



BLU SPA HOLDINGS LIMITED

富麗花•譜控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8176)

THIRD QUARTERLY RESULT REPORT

FOR THE NINE MONTHS ENDED

31 MARCH 2006

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

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

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

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

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of this report.

This report, for which the directors (the “Directors”) of Blu Spa Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, 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 respects 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.

SUMMARY

- The Group is a developer, promoter and distributor of a broad range of botanical personal care products, treatments and services.
- The unaudited consolidated turnover of the Group for the nine months ended 31 March, 2006 was approximately HK\$87,000, representing a decrease of approximately HK\$1.16 million, or approximately 93% as compared to the unaudited consolidated turnover of the Group of approximately HK\$1.25 million for the corresponding period in 2005.
- The net loss for the nine months ended 31 March, 2006 was approximately HK\$2.3 million, representing a decrease in loss of approximately HK\$1.5 million, or approximately 40% as compared to a net loss of approximately HK\$3.8 million for the corresponding period in 2005.

The board of Directors (the “Board”) is pleased to announce the unaudited consolidated financial statements of the Company and its subsidiaries (together, the “Group”) for the three months and nine months ended 31 March, 2006 together with the comparative figures for the corresponding periods in 2005 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended 31 March, 2006 HK\$'000	For the three months ended 31 March, 2005 HK\$'000	For the nine months ended 31 March, 2006 HK\$'000	For the nine months ended 31 March, 2005 HK\$'000
Turnover	3	10	199	87	1,245
Cost of sales		(2)	(11)	(19)	(286)
Gross profit		8	188	68	959
Other revenue	4	47	14	484	15
Distribution costs		–	–	–	(31)
Administrative expenses		(580)	(1,496)	(2,515)	(4,576)
Loss from operations	5	(525)	(1,294)	(1,963)	(3,633)
Finance costs	6	(119)	(67)	(320)	(163)
Loss before taxation		(644)	(1,361)	(2,283)	(3,796)
Taxation	7	–	–	–	–
Loss attributable to shareholders		(644)	(1,361)	(2,283)	(3,796)
Basic loss per share (in HK cents)	9	(0.11)	(0.22)	(0.38)	(0.63)

NOTES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 30 August 2001 as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company.

The condensed consolidated results for the nine months ended 31 March, 2006, have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES AND STANDARD ACCOUNTING PRACTICE

The unaudited consolidated financial statements have been prepared on the historical cost basis.

The financial statements have been prepared in accordance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The accounting policies used in the unaudited consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2005.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as “New HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the New HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The applicable HKFRSs adopted by the Group are set out below:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKFRS 2	Share-based Payments

3. TURNOVER

Turnover represents the net amounts received and receivable for goods sold, less returns and allowances, by the Group to outside customers. An analysis of the Group's turnover by business segments and geographical markets is as follows:

	The PRC <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the nine months ended 31 March, 2006 (Unaudited)					
Distribution	34	–	–	–	34
Inter-segment Elimination	–	(10)	–	–	(10)
Retailing	–	63	–	–	63
	<u>34</u>	<u>53</u>	<u>–</u>	<u>–</u>	<u>87</u>
For the nine months ended 31 March, 2005 (Unaudited)					
Distribution	99	474	–	15	588
Inter-segment Elimination	(26)	(46)	–	–	(72)
Retailing	–	729	–	–	729
	<u>73</u>	<u>1,157</u>	<u>–</u>	<u>15</u>	<u>1,245</u>

4. OTHER REVENUE

	(UNAUDITED) Three months ended 31 March 2006		(UNAUDITED) Nine months ended 31 March 2006	
	<i>HK\$'000</i>	2005 <i>HK\$'000</i>	<i>HK\$'000</i>	2005 <i>HK\$'000</i>
Bank interest received	3	1	3	1
Recognition of prepaid therapy courses	–	–	356	–
Others	44	13	125	14
	<u>47</u>	<u>14</u>	<u>484</u>	<u>15</u>

5. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

	(UNAUDITED) Three months ended 31 March		(UNAUDITED) Nine months ended 31 March	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Director's remuneration	2	25	30	79
Other staff costs	75	400	306	1,078
Retirement benefit scheme contributions	1	16	10	51
Total staff costs	<u>78</u>	<u>441</u>	<u>346</u>	<u>1,208</u>
Auditors' remuneration	-	-	-	3
Depreciation	36	68	126	201
Amortization of intangible assets	<u>286</u>	<u>286</u>	<u>857</u>	<u>857</u>
And after crediting:				
Bank interest income	<u>3</u>	<u>1</u>	<u>3</u>	<u>1</u>

6. FINANCE COSTS

	(UNAUDITED) Three months ended 31 March		(UNAUDITED) Nine months ended 31 March	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Interest on:				
Other	<u>119</u>	<u>67</u>	<u>320</u>	<u>163</u>

The Finance Cost was resulted from the interest expenses incurred from loans provided by the substantial shareholders, namely, Profit Trick Holdings Ltd. and Rocket High Investments Ltd., and loan from a director, Ms. Chan Choi Har, Ivy. The loans are repayable on demand and bear interest at Hong Kong Dollar prime lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited from time to time.

7. TAXATION

	(UNAUDITED) Three months ended 31 March		(UNAUDITED) Nine months ended 31 March	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Current tax	-	-	-	-
Hong Kong	-	-	-	-
PRC	-	-	-	-
Deferred tax	-	-	-	-
Taxation attributable to the Group	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

No provision for Hong Kong Profits Tax has been made for the nine months ended 31 March 2006 and the corresponding period in 2005, as the Group has no assessable profits for the respective periods.

8. DIVIDEND

The directors do not recommend the payment of a dividend for the nine months ended 31 March, 2006 (2005: Nil).

9. BASIC LOSS PER SHARE

The calculation of loss per share for the three months and nine months ended 31 March, 2006 is based on the net loss attributable to the shareholders of approximately HK\$0.6 million and HK\$2.3 million respectively (2005: net loss attributable to shareholders of approximately HK\$1.4 million and HK\$3.8 million respectively) and on the weighted average of 606,800,000 (2005: on the weighted average of 606,800,000) ordinary shares of the Company in issue during the period.

No diluted loss per share was presented, as the Company did not assume the exercise of share option outstanding because the exercise prices of the Company's share options were higher than the average market price for shares.

10. RESERVES

The movements in the reserves of the Group are as follows:

	Share Premium <i>HK\$'000</i>	Merger Reserve <i>HK\$'000</i>	Translation Reserve <i>HK\$'000</i>	Deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July, 2004	19,740	22,735	(7)	(43,248)	(780)
Loss for the period	-	-	-	(3,796)	(3,796)
Exchange differences arising from translation of operations outside Hong Kong	-	-	-	-	-
At 31 March, 2005	<u>19,740</u>	<u>22,735</u>	<u>(7)</u>	<u>(47,044)</u>	<u>(4,576)</u>
At 1 July, 2005	19,740	22,735	(8)	(48,915)	(6,448)
Loss for the period	-	-	-	(2,283)	(2,283)
Exchange differences arising from translation of operations outside Hong Kong	-	-	3	-	3
At 31 March, 2006	<u>19,740</u>	<u>22,735</u>	<u>(5)</u>	<u>(51,198)</u>	<u>(8,728)</u>

CONTINGENT LIABILITIES

(a) Dispute with DBS Asia

The Group has received certain bills amounting to approximately HK\$245,000 from the former Sponsor, DBS Asia Capital Limited (“DBS Asia”), which were purported to be reimbursement of legal cost incurred by DBS Asia in connection with legal assistance sought by DBS Asia from outside lawyers in relation to certain inquiries from the Stock Exchange. DBS Asia suggested that the Group is under obligation to reimburse such legal expenses. However, the directors do not agree with DBS Asia’s suggestion that the Group is under any obligation to pay. The Group will liaise with DBS Asia to resolve the dispute.

(b) Arrears of dealership fee to Sogo Hong Kong Company Limited

BSHK has owed an amount of approximately HK\$1.2 million to Sogo Hong Kong Company Limited (“Sogo”) for the dealership fee to do business at Beaute@Sogo due to the unsatisfactory business performance. This amount should be fully settled in March 2005. However, due to shortage of fund the Group has not yet paid the same. If no settlement is reached in the near future, Sogo is likely to take legal action against BSHK and BSHK will then have to bear additional legal cost, which Sogo may incur in recovering its claim. The Group has attempted to seek additional loans from shareholders to meet the payment. It is not, however, expected that they will bear the additional legal cost.

(c) Arrears of printing, typesetting, translation and advertising services to SNP Vite Limited

Due to the cash flow difficulty of the Group, the Company has owed an amount of approximately HK\$85,000 (the “Debt”) in respect of printing, typesetting, translation and advertising services to SNP Vite Limited (“SNP”). The Group has settled part of the Debt, the balance as at 31 December 2005 was approximately to HK\$65,000. If no full settlement is reached in the near future, SNP is expected to take legal action against the Company, and the Company has to bear additional legal cost of SNP in pursuing its claim. Attempts have been made to seek additional loans from shareholders to meet the payment, again it is not expected that they will bear such additional legal cost. Subsequent to the Balance Sheet Date on 25 April 2006, the Group paid HK\$65,000 to SNP being the full and final settlement of the amount outstanding in relation to the aforesaid claims.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

Nine months ended 31 March 2006

For the nine months ended 31 March 2006, the Group recorded a turnover of approximately HK\$87,000 which represented a decrease of approximately 93% when compared with that of the last corresponding period. It was attributed to the fact that during the period under review, the Group has revamped its marketing strategy by redirecting its focus to distributorship business, and terminating the retail business to minimize its operating cost. As a result, there were not much sales activities conducted.

The gross profit margin was approximately 78% for the nine months ended 31 March 2006 as compared with approximately 77% in last corresponding period. Other revenue earned by the Group for the nine months ended 31 March 2006, amounted to approximately, HK\$484,000, which represented an increase of approximately 32.27 times when compared with that of the last corresponding period.

No distribution cost was incurred by the Group for the nine months ended 31 March 2006 as compared to those of the previous period HK\$31,000.

Administrative expenses incurred by the Group for the nine months ended 31 March 2006 amounted to approximately HK\$2.5 million, representing a decrease of approximately 45% as compared to those of previous period.

Finance costs incurred by the Group for nine months ended 31 March 2006 amounts to approximately HK\$320,000, representing an increase of approximately 96% as compared to those of previous period. As at 31 March 2006, the shareholders' and a director's loans of HK\$6.7 million were interest bearing at Hong Kong Dollar prime lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited from time to time.

The loss attributable to shareholders amounted to approximately HK\$2.3 million, (2005: HK\$3.8 million), for the nine months ended 31 March 2006, representing an improvement of approximately HK\$1.5 million or 40% decrease as compared to the loss attributable to shareholders for the corresponding period in previous year. This improvement was due to the effective control of overall operating cost of the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 March 2006 (for the nine months ended 31 March 2005: Nil).

BUSINESS REVIEW

With the aim to minimize operating costs, the Group has terminated its retail business in Hong Kong which has been franchised out to a distributor who continued to provide Blu Spa brand products and services to the end-users. The distributor has been operating beauty care products and services business in Hong Kong for many years with retails outlets in Central, Tsim Sha Tsui and Mongkok. The distributor continued to operate the outlet in Beaute@Sogo until Oct 2005 when Beaute@Sogo was closed down for renovation. In the period under review, the Group has redirected its focus to the distributor business. The Group is optimistic about the strong and steady economic recovery in Hong Kong retail market particularly in the beauty care products and service segment.

Given the relaxed travel policy applicable to PRC tourist visiting Hong Kong, the number of visitors including both the group and individual travelers from PRC continued to grow at steady pace. The retail stores have particularly benefited by the 25%-35% growth in business attributable mainly to the more affluent individual travelers who have strong spending power as compared with group travelers.

In consequence of stepping up its brand building and promotional efforts both in Hong Kong and PRC, the Group has been able to attract potential distributors in the PRC, and South-east Asian region. The Group will continue to identify and actively seek prospective distributors in Shenzhen, Guangzhou and Beijing of China, South Korea, Thailand and Dubai.

As the same time, the Group continued to negotiate with China and oversea OEM manufacturers for sourcing of high quality botanical beauty care products, using the Group's brand name with special focus placed on anti-aging, whitening fabric mask and hydrating and nitrifying face care products, with continuing its research on new and improved formulations for existing products. Having established initial contact with a small group of suppliers the screening process was underway. The Group continued to expand its research and development efforts to concentrate on high quality new products and improvement of product quality.

OUTLOOK

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

In addition to carrying out of product promotions and developing closer working relationships with our exclusive distributor, the Group has placed strong emphasis on market expansion both locally and internationally. We strongly believe our business prospects in the near future especially in view of the increasing attractions of Hong Kong, Macau and China attributable to the booming casino industry in Macau, Hong Kong Disneyland and 2008 Olympic games in Beijing. The Group is confident of its future sustained and strong growth in the turnover. The Group's Zhuhai subsidiary will continue to provide a strong supportive base for its entrance to the PRC market which will continue to be the fastest growing market of retail and beauty care products and services in the future.

The Group will also strive to provide not only premium quality beauty care products and services to its end users, but also training our marketing staff to deliver product knowledge in order to act as consultants for the users' beauty needs. The Group is expecting to realize stronger and better business performance in the coming future.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 31 March 2006, the interests of the directors and their associates as well as the chief executive of the Group in the share capital of the Company and its associated corporations within the meaning of part XV of the Securities and Future Ordinance (the "SFO") as recorded in the register maintained under section 352 of the SFO or as otherwise 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	Type of interests	Number of shares	Percentage of issued share capital
Chan Choi Har, Ivy	Corporate interest (Note 1)	110,657,870	18.24%

Notes:-

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

B. Short position in shares

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

Save as disclosed above, none of the Directors or their associates as well as the chief executive of the Group had any interests or short position in share capital of the Company or its associated corporations during the reporting periods. There were no debt securities issued by the Group at any time.

C. Share options

Options to subscribe for shares in the Company

Name of Director	Date of grant	Exercise Price HK\$	Number of Shares Options Outstanding as at 31 March 2006
Chan Choi Har, Ivy	30 January 2002	0.30	10,250,000

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

SHARE OPTION SCHEME

On 30 January 2002, the Company adopted a new share option scheme (the “Scheme”), for the primary purpose of providing incentives or reward to directors and employees and to recognise the contribution of such eligible persons to the growth of the Company or any subsidiaries, and will expire on 29 January 2012. As at 31 March 2006, no options had been granted under the Scheme save as disclosed above.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURE

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, the register of substantial shareholders required to be maintained under Section 336 of the SFO showed that, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Long position in shares

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

Notes:

1. The interests of Chan Choi Har, Ivy in the Company comprise 18.24% shareholding interest through her 65% interest in XO-Holdings Limited.
2. These shares are held by XO-Holdings Limited which is beneficially owned as to 65% by Chan Choi Har, Ivy and as to 35% by Wah Hing Consultants Limited.
3. Wah Hing Consultants Limited is beneficially owned as to 100% by Heung See Wai, Angela.
4. These shares are held by Eastpoint Resources Limited, a company whose entire issued share capital is held by Well Arts Enterprises Limited in its capacity as trustee of the Eastpoint Trust, a discretionary trust the discretionary objects of which include Rajewski, Natalie N. and certain of her family members.
5. Well Arts Enterprises Limited holds the entire issued share capital of Eastpoint Resources Limited in its capacity as trustee of the Eastpoint Trust, a discretionary trust and Well Arts Enterprises Limited is deemed to have an interest in the 84,099,330 shares in the Company in which Eastpoint Resources Limited is interested.
6. These shares are held by Profit Trick Holdings Limited. The entire issued share capital of Profit Trick Holdings Limited is beneficially owned by Wai Suk Chong, Helena.
7. These shares are held by Rocket High Investments Limited. The entire issued share capital of Rocket High Investments Limited is beneficially owned by David Chiu.

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more or any short positions in the issued share capital of the Company as at 31 March 2006.

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 during the nine months ended 31 March 2006.

ADVANCES TO AN ENTITY

Pursuant to Rules 17.15 and 17.22 of the GEM Listing Rules, the Group has, in its normal and ordinary course of business, no material amount of account receivable was recorded as at 31 March 2006, because the Group is still in the stage of screening potential distributors.

COMPETING INTERESTS

As at 31 March 2006, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group.

SPONSOR'S INTERESTS

The sponsor agreement with DBS Asia has been terminated and the Group does not further appoint any sponsor.

CORPORATE GOVERNANCE

The Company is committed to good corporate governance principles and continues to improve its corporate governance practices from time to time.

During the period ended 31 March 2006, the Company has complied with the Code of Best Practice as was then set out in Appendix 14 of the Listing Rules.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all the Directors have complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

The Board of Directors of the Company comprises five Directors, of which two are Executive Directors, namely Mr. Wu Wenzhi and Ms. Chan Choi Har, Ivy and three are Independent Non-Executive Directors ("INEDs"), namely Mr. Chan Shun Kuen, Eric, 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 INEDs provide their professional advices to the Group.

The INEDs have professional experiences in legal, finance and accounting, property development and engineering respectively. The Company has received confirmation from each of the INEDs as regards to their independence to the Company and considers that each of the INEDs is independent of the Company.

One-third of all the Directors shall retire by rotation from office each year in accordance with the Company's Articles of Association. The term of office of the Directors is the period up to their retirement by rotation. These 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

The Company established an audit committee on 10 December 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. At the date of this report, the audit committee comprises Messrs. Mr. Chan Shun Kuen, Eric, Mr. Yeung Mario Bercasio, and Mr. Lam Wai Pong, who are the INEDs of the Company. Mr. Chan Shun Kuen, Eric was appointed as the Chairman of the Audit Committee. The Group's financial statement for the period ended 31 March 2006 have been reviewed by the audit committee, who was of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made. Since its establishment, the audit committee had reviewed the Company's reports and accounts, and provided advice and recommendations to the Board of Directors.

The Audit Committee meets four times a year to review the Group's financial statements, financial reporting system and internal control procedures, and discuss audit scope and findings with the Company's auditors. The Audit Committee also approves the remuneration of the Company's auditors for their audit and other services.

REMUNERATION COMMITTEE

The Remuneration Committee which has been established in 2005 of the Company comprises all of the INEDs, namely Mr. Chan Shun Kuen, Eric, Mr. Yeung Mario Bercasio, and Mr. Lam Wai Pong with Mr. Chan Shun Kuen, Eric as the chairman of the Remuneration Committee. The Remuneration Committee has adopted specific written terms of reference in accordance with the provisions set out in the Code on Corporate Governance Practices and is accountable to the Board.

The principle responsibilities of the Remuneration Committee include the review of the remuneration policies of the Company's Directors and Senior Management and recommend specific remuneration packages of Executive Directors and Senior Management to the Board.

PUBLIC FLOAT

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

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the year.

By order of the Board
Blu Spa Holdings Limited
Ivy Chan
Director

As at the date hereof, the Board comprises of two executive directors, namely, Ms. Chan Choi Har, Ivy and Mr. Wu Wenzhi; and three independent non-executive directors, namely, Mr. Chan Shun Kuen, Eric, Mr. Lam Wai Pong and Mr. Yeung Mario Bercasio.

Hong Kong, 12 May 2006