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)

INTERIM REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2009

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SUMMARY

– The Group's turnover for the six months ended 31 December 2009 was approximately HK$42,167,000, representing an increase of approximately 1.7 times over the corresponding period of 2008.

– Profit for the six months ended 31 December 2009 was approximately HK$13,224,000, representing an increase of approximately 2.6 times over the corresponding period of 2008.

– Basic earnings per share for the six months ended 31 December 2009 was HK2.75 cents, representing an increase of 2.0 times over the corresponding period of 2008.

– The board did not recommend the payment of an interim dividend for the six months ended 31 December 2009.

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of Blu Spa Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months and three months ended 31 December 2009 together with the comparative figures for the corresponding periods in 2008. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	(Unaudited) For the six months ended 31 December **2009** *HK$'000*	2008 *HK$'000*	(Unaudited) For the three months ended 31 December **2009** *HK$'000*	2008 *HK$'000*
Turnover	*3*	**42,167**	15,576	**28,311**	8,265
Cost of sales		**(13,311)**	(4,917)	**(6,681)**	(2,754)
Gross profit		**28,856**	10,659	**21,630**	5,511
Other revenue		**21**	–	**19**	–
Selling and distribution costs		**(7,288)**	(815)	**(4,347)**	(480)
Administrative expenses		**(5,365)**	(6,178)	**(2,956)**	(2,615)
Profit before taxation		**16,224**	3,666	**14,346**	2,416
Taxation	*4*	**(3,000)**	–	**(3,000)**	–
Profit for the period	*5*	**13,224**	3,666	**11,346**	2,416
		HK cents	*HK cents*	***HK cents***	*HK cents*
Earnings per share	*7*				
Basic		**2.75**	0.93	**2.32**	0.61
Diluted		**N/A**	N/A	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) For the six months ended 31 December		(Unaudited) For the three months ended 31 December	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit for the period	**13,224**	3,666	**11,346**	2,416
Other comprehensive income				
Exchange differences arising on translation of foreign operations	**(31)**	7	**(31)**	7
Other comprehensive income for the period (net of tax)	**(31)**	7	**(31)**	7
Total comprehensive income for the period	**13,193**	3,673	**11,315**	2,423

CONDENSED CONSOLIDATED FINANCIAL POSITION

	Notes	(Unaudited) As at 31 December 2009 HK$'000	(Audited) As at 30 June 2009 HK$'000
Non-current assets			
Intangible assets		**8,892**	9,360
Property, plant and equipment		**1,336**	1,418
		10,228	10,778
Current assets			
Inventories		**251**	169
Trade receivables	*8*	**39,782**	45,031
Deposits, prepayment and other receivables		**32,133**	19,456
Deposit paid for purchase of inventories		**60,936**	12,420
Bank balances and cash		**460**	1,117
		133,562	78,193
Current liabilities			
Deposits from customers		**2,960**	1,725
Accruals and other payables		**2,049**	2,655
Amounts due to a director		**1**	7
Amounts due to a related company	*9*	**2,401**	2,404
Amounts due to a related party		**–**	48
Provision for taxation		**3,005**	5
		10,416	6,844
Net current assets		**123,146**	71,349
Net assets		**133,374**	82,127
Capital and reserves			
Share capital	*10*	**52,220**	47,240
Reserves		**81,154**	34,887
		133,374	82,127

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)					
	Share capital	Share premium	Merger difference	Translation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2009	**47,240**	**57,060**	**22,735**	**(26)**	**(44,882)**	**82,127**
Exchange differences arising from translation of operations outside Hong Kong	**–**	**–**	**–**	**(31)**	**–**	**(31)**
Profit for the period	**–**	**–**	**–**	**–**	**13,224**	**13,224**
Total comprehensive income for the period	**–**	**–**	**–**	**(31)**	**13,224**	**13,193**
Issue of new shares pursuant to a placing agreement dated 19 August 2009	**4,980**	**34,860**	**–**	**–**	**–**	**39,840**
Transaction costs attributable to issue of new shares	**–**	**(1,786)**	**–**	**–**	**–**	**(1,786)**
At 31 December 2009	**52,220**	**90,134**	**22,735**	**(57)**	**(31,658)**	**133,374**
At 1 July 2008	39,368	49,785	22,735	(6)	(56,296)	55,586
Exchange differences arising from translation of operations outside Hong Kong	–	–	–	7	–	7
Profit for the period	–	–	–	–	3,666	3,666
Total comprehensive income for the period	–	–	–	7	3,666	3,673
At 31 December 2008	39,368	49,785	22,735	1	(52,630)	59,259

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) For the six months ended 31 December 2009 *HK$'000*	(Unaudited) For the six months ended 31 December 2008 *HK$'000*
Net cash (used in) operating activities	**(38,384)**	(46,971)
Net cash (used in) investing activities	**(296)**	(510)
Net cash generated from financing activities	**38,054**	–
(Decrease) in cash and cash equivalents	**(626)**	(47,481)
Effect of foreign exchange rate changes	**(31)**	7
Cash and cash equivalents at beginning of the year	**1,117**	48,190
Cash and cash equivalents at end of the period	**460**	716
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	**460**	716

NOTES

1. GENERAL

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

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

The Company is an investment holding company. The Group is principally engaged in the development, promotion and distribution of a broad range of botanical personal care products, treatments and services.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 31 December 2009 have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the six months ended 31 December 2009 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. 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 2009, except for the following accounting policies newly adopted in current review period.

In the current review period, the Group has applied for the first time the following new standards, amendments or interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1 July 2009:

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 adoption of these new standards, amendments or interpretations had no material effect on how the results of the Group for the current or prior accounting periods have been prepared. Accordingly, no prior period adjustment has been required.

3. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the net amounts received and receivable for goods sold, therapy services and training course services provided, less returns and allowances, by the Group to outside customers. Turnover also includes royalty fee income charged to the distributors for use of the Group's trademarks/tradenames.

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

Turnover and contribution to operating results by business segment and geographical segment

	PRC *HK$'000*	Hong Kong *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
For the six months ended 31 December 2009 (Unaudited)				
Turnover				
External sales				
– Sales of beauty products	**5,990**	**188**	**–**	**6,178**
– Sales of beauty equipments	**31,000**	**–**	**–**	**31,000**
– Royalty fee income	**3,699**	**–**	**–**	**3,699**
– Therapy services	**–**	**290**	**–**	**290**
– Provision of training courses	**1,000**	**–**	**–**	**1,000**
Total revenue	**41,689**	**478**	**–**	**42,167**
Result				
Segment result	**32,482**	**(3,626)**	**–**	**28,856**
Unallocated corporate incomes				**21**
Unallocated corporate expenses				**(12,653)**
Interest income				**–**
Finance costs				**–**
Taxation				**(3,000)**
Profit for the period				**13,224**
For the six months ended 31 December 2008 (Unaudited)				
Turnover				
External sales				
– Sales of beauty products	2,326	49	–	2,375
– Sales of beauty equipments	10,500	–	–	10,500
– Royalty fee income	1,282	–	–	1,282
– Therapy services	–	419	–	419
– Provision of training courses	1,000	–	–	1,000
Total revenue	15,108	468	–	15,576
Result				
Segment result	12,443	(1,784)	–	10,659
Unallocated corporate incomes				–
Unallocated corporate expenses				(6,993)
Interest income				–
Finance costs				–
Taxation				–
Profit for the period				3,666

Assets and liabilities by business segment

	Sales of products *HK$'000*	Therapy services *HK$'000*	Provision of training courses *HK$'000*	Consolidated *HK$'000*
As at 31 December 2009 (Unaudited)				
Assets				
Segment assets	**38,782**	**–**	**1,000**	**39,782**
Unallocated corporate assets				**104,008**
Consolidated total assets				**143,790**
Liabilities				
Segment liabilities	**–**	**(2,960)**	**–**	**(2,960)**
Unallocated corporate liabilities				**(7,456)**
Consolidated total liabilities				**(10,416)**
As at 31 December 2008 (Unaudited)				
Assets				
Segment assets	16,236	–	1,000	17,236
Unallocated corporate assets				46,875
Consolidated total assets				64,111
Liabilities				
Segment liabilities	–	(2,046)	–	(2,046)
Unallocated corporate liabilities				(2,806)
Consolidated total liabilities				(4,852)

Assets and liabilities by geographical segment

	PRC *HK$'000*	Hong Kong *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
As at 31 December 2009 (Unaudited)				
Assets				
Segment assets	**39,745**	**36**	**1**	**39,782**
Unallocated corporate assets				**104,008**
Consolidated total assets				**143,790**
Liabilities				
Segment liabilities	**–**	**(5,960)**	**–**	**(5,960)**
Unallocated corporate liabilities				**(4,456)**
Consolidated total liabilities				**(10,416)**
As at 31 December 2008 (Unaudited)				
Assets				
Segment assets	17,230	53	1	17,284
Unallocated corporate assets				46,827
Consolidated total assets				64,111
Liabilities				
Segment liabilities	–	(2,046)	–	(2,046)
Unallocated corporate liabilities				(2,806)
Consolidated total liabilities				(4,852)

4. TAXATION

	(Unaudited) Six months ended 31 December		(Unaudited) Three months ended 31 December	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profits tax				
– Hong Kong – current period	**3,000**	–	**3,000**	–
– PRC – current period	**–**	–	**–**	–
	3,000	–	**3,000**	–
Deferred tax – current period	**–**	–	–	–
	3,000	–	**3,000**	–

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the period ended 31 December 2009.

5. PROFIT FOR THE PERIOD

	(Unaudited) Six months ended 31 December		(Unaudited) Three months ended 31 December	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit for the period has been arrived at after charging:				
Directors' remuneration	**1,140**	1,958	**570**	610
Other staff costs	**3,511**	2,842	**1,801**	1,399
Retirement benefit scheme contributions	**133**	193	**61**	165
Total staff costs	**4,784**	4,993	**2,432**	2,174
Amortisation of intangible assets	**468**	468	**234**	234
Depreciation	**218**	139	**113**	76
Written off of fixed assets	**161**	–	**161**	–

6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2009 (2008: Nil).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months and six months ended 31 December 2009 is based on the profit for the period of approximately HK$11,346,000 and HK$13,224,000, and on the weighted average number of 488,639,130 ordinary shares and 480,519,565 ordinary shares in issue respectively during the periods.

The calculation of the basic earnings per share for the three months and six months ended 31 December 2008 is based on the profit for the period of approximately HK$2,416,000 and HK$3,666,000, and on the weighted average number of 393,680,000 ordinary shares and 393,680,000 ordinary shares in issue respectively during the periods.

No diluted earnings per share for the three months and six months ended 31 December 2009 and 31 December 2008 was presented as there was no dilutive ordinary share in issue.

8. TRADE RECEIVABLES

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

	(Unaudited) As at 31 December 2009 ***HK$'000***	(Audited) As at 30 June 2009 *HK$'000*
Age:		
0-60 days	**19,595**	16,398
61-120 days	**13,125**	10,484
121-180 days	**6,951**	5,023
181-365 days	**111**	13,126
Over 365 days	**48**	48
	39,830	45,079
Provision for doubtful debts	**(48)**	(48)
	39,782	45,031

9. AMOUNT DUE TO A RELATED COMPANY

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, is unsecured, non-interest bearing and repayable upon demand.

10. SHARE CAPITAL

	Number of Shares of HK$0.10 each	Amount *HK$'000*
Authorised:		
At 30 June 2008 (Audited), 30 June 2009 (Audited) and 31 December 2009 (Unaudited)	1,000,000,000	100,000
Issued and fully paid:		
At 30 June 2008 (Audited) and 1 July 2008 (Audited)	393,680,000	39,368
Shares issued on 29 May 2009 pursuant to the subscription agreements dated 27 April 2009	78,720,000	7,872
At 30 June 2009 (Audited) and 1 July 2009 (Audited)	472,400,000	47,240
Shares issued on 2 December 2009 pursuant to a placing agreement dated 19 August 2009 and a supplemental agreement to the placing agreement dated 28 October 2009	49,800,000	4,980
At 31 December 2009 (Unaudited)	522,200,000	52,220

11. OPERATING LEASE COMMITMENTS

	(Unaudited) As at 31 December 2009 ***HK$'000***	(Audited) As at 30 June 2009 *HK$'000*
Accrued lease payments	**531**	609
Within one year	**5,299**	3,258
In the second to fifth year inclusive	**4,928**	1,559
	10,758	5,426

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

12. 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 income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

13. EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group had 43 employees (2008: 33) and staff costs for the six months ended 31 December 2009 (excluding directors' remuneration) amounted to HK$3,644,000 (2008: HK$3,035,000) whilst the directors' remuneration for the six months ended 31 December 2009 amounted to HK$1,140,000 (2008: HK$1,958,000). 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.

14. RELATED PARTY DISCLOSURES

a. Related party transactions

Name of party	Nature of transactions	**(Unaudited) Six months ended 31 December 2009** *HK$'000*	2008 *HK$'000*
Garrick International Limited *(Note)*	Purchase of products	**3,997**	1,878
	Deposit paid for purchase of inventories	**3,000**	–

Note: Ms. Keung Wai Fun ("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 shareholders and directors of Garrick International Limited. Garrick International Limited is owned as to 90% by Ms. Samantha Keung and as to 10% by Mr. Cheung Tsun Hin, Samson. Mr. Cheung Tsun Hin, Samson is son of Ms. Samantha Keung.

b. Compensation for key management personnel

The remuneration of directors and other members of key management personnel during the period was as follows:

	(Unaudited) Six months ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
Short-term employee benefits	**1,740**	2,558

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of operation

For the six months ended 31 December 2009, the Group recorded a turnover of approximately HK$42,167,000 (2008: approximately HK$15,576,000) which represented an increase of approximately 1.7 times over the corresponding period last year. The increase in turnover was mainly attributable to improved performance in beauty product and equipment distribution and beauty care services in Hong Kong and the PRC.

The gross profit amounted to approximately HK$28,856,000 for the six months ended 31 December 2009, representing an increase of 1.7 times over the corresponding period last year. The increase in gross profit was mainly attributable to increased beauty product and equipment distribution for the period.

Selling and distribution costs for the six months ended 31 December 2009 amounted to approximately HK$7,288,000 (2008: HK$815,000), representing an increase of 7.9 times over the corresponding period last year. The increase in selling and distribution costs was mainly attributable to marketing and promotional expenses incurred for the PRC market.

Administrative expenses for the six months ended 31 December 2009 amounted to approximately HK$5,365,000 (2008: approximately HK$6,178,000), representing a decrease of approximately 13.2% over the corresponding period last year. It was mainly due to last year expenses that included the one-off professional fees and other related expenses incurred in relation to the Company's resumption of trading.

The Group's profit attributable to shareholders of the Company for the six months ended 31 December 2009 was approximately HK$13,224,000 (2008: approximately HK$3,666,000), representing an increase of 2.6 times over the corresponding period last year.

Liquidity and financial resources

As at 31 December 2009, the equity attributable to equity holders of the Company amounted to approximately HK$133,374,000, representing an increase of approximately HK$51,247,000 or 62.4% as compared with that as at 30 June 2009.

As at 31 December 2009, current ratio of the Group was approximately 12.8 (30 June 2009: 11.4).

As at 31 December 2009, the cash and bank balances of the Group were HK$460,000 (30 June 2009: HK$1,117,000).

For the six months ended 31 December 2009, the Group mainly financed its operations with internally generated resources and from the issuance of 49,800,000 new shares on 2 December 2009, generating net proceeds of approximately HK$38,054,000.

As at 31 December 2009, the Group did not have any borrowing.

Capital structure

Reference is made to the announcements of the Company dated 19 August 2009, 28 October 2009 and 2 December 2009, and the circular of the Company dated 28 August 2009 in relation to, among other things, the placing of a maximum of 175,000,000 new shares of the Company at the placing price of HK$0.80 per share to not fewer than six placees under specific mandate on a best-effort basis. On 2 December 2009, an aggregate of 49,800,000 new shares were successfully placed to not less than six placees. The gross proceeds from the placing is HK$39,840,000 and net proceeds (after deduction of related expenses payable by the Company) is approximately HK$38,054,000, which will be used for towards a possible acquisition of a property in the PRC for setting up a beauty professional training institute of the Group.

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

Business Review

While the market is gradually recovering from the aftermath of global sub-prime financial crisis last year, the market remains wary of another recession and tightening of monetary policy. Notwithstanding these challenges, the Group managed to achieve a satisfactory performance during the period under review. For the period under review, the turnover of the Group amounted to approximately HK$42,167,000, representing 1.7 times increase from HK$15,576,000, the turnover during the same period last year. Such increase in turnover was attributed to the strong performance of the Group in sale and distribution of beauty products and beauty equipments in Hong Kong and mainland China.

During the period under review, the Group continued to broadening its product offerings through introduction of new color cosmetic products to the market. The Group believes that expansion in product line helps increase its market share in the beauty industry.

During the period under review, the PRC distributor continued to be encouraged by the high turnout of visiting guests to Blu Spa booth at the Guangzhou beauty exhibition. The PRC distributor continued to work closely with the Group through participation in regular trade event such as the BHC beauty expo to be hosted in Shanghai and expo in Jiangsu.

In December 2009, the Company via its wholly owned subsidiary entered into a LOI in relation to a Possible Joint Venture involving research and development, marketing and distribution of electronic medical card system employing radio frequency identification technology in the PRC. The Group viewed the Possible Joint Venture as a good opportunity to broaden its revenue base.

Encouraged by the result in government sponsored vocational retraining program in beauty therapy courses in Hong Kong, the Company through another wholly owned subsidiary entered into a LOI in December 2009 in relation to the possible acquisition of a property in Guangzhou, Hua Du providing a total floor area of approximately 8,000 square metres. The Group intends to establish a professional training institute at the property which will provide space not only for international beauty training courses but also other vocational training such as finance and language courses. The possible acquisition is perceived by the Group as a good opportunity to open new business opportunity and broaden its revenue base.

Prospect

After debut of the new color cosmetics, the Group will continue to direct its efforts toward introduction of newly developed products, general promotion of brand awareness and provision of quality product and service offerings to customers in order to satisfy the ever-changing needs of the consumer.

Opening of Blu Spa cosmetic sales and spa service counter in leading lifestyle department stores such as Harvey Nichols and the CITISTORE which are primarily aimed at higher-income group is actively pursued by the Group with its proposed new spa centre at the Macau Jockey Club.

The Group's distributorship business in Mainland China will continue to be the main driver to its business growth and revenue source. Accordingly, the Group plans to collaborate with the PRC Distributor in its participation in the Guangzhou International Beauty & Cosmetics Import-Export Expo Spring 2010 in March.

Possible Acquisitions and Joint Venture

Pursuant to an announcement of the Company published on 13 November 2009, Profit Full Global Limited (an indirect wholly-owned subsidiary of the Company) entered into the MOU with the Vendor, Mr. Lkhamjav Javkhlant, in relation to the Possible Acquisition of not less than 80% equity interest in the Target Company on 13 November 2009. The principal assets of the Target Company are its licences for gold exploration and gold production of the Mine, a gold mine in the territory of Darkhan Uul province in northern Mongolia. The Mine covers a total area of 500 hectares land designated for gold mining. The MOU does not constitute a legally-binding commitment in respect of the Possible Acquisition. Under the MOU, it is proposed that both Profit Full and the Vendor will proceed to the negotiation for a legally-binding formal agreement in respect of the Possible Acquisition to be entered into on or before 30 April 2010 (or such later date to be agreed by the parties thereto).

Pursuant to an announcement of the Company published on 9 December 2009, Castletop Assets Limited (a wholly-owned subsidiary of the Company) entered into the LOI with Zhongcheng Satellite Technology Center Co., Ltd. ("ZSTC") in relation to the Possible Joint Venture. The principal business of the Joint Venture Company will be to engage in the business of research, development and operation of an electronic medical card system using the radio frequency identification technology in the PRC (the "e-Medical Card Project"). Castletop Assets has paid HK$5 million as Earnest Money upon signing of the LOI. It is intended that the shareholding of the Joint Venture Company will be held as to 20% by ZSTC and as to 80% by an offshore company. Upon formation of the Joint Venture Company, ZSTC would procure the shareholder of the said offshore company (the "Vendor") to sell its 80% equity interest in the Joint Venture Company to Castletop Assets. Save for the provisions under the heading "Binding provisions" in the announcement, the other provisions of the LOI does not constitute a legally-binding commitment in respect of the Possible Joint Venture. Under the LOI, it is proposed that ZSTC will first form a Joint Venture Company in the PRC within 2 months from the date of the LOI (or such later date as the parties may agree in writing) (the "Period"). Pursuant to an announcement of the Company published on 28 January 2010, Castletop Assets and ZSTC signed an extension agreement on 28 January 2010 to extend the Period from 9 February 2010 (being 2 months from the date of the LOI) to 30 April 2010 (or such later date as the parties may agree) as more time is required for the negotiations between the parties.

Pursuant to an announcement of the Company published on 16 December 2009, the Purchaser (Blu Spa (Hong Kong) Limited, a wholly-owned subsidiary of the Company) entered into the LOI with the Vendor, Mr. Shum Yeung, in relation to the Possible Acquisition of the Sale Shares (70% of the entire issued share capital of the Target Company) on 16 December 2009. The principal assets of the Target Company is a piece of land situated in Guangzhou, Hua Du with buildings thereon of the total built area of about 8,000 square metres (the "Buildings"). It is proposed that the consideration for the Sale Shares shall be HK$80 million. The Purchaser has paid in cash a refundable initial deposit of HK$10 million to the Vendor. Save for the provisions under the heading "Binding provisions" in the announcement, the other provisions of the LOI do not constitute a legally-binding commitment in respect of the Possible Acquisition.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2009 (2008: Nil).

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

As at 31 December 2009, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of SFO); or (ii) to be entered in the register referred to therein pursuant to Section 352 of SFO; or (iii) to be notified to the Company and the Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in shares

Name	Nature of interests	Number of shares	Approximate percentage of shareholding
Executive Director			
Ms. Ivy Chan	Beneficial owner	2,000,000	0.38%
	Corporate interest	11,065,787 *(Note 1)*	2.12%
Mr. Ji He Qun	Beneficial owner	800,000	0.15%
	Interest of spouse	9,480,000	1.82%
Chief Executive Officer			
Ms. Samantha Keung	Corporate interest	245,682,200 *(Note 2)*	47.05%

Note:

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.

Save as disclosed above, as at 31 December 2009, none of the Directors or chief executives of the Company had any interest or short position 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 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 Exchange.

SHARE OPTION SCHEMES

On 30 January 2002, the Company adopted a share option scheme (the "Share Option 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. The Share Option Scheme will expire on 29 January 2012.

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

The total number of shares in respect of which options may be granted under the Share Option Scheme and any other scheme is not permitted to exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the date of the annual general meeting held on 28 December 2009.

The number of shares issued and issuable in respect of which options may be granted under the Share Option 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 Share Option Scheme and any other scheme in the past 12 months, in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

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

As at 31 December 2009, no options had been granted under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, so far as is known to the Directors and chief executives of the Company, the following person (other than the Directors and chief executives of the Company as disclosed above) 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:

Long position in shares

Shareholder	Nature of interests	Number of shares	Approximate percentage of shareholding
Queensbury Global Limited	Beneficial owner	245,682,200	47.05%
Million Fortune Group Limited	Interest of controlled corporation	245,682,200	47.05%
Ms. Samantha Keung	Interest of controlled corporation	245,682,200	47.05%

Note: As at 31 December 2009, Queensbury Global Limited owned 245,682,200 ordinary shares of the Company. As Million Fortune Group Limited holds 88.38% interest in the registered capital of Queensbury Global Limited and Ms. Samantha Keung holds 87.0% interest in the registered 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 and Ms. Samantha Keung.

Save as disclosed above, the Directors and chief executives of the Company are not aware of any person (other than the Directors and chief executives of the Company as disclosed above) who, as at 31 December 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.

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 six months ended 31 December 2009.

ADVANCES TO AN ENTITY

As at 31 December 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 Rules 17.22 and 17.24 of the GEM Listing Rules.

COMPETING INTERESTS

During the period 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.

CORPORATE GOVERNANCE

For the six months ended 31 December 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 of the Company.

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. As Mr. Cheung Tsun Hin, Samson, the Chairman and executive Director of the Company, is responsible for market development of the Group, the Board believes that continuity is the key to implementing the long-term business plans successfully, and that with the Chairman continuing in office, it can provide the Group with strong and consistent leadership, thus long-term business strategies can be planned and implemented more effectively. The Board is of the view that the Chairman of the Company should not be subject to retirement by rotation.

SECURITIES TRANSACTIONS BY DIRECTORS

During the period 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 to 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 period under review.

BOARD OF DIRECTORS

The Board of the Company comprises seven Directors, of which three are executive Directors, namely Mr. Cheung Tsun Hin, Samson, Ms. Ivy Chan and Mr. Ji He Qun, one is non-executive Director, namely Mr. Chan Shun Kuen, 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.

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 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 unaudited interim results for the six months ended 31 December 2009 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Company established a 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.

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 report, 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

During the period 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.

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

Hong Kong, 8 February 2010

As at the date of this report, the Board comprises three executive Directors, namely Mr. Cheung Tsun Hin, Samson, Ms. Chan Choi Har, Ivy and Mr. Ji He Qun; one non-executive Director, namely Mr. Chan Shun Kuen Eric; and three INEDs, namely Mr. Chan Sze Hon, Mr. Lam Wai Pong and Mr. Yeung Mario Bercasio.