription agreements dated 27 April 2009	78,720,000	–	7,872,000
At 30 June 2009	**472,400,000**	**–**	**47,240,000**

On 27 April 2009, the Company entered into 3 separate Subscription Agreements with 3 third parties who are independent of the Company and its connected persons. Pursuant to these Subscription Agreements, an aggregate of 78,720,000 Shares of HK$0.20 each were issued and alloted.

20. RESERVES

	Share premium HK$	Accumulated losses HK$	Total HK$
THE COMPANY			
At 1 July 2007	19,740,134	(40,481,837)	(20,741,703)
Shares issued pursuant to the subscription agreement dated 1 February 2007	24,500,000	–	24,500,000
Shares issued upon capitalization Of the loans due to a director	8,800,000	–	8,800,000
Transactions cost attributable to issue of new shares	(3,254,770)	–	(3,254,770)
Loss for the year	–	(1,216,455)	(1,216,455)
At 30 June 2008 and 1 July 2008	49,785,364	(41,698,292)	8,087,072
Shares issued pursuant to the subscription agreements dated 27 April 2009	7,872,000	–	7,872,000
Transactions cost attributable to issue of new shares	(597,580)	–	(597,580)
Loss for the year	–	(2,962,719)	(2,962,719)
At 30 June 2009	**57,059,784**	**(44,661,011)**	**12,398,773**

The company's reserves available for distribution to shareholders as at 30 June 2009 was HK$12,398,773 (2008: HK$8,087,072).

21. 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.

22. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme.

The retirement benefits cost charged to the consolidated income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

23. OPERATING LEASE COMMITMENTS

	2009	2008
	HK$	HK$
Accrued lease payments	**609,414**	794,236
Within one year	**3,258,399**	1,876,872
In the second to fifth year inclusive	**1,558,629**	893,131
	5,426,442	3,564,239

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average terms of 2 year.

24. 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	(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

24. RELATED PARTY TRANSACTIONS (Continued)

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.

25. POST BALANCE SHEET EVENT

On 19 August 2009, the Company and a Placing Agent entered into a Placing Agreement, pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best efforts basis, a maximum of 175,000,000 Placing Shares to not less than six placees at a price of HK$0.80 per Placing Share.

26. SUBSIDIARIES

Particulars of the Company's subsidiaries at 30 June 2009 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and paid up share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
Blu Spa Group Limited	British Virgin Islands/Hong Kong	Shares US$2,700	100	–	Investment holding
Blu Spa (Hong Kong) Limited	Hong Kong	Ordinary shares HK$2	–	100	Market development, product distribution and customer support services
Blu Spa International Limited	British Virgin Islands/Hong Kong	Share US$1	–	100	Advertising, marketing and granting of distribution rights
Beachgold Assets Limited	British Virgin Islands/Hong Kong	Shares US$2	–	100	Holding of patent and trademarks/tradenames
Clapton Holdings Limited	The Republic of Cyprus/Canada	Shares C£1,000	–	100	Advertising, marketing and granting of distribution rights

26. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operations	Issued and paid up share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
Blu Spa Management Services Limited	British Virgin Islands/Hong Kong	Share US$1	–	100	Provision of retail concept store, spa operation and related management services
Zhuhai Fulihua Cosmetics Co. Ltd.	PRC	RMB500,000	–	100 through trustees	Advertising, marketing and granting of distribution right
Kingsbury Asia Limited	British Virgin Islands/Hong Kong	Shares US$2	–	100	Administration and operation
Winner Century Limited	Hong Kong	Ordinary shares HK$1	–	100	Inactive
Star Beauty Group Holdings Limited	Hong Kong	Ordinary shares HK$2	–	100	Inactive
Star Beauty Canada Inc.	The Republic of Cyprus/Canada	Shares CAD1	–	100	Products pruchasing
北京富麗花譜美容有限公司	PRC	RMB100,000	–	100 through trustees	Inactive

27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

FINANCIAL SUMMARY

	FOR THE YEAR ENDED 30 JUNE				
	2005	2006	2007	2008	**2009**
	HK$	HK$	HK$	HK$	**HK$**
Results					
Turnover	1,564,392	133,465	4,558,311	16,173,772	**49,294,137**
Profit (loss) from ordinary activities attributable to shareholders	(5,667,561)	(4,927,964)	(3,734,818)	1,282,244	**11,413,618**

Assets and liabilities

	FOR THE YEAR ENDED 30 JUNE				
	2005	2006	2007	2008	**2009**
	HK$	HK$	HK$	HK$	**HK$**
Total assets	15,459,166	13,556,412	13,788,272	69,896,959	**88,971,686**
Total liabilities	(15,839,265)	(18,857,407)	(22,832,701)	(14,310,908)	**(6,844,455)**
Balance (deficiency) of shareholders' funds	(380,099)	(5,300,995)	(9,044,429)	55,586,051	**82,127,231**