



**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)**

**FIRST QUARTERLY RESULT REPORT  
FOR THE THREE MONTHS ENDED  
30 SEPTEMBER 2005**

## **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.**

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*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 Blu Spa Holdings Limited. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this 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, treatment and services.
- The unaudited consolidated turnover of the Group for the three months ended 30 September 2005 was approximately HK\$46,000, representing a decrease of approximately 93% as compared to the unaudited consolidated turnover of the Group of approximately HK\$0.66 million for the corresponding period in 2004.
- The net loss for the three months ended 30 September 2005 was approximately HK\$0.72 million, representing a decrease of approximately 30% as compared to the net loss of approximately HK\$1 million for the corresponding period in 2004.

The board of directors (the “Board”) of Blu Spa Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 September 2005 together with the comparative figures for the corresponding period in 2004 as follows:

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended	
		30 September	2004
		2005	(Unaudited)
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	3	46	658
Cost of sales		(8)	(102)
Gross profit		38	556
Other revenue	4	371	1
Distribution costs		–	(93)
Administrative expenses		(1,033)	(1,435)
Loss from operations	5	(624)	(971)
Finance costs	6	(91)	(45)
Loss before taxation		(715)	(1,016)
Taxation	7	(1)	–
Loss attributable to shareholders		<u>(716)</u>	<u>(1,016)</u>
Basic loss per share, in HK cents	9	<u>(0.12)</u>	<u>(0.17)</u>

## 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 quarterly results has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The Group incurred a loss attributable to the shareholders of approximately HK\$716,000 for the three months ended 30 September 2005. In addition, the Group had net liabilities of approximately HK\$1,090,000 as at 30 September 2005. Notwithstanding this, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern. In the opinion of the Directors, the Group will have sufficient working capital to continue its operations in the coming year, after taking into consideration of the following:

- The Group is in the process of identifying/negotiating with potential investors for new equity to be introduced to the Group.
- The Group has been taking ongoing action to tighten cost controls over various general and administrative expenses.

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

Should the Group be unable to continue as a going concern, adjustments would have to be made in the accounts to reduce the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The consequential effects of these potential adjustments may have significant effect on the loss of the Group for the three months ended 30 September 2005 and the net liabilities of the Company and the Group as at 30 September 2005.

### 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 New 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 and therapy services performed, 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:

	<b>The People's Republic of China</b>				
	<b>Hong Kong</b>	<b>Others</b>	<b>Elimination</b>	<b>Consolidated</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>
<b>For the three months ended</b>					
<b>30 September 2005</b>					
External sales					
– Distributorship	14	5	–	–	19
– Retailing	–	27	–	–	27
Inter-segment sales	–	1	–	(1)	–
	<u>14</u>	<u>33</u>	<u>–</u>	<u>(1)</u>	<u>46</u>
Total revenue	<u>14</u>	<u>33</u>	<u>–</u>	<u>(1)</u>	<u>46</u>
<b>For the three months ended</b>					
<b>30 September 2004</b>					
External sales					
– Distributorship	315	50	12	–	377
– Retailing	–	281	–	–	281
Inter-segment sales	–	15	–	(15)	–
	<u>315</u>	<u>346</u>	<u>12</u>	<u>(15)</u>	<u>658</u>
Total revenue	<u>315</u>	<u>346</u>	<u>12</u>	<u>(15)</u>	<u>658</u>

#### 4. OTHER REVENUE

Other revenue for the three months ended 30 September 2005 mainly represents the take-over by the Hong Kong distributor of the therapy courses that have not yet fully been performed for the retail customers but the services charges have been fully received by the Group in previous year. Whilst the other revenue for the previous corresponding period in 2004 represented bank interest received and sundry income received.

#### 5. LOSS FROM OPERATIONS

	<b>Three months ended 30 September 2005 (Unaudited) HK\$'000</b>	Three months ended 30 September 2004 (Unaudited) HK\$'000
<b>Loss from operations has been arrived at after charging:</b>		
Director's remuneration	25	28
Other staff costs	94	367
Retirement benefit scheme contributions	5	18
	<hr/>	<hr/>
Total staff costs	124	413
	<hr/>	<hr/>
Amortisation of intangible assets included in administrative expenses	286	286
Auditors' remuneration	-	-
Depreciation	51	66
Write-off of plant and equipment	165	-
<b>And after crediting:</b>		
Release of the obligation onto the unperformed therapy course	371	-
	<hr/> <hr/>	<hr/> <hr/>

#### 6. FINANCE COSTS

	<b>Three months ended 30 September 2005 (Unaudited) HK\$'000</b>	Three months ended 30 September 2004 (Unaudited) HK\$'000
Interest on:		
Loans from shareholders	91	45
	<hr/> <hr/>	<hr/> <hr/>

The finance cost being the interest expenses payable on loans from shareholders, namely, Profit Trick Holdings Limited and Rocket High Investments Limited 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 HSBC from time to time.

## 7. TAXATION

	<b>Three months ended 30 September 2005 (Unaudited) HK\$'000</b>	Three months ended 30 September 2004 (Unaudited) HK\$'000
The charge (credit) comprises:		
Company and subsidiaries		
Current period profits tax – PRC	<b>1</b>	–
Deferred tax		
Credit of current period	–	–
Taxation attributable to the Group	<b><u>1</u></b>	<b><u>–</u></b>

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

No provision for Hong Kong Profits Tax has been made for the three months ended 30 September 2005 and the corresponding period in 2004, as the Group had no assessable profits for the respective period.

## 8. DIVIDEND

The directors do not recommend the payment of a dividend for the three months ended 30 September 2005, nor has any dividend been proposed since this period ended date (2004: Nil).

## 9. BASIC LOSS PER SHARE

The calculation of the basic loss per share for the three months ended 30 September 2005 is based on the loss attributable to shareholders of approximately HK\$716,000 (2004: loss attributable to shareholders of approximately HK\$1.02 million) and on 606,800,000 (2004: on 606,800,000) ordinary shares of the Company in issue during the period.

No diluted loss per share for the three months ended 30 September 2005 and 2004 were 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 unaudited movements in the reserves of the Group are as follows:

	Share premium HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2004	19,740	22,734	(8)	(43,248)	(782)
Exchange differences arising from translation of operations outside Hong Kong	–	–	–	–	–
Loss for the period	–	–	–	(1,016)	(1,016)
At 30 September 2004	<u>19,740</u>	<u>22,734</u>	<u>(8)</u>	<u>(44,264)</u>	<u>(1,798)</u>
At 1 July 2005	19,740	22,734	(8)	(48,915)	(6,449)
Exchange differences arising from translation of operations outside Hong Kong	–	–	6	–	6
Loss for the period	–	–	–	(716)	(716)
At 30 September 2005	<u>19,740</u>	<u>22,734</u>	<u>(2)</u>	<u>(49,631)</u>	<u>(7,159)</u>

## 11. 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 rent and other charges to South Eagle Investments Limited

Due to operating difficulties, one of the subsidiaries, Legend Well International Limited (“LWIL”), has owed rent and other charges to South Eagle Investments Limited (the “landlord”) for its retail outlet located at Entertainment Building, Central in Hong Kong since April 2005. The landlord has brought the case to the District Court and judgment was entered on 5 July 2005. LWIL has to repay all of the outstanding amounts due to the landlord. After deducting the rental deposit placed, LWIL still owed to the landlord about HK\$76,200. The landlord further claimed for reinstatement costs of the premises and the loss of rental and other charges due to delay of handover to new tenant, amounting to HK\$55,300 and about HK\$23,300 respectively. The Group disagreed with further claim and decided to negotiate a settlement with the landlord with a view to reduce certain amount of legal cost, interest charges and the aforesaid unreasonable claims. By the announcement date of this First Quarterly Results ended as at 30 September 2005, the parties have reached no settlement agreement.



(c) **Arrears of logistic service charges to Fenix Logistic Services Limited**

Due to operating difficulties, one of the subsidiaries, Blu Spa (Hong Kong) Limited (“BSHK”), has owed an amount of about HK\$272,000 to Fenix Logistic Services Limited (“FLS”) for the storage and management of its inventory for the period since August 2004. Both parties have come to an agreement over the repayment of the outstanding amount in July 2005. However, owing to the Group’s cash flow difficulty, the Group has not yet paid any part of the outstanding amount according to the repayment schedule. A Writ of Summons has been issued against BSHK on 22 September 2005. The Group did not file a notice to defend. A Judgment was received on 4 November 2005. An order was entered against BSHK by the District Court of Hong Kong to pay to FLS the sum of HK\$271,922.07 together with interest thereon of 8.245% per annum from 22 September 2005 onwards; and fixed cost of HK\$1,380. 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 or interest expenses.

(d) **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.

(e) **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 in respect of printing, typesetting, translation and advertising services to SNP Vite Limited (“SNP”). If no 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.

## 12. RELATED PARTY TRANSACTIONS

For three months ended 30 September 2005, the Group had the transactions with the following parties:

Name of party	Notes	Nature of transactions	Loans from related parties	
			As at	As at
			30 September 2005	30 September 2004
			Unaudited	Unaudited
			HK\$'000	HK\$'000
Ms. Chan Choi Har, Ivy	(i)	Interest expenses on loan from a director	200	–
Profit Trick Holdings Limited	(i)	Interest expenses on loan from shareholders	1,550	1,550
Rocket High Investments Limited	(i)	Interest expenses on loan from shareholders	3,750	2,050
			<u>3,750</u>	<u>2,050</u>

Notes:

- (i) In accordance to the shareholders’ and director’s loan agreements, the loans are repayable on demand and bear interest at Hong Kong Dollar prime lending rate quoted by The Hong Kong and Shanghai Banking Corporation Limited from time to time. During the period, the Group did not pay any interest for the loans from shareholders and a director.

## MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

### Three months ended 30 September 2005

For the three months ended 30 September 2005, the Group recorded a turnover of approximately HK\$46,000 representing a decrease of approximately 93% as compared to the turnover of the same period in previous year. It was because the Group in the period under review has revamped this marketing strategy to redirect its focus to distributorship business, and has terminated the retailing outlets to minimize its operating cost. There were not much sales activities conducted during the period.

Gross profit margin is approximately 83% for the three months ended 30 September 2005, representing 1% decrease compared to that of the same period in previous year.

Other revenue earned by the Group for the three months ended 30 September 2005, amounted to approximately, HK\$371,000, arising mainly from the take-over by the Hong Kong distributor of the therapy courses that have not yet been fully performed for the retail customers but the services charges have been fully received by the Group in previous year, representing an increase of approximately 61 times as compared to that of the same period in previous year. Other revenue in the same period of the previous year amounted to approximately, HK\$1,000, which mainly represents the bank interest received and sundry income received.

Distribution cost incurred by the Group for the three months ended 30 September 2005 was nil representing a decrease of 100% as compared to those of the previous period (HK\$93,000), which was due to the Group's cost control policy.

Administrative expenses incurred by the Group for the three months ended 30 September 2005 amounted to approximately HK\$1.03 million, (2004: HK\$1.44 million), representing a decrease of approximately 28% as compared to those of prior period. The decrease was mainly due to the Group's tight cost control policy to reduce cost on rental expenses and staff salary.

The loss attributable to shareholders amounted to approximately HK\$0.72 million, (2004: HK\$1.02 million), for the three months ended 30 September 2005, representing an improvement of approximately HK\$0.3 million, or 30% 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.

### Business review

The Group has terminated its retail business in Hong Kong. In the period under review, the Group has focused on the distributor business. It mainly aims to minimize the operating expenses. The Group is optimistic about the economic rebound in Hong Kong retail market and it has franchised out the Blu Spa brand to a Hong Kong distributor to operate.

The relaxed travel policy for PRC tourist visiting Hong Kong will be further widen in 2005, and more individual travelers in PRC are expected to visit Hong Kong. It will mean greater benefits for retail sector since those individual travelers will have higher spending power than those of group travelers.

With the effect of its brand building and promotional efforts both in Hong Kong and PRC, the Group had been able to attract potential distributors in the PRC, and South-east Asian region. By September 2005, the Group has concluded a distributor agreement in Taiwan. The Group will continue to identify and seek prospective distributors in Shenzhen, Guangzhou and Beijing of China, South Korea, Thailand and Dubai.

The Group also continued to negotiate with Chinese and overseas OEM manufacturers for sourcing of products using the Group's brand name; with special focus on anti-aging, fabric mask and hydrating and nutritional facial caring products, as well as research on new and improved formulation for existing products. Screening of potential suppliers is now underway. The Group further continued to expand its research and development efforts to enhance the testing procedure of new products and improve their quality.

## OUTLOOK

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

The Group has emphasized its market expansion locally and internationally by intensifying product promotions and developing closer relationships with our exclusive distributors. We firmly believe our business is expected to experience stronger growth in the near future taking into consideration the increasing attractions of Hong Kong, Macau and China as a result of the booming casino industry in Macau, the opening of the Hong Kong Disneyland, and pre-launch activities of the ASEAN games 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 entry into the PRC market in the future.

The Group will also direct its efforts to providing not only new, innovative and effective beauty care products to its end users, but also professional training to our marketing staff to impart product knowledge in order to satisfy the users' ever-increasing beauty care needs. The Group is expecting its business performance to improve in the coming future.

## Loan Structure of the Group

		<b>As at 30 September 2005 (Unaudited) HK\$'000</b>	As at 30 September 2004 (Unaudited) HK\$'000
	<i>Notes</i>		
XO-Holdings Ltd.	<i>1</i>	<b>3,572</b>	3,572
Amount due to a related party	<i>2</i>	<b>2,500</b>	2,500
Profit Trick Holdings Ltd.	<i>3</i>	<b>1,550</b>	1,550
Rocket High Investments Ltd.	<i>3</i>	<b>3,750</b>	2,050
		<b>11,372</b>	9,672

### Notes:

- As at 30 September 2005 and 2004, the amount due to a shareholder, XO-Holdings Limited, amounted to approximately HK\$3.6 million, which was unsecured and non-interest bearing.

XO-Holdings Limited has undertaken to the Company that (i) it will not demand repayment of the amount due to it of approximately HK\$3.6 million within one year from the listing of the shares of the Company on GEM; and (ii) it will not demand repayment of any outstanding amount due to it after one year from the date of listing of the shares of the Company on GEM unless the Group has positive cash flow from operations and retained earnings in a financial year and each of the Independent Non-executive Directors (“INEDs”) has given an opinion that such payment will not adversely affect the operations of the Group and the implementation of the business objectives of the Company as stated in the Prospectus.

2. As at 30 September 2005 and 2004, the amount due to a related party, which has a common shareholder of Rocket High Investments Limited, a substantial shareholder of the Company, amounted to HK\$2.5 million, which was unsecured, non-interest bearing and repayable upon demand.
3. As at 30 September 2005 and 2004, the amounts due to Profit Trick Holdings Ltd. and Rocket High Investments Ltd., being substantial shareholders of the Company, which are repayable on demand and interest bearing at Hong Kong Dollar prime lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited.

Save as mentioned above, the Group did not have any outstanding loan capital, bank overdrafts and liabilities under acceptance or other similar indebtedness, debentures, mortgages, charges, or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities as at the close of the business on 30 September 2005 and 30 September 2004 respectively. The Group did not have any funding and treasury policies, financial instruments for hedging purpose.

## DIRECTORS’ INTERESTS IN SHARES AND OPTIONS

As at 30 September 2005, 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 5.40 to 5.59 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 5.40 to 5.49 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 Share Options Outstanding as at 30 September 2005
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 30 September 2005, no options had been granted under the Scheme.

### 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 30 September 2005, 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 the 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 is 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 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 capital of Rocket High Investments Limited is beneficially owned by David Chiu.

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more or any short positions in the issued share capital of the Company as at 30 September 2005.

#### **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 period ended 30 September 2005.

#### **SIGNIFICANT INVESTMENTS AND ACQUISITIONS**

During the period ended 30 September 2005, the Group had no material significant investments and acquisitions of subsidiaries and affiliated companies (2004: Nil).

#### **CAPITAL COMMITMENTS**

As at 30 September 2005, the Group had no material capital commitments. (2004: Nil).

#### **CONTINGENT LIABILITIES**

For detailed information, please refer to note 11 of notes to financial results.

#### **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 30 September 2005, because the Group is still in the stage of screening potential distributors.

#### **COMPETING INTERESTS**

During the period under view, 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.

## **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 30 September 2005, 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 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 30 September 2005 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 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**

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 of  
**Blu Spa Holdings Limited**  
**Hui Wing Lok**  
*Company Secretary*

*As at the date hereof, the Board comprises of Ms. Chan Choi Har, Ivy and Mr. Wu Wenzhi are executive directors, Mr. Chan Shun Kuen, Eric, Mr. Lam Wai Pong and Mr. Yeung Mario Bercasio, all of whom are INEDs.*

Hong Kong, 14 November 2005