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 REPORT
FOR THE NINE MONTHS ENDED
31 MARCH 2007

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

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

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock 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.

SUMMARY

– The Group is a developer, promoter and distributor of a broad range of botanical personal care products and services.

– The unaudited consolidated turnover of the Group for the nine months ended 31 March 2007 was approximately HK$2,097,000, representing an increase of approximately HK$2,010,000 or approximately 23 times as compared to the unaudited consolidated turnover of the Group of approximately HK$87,000 for the corresponding period in 2006.

– The net loss for the nine months ended 31 March 2007 was approximately HK$3,082,000, representing an increase of loss of approximately HK$799,000 or approximately 35% as compared to the net loss of approximately HK$2,283,000 for the corresponding period in 2006.

UNAUDITED QUARTERLY RESULTS

The board of directors (the "Board") of Blu Spa Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31 March 2007, together with the comparative figures for the corresponding periods in 2006. The condensed consolidated quarterly financial results have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited) For the three months ended 31 March		(Unaudited) For the nine months ended 31 March	
		2007	2006	**2007**	2006
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*3*	**1,342**	10	**2,097**	87
Cost of sales		**(827)**	(2)	**(1,944)**	(19)
Gross profit		**515**	8	**153**	68
Other revenue		**346**	47	**425**	484
Administrative expenses		**(940)**	(580)	**(3,109)**	(2,515)
Loss from operations	*4*	**(79)**	(525)	**(2,531)**	(1,963)
Finance costs	*5*	**(185)**	(119)	**(550)**	(320)
Loss before taxation		**(264)**	(644)	**(3,081)**	(2,283)
Taxation	*6*	**(1)**	–	**(1)**	–
Loss attributable to shareholders		**(265)**	(644)	**(3,082)**	(2,283)
Basic loss per share (in HK cents)	*8*	**(0.04)**	(0.11)	**(0.51)**	(0.38)

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 Group incurred a loss attributable to shareholders of approximately HK$3,082,000 for the nine months ended 31 March 2007. In addition, the Group had net current liabilities and net liabilities of approximately HK$16,834,000 and approximately HK$8,380,000 respectively as at 31 March 2007. Notwithstanding this, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern. In the opinion of the Directors, the Group will have sufficient working capital to continue its operations in the year 2007, after taking into consideration of the following:

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

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

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

(d) In addition to its distributorship business, the Group rented a premises with a gross floor area of approximately 4,400 square feet in Central in May 2006 as its image store (with beauty school) and office in Hong Kong. The Group has plans to set up other image stores in other major cities in the PRC;

(e) A spa centre was opened in February 2007 in the clubhouse premises of AquaMarine. AquaMarine comprising of luxurious residential complexes is developed by Hang Lung Properties Limited. The Group will set up a number of spa centers in the clubhouse of other prestige residential developments in Hong Kong.

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

The financial statements have not incorporated any adjustments for the possible failure of the Group to implement the aforesaid measures. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The consequential effects of these potential adjustments have not been reflected in the financial statements as at 31 March 2007.

2. PRINCIPAL ACCOUNTING POLICIES

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

The unaudited third quarterly results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and interpretations ("INTs") (herein after collectively referred to as "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

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 2006.

Impact of new Hong Kong Financial Reporting Standards

The Hong Kong Institute of Certified Public Accountants has issued a number of new standards, amendments and interpretations (collectively the "New HKFRSs"), which are generally effective for annual periods beginning on or after 1 January 2006. The Group has adopted the following New HKFRSs, which are applicable to the Group's financial statements for the nine months ended 31 March 2007:

HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[1]
HK(IFRIC) – INT 8	Scope of HKFRS 2[2]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[3]

[1] Effective for accounting periods beginning on or after 1 March 2006.
[2] Effective for accounting periods beginning on or after 1 May 2006.
[3] Effective for accounting periods beginning on or after 1 June 2006.

The adoption of the New HKFRSs has had no material effect on how the results for the current or prior accounting years are prepared and presented. Accordingly, no prior year adjustment has been required.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Turnover represents the net amounts received and receivable for goods sold and therapy service, less returns and allowances, by the Group to outside customers.

Turnover by business segment has not been prepared as all Group's turnover was derived from the development, distribution and marketing of personal care treatment products and spa service.

An analysis of the Group's turnover by geographical market is as follows:

For the nine months ended 31 March 2007 (Unaudited)

	The People's Republic of China *HK$'000*	**Hong Kong** *HK$'000*	**Others** *HK$'000*	**Consolidated** *HK$'000*
REVENUE				
External sales				
– Distributorship	**1,630**	**101**	**13**	**1,744**
– Retailing	**37**	**70**	**–**	**107**
Service income	**–**	**246**	**–**	**246**
Inter-segment sales	**–**	**–**	**–**	**–**
Total revenue	**1,667**	**417**	**13**	**2,097**

For the nine months ended 31 March 2006 (Unaudited)

	The People's Republic of China *HK$'000*	Hong Kong *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
REVENUE				
External sales				
– Distributorship	34	–	–	34
– Retailing	–	63	–	63
Service income	–	–	–	–
Inter-segment sales	–	(10)	–	(10)
Total revenue	34	53	–	87

4. LOSS FROM OPERATIONS

	(Unaudited) For the three months ended 31 March		(Unaudited) For the nine months ended 31 March	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss from operations has been arrived at after charging:				
Director's remuneration	**3**	2	**8**	30
Other staff costs	**495**	75	**1,717**	306
Retirement benefit scheme contributions	**4**	1	**47**	10
Total staff costs	**502**	78	**1,772**	346
Depreciation	**50**	36	**148**	126
Amortization of intangible assets	**234**	286	**702**	857
Fixed assets written-off	**–**	–	**–**	268

5. FINANCE COSTS

	(Unaudited) For the three months ended 31 March		(Unaudited) For the nine months ended 31 March	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest on:				
Loan from shareholders and directors	**184**	119	**547**	320
Interest on obligation under finance lease	**1**	–	**3**	–
	185	119	**550**	320

6. TAXATION

	(Unaudited) For the three months ended 31 March		(Unaudited) For the nine months ended 31 March	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current – Hong Kong profits tax	**–**	–	**–**	–
Current – PRC profits tax	**1**	–	**1**	–
Deferred tax	**–**	–	**–**	–
	1	–	**1**	–

Tax 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 2007 and the corresponding period in 2006, as the Group has no assessable profits for the respective periods.

7. DIVIDEND

The directors do not recommend the payment of a dividend for the nine months ended 31 March 2007, nor has any dividend been proposed since this period ended date (2006: Nil).

8. BASIC LOSS PER SHARE

The calculation of the basis loss per share for the three months and nine months ended 31 March 2007 is based on the loss for the corresponding periods of approximately HK$265,000 and approximately HK$3,082,000 respectively (2006: approximately HK$644,000 and approximately HK$2,283,000 respectively) and on the weighted average of 606,800,000 (2006: on 606,800,000) shares in issue during the periods.

No diluted loss per share for the three months and nine months ended 31 March 2007 and 2006 was presented as the Company did not assume the exercise of share option outstanding because the exercise prices of the Company's share options were higher than the average market price for shares latest available.

9. RESERVES

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

	Share Premium HK$'000	Merger Difference HK$'000	(Unaudited) Translation Reserve HK$'000	Accumulated Losses HK$'000	Total HK$'000
At 1 July 2005	19,740	22,735	(8)	(48,915)	(6,448)
Exchange differences arising from translation of operations outside Hong Kong	–	–	3	–	3
Loss for the period	–	–	–	(2,283)	(2,283)
At 31 March 2006	19,740	22,735	(5)	(51,198)	(8,728)
At 1 July 2006	19,740	22,735	(1)	(53,843)	(11,369)
Exchange differences arising from translation of operations outside Hong Kong	–	–	3	–	3
Loss for the period	–	–	–	(3,082)	(3,082)
At 31 March 2007	19,740	22,735	2	(56,925)	(14,448)

10. 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

Blu Spa (Hong Kong) Limited ("BSHK") owed Sogo Hong Kong Company Limited ("Sogo") an amount of approximately HK$1.1 million being outstanding dealership fee payable for the right to do business at Beaute@Sogo as of March 2006. However, due to shortage of fund, the Group was unable to settle the same. Hence, Sogo commenced High Court Action and Default Judgment was entered against BSHK on 7 June 2006. In response, the Company has reached a settlement with Sogo by way of monthly installment payments. As at the date of this report, the Company has paid three monthly installments in the aggregate of HK$300,000 to Sogo, each of which was financed by way of director's loan.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

Nine months ended 31 March 2007

For the nine months ended 31 March 2007, the Group recorded a turnover of approximately HK$2,097,000 which represented an increase of approximately 23 times when compared with that of the corresponding period last year. It was because in the period under review, the Group has revamped its marketing strategy to redirect its focus to distributorship business, and the retailing outlets have been terminated to minimize its operating cost.

The gross profit amounted to approximately HK$153,000 for the nine months ended 31 March 2007 whereas the gross profit amounted to approximately HK$68,000 in last corresponding period.

Administrative expenses incurred by the Group for the nine months ended 31 March 2007 amounted to approximately HK$3,109,000 (2006: approximately HK$2,515,000), representing an increase of approximately 24% as compared to those of previous period.

Finance costs incurred by the Group for the nine months ended 31 March 2007 amounted to approximately HK$550,000 (2006: approximately HK$320,000), representing an increase of approximately HK$230,000 or approximately 72% as compared to those of previous period. As at 31 March 2007, there were shareholders' and directors' loans of approximately HK$9,334,000 (2006: approximately HK$6,654,000), which were interest bearing at Hong Kong Dollar prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time.

The loss attributable to shareholders amounted to approximately HK$3,082,000 (2006: approximately HK$2,283,000) for the nine months ended 31 March 2007, representing an increase of approximately HK$799,000 or approximately 35% as compared to the loss attributable to shareholders for the corresponding period in previous year.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 March 2007 (2006: Nil).

BUSINESS REVIEW

With the aim to minimize operating costs, the Group terminated its retail business in Hong Kong by franchising out to the Hong Kong 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 retail outlets located in the Central, Tsim Sha Tsui and Mongkok. The distributor operated the Group's retail outlet in Beaute@Sogo until October 2005 when the mall was closed down for renovation. In the period under review, the Group had redirected its focus to the distributorship business. The Directors believe that the strong and steady economic recovery in Hong Kong will drive the growth of the retail market, particularly, in the beauty care products and service segment.

Given the relaxed travel policy applicable to the PRC tourists visiting Hong Kong, the number of visitor arrivals including both the group and individual travelers from the PRC continued to grow at a steady pace. The retail market had experienced a 25%-35% business growth attributable mainly to the stronger spending power of individual travelers as compared to group travelers.

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

During the period under review, the Group continued its efforts in negotiating with Chinese and overseas OEM manufacturers, sourcing high quality botanical beauty care products, using its brand name to promote anti-aging, whitening, fabric mask, hydrating and purifying face care products, while continuing its research and development of new and improved formulations for existing products. Having established initial contact with a small circle of suppliers, the screening process was progressing well. The Group continued to step up its research and development efforts on high quality new innovative skin care products and product quality enhancement.

In February, a spa centre, managed by the Group, was opened in the club house premises of AquaMarine. AquaMarine comprising of luxurious residential complexes is developed by Hang Lung Properties Limited. The opening of the spa centre at the clubhouse premises of AquaMarine was very well received. Incoming bookings for spa treatments and services soon overwhelmed the spa centre's capacity. As a result, all spa treatments and services had to be provided subject to at least 2-week advance booking. In view of the growing demand from the residents of AquaMarine, the Group reached an agreement with the estate management to enlarges the spa centre area in order to augment the spa service offerings and maintain the level of quality service to the residents. In March the Group entered into an agreement with Cobes International Co., Limited, pursuant to which Cobes was appointed as an exclusive agent of BSHK to distribute Blu Spa products in the duty free shop of Cobes in the PRC.

In addition to the existing Blu Spa cosmetic sale counters opened in January and in March 2007 in Shenyang and Chongqing respectively, the PRC distributor in April 2007 opened two cosmetic sales counters at Beijing Shin Kong Misukoshi (新光天地) department store and Beijing Sunlight department store (晨曦百貨) respectively. The PRC distributor opened its new office and spa centre in Century Plaza Hotel (新都酒店), Shenzhen at the end of April 2007.

OUTLOOK

Given the robust 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. In addition, the Group will continue its efforts in brand building and advertisement designed to promote women new-age holistic lifestyle concepts and to introduce new innovative and prestigious botanical beauty care products and services to the consumers. The Group will continue its collaboration 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 product promotions and developing closer working relationship with our distributors, the Group has placed strong emphasis on market expansion both locally and internationally. In April 2006, the Group entered into two distributor agreements with distributors in the PRC and the Taiwan respectively. Our PRC distributor opened Blu Spa cosmetic sales counters in Shenyang, Chongqing and Beijing, respectively with additional sales counters planning to be opened in other major cities in China. The Group is confident of its business prospects in the near future owing to the increasing attractions of Hong Kong, Macau and China attributable to the booming casino industry in Macau, Hong Kong Disneyland, Hong Kong Ocean Park and 2008 Olympic Games in Beijing. The Group is particularly 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 expansion to the PRC market which will remain the fastest growing market for beauty care products and services in the future.

With the introduction of Beauteca skin care line, the PRC distributor will continue to look for new distribution channels such as China Duty Free and cosmetic surgery clinics. The successful opening of the spa centre at AquaMarine further presented to the Group the opportunities to manage additional spa centres at luxurious residential clubhouses of similar class. Negotiations with other estate management are currently underway. The Group will continue to manage spa facilities located in high-end residential estates. The Group is committed to provide premium quality beauty care products and services to the end users. At the same time, it will continue training marketing staff to prepare them with the technical skill and product knowledge commensurate to their role as consultants to cater for our customers' beauty care needs. Given the on-going development, the Directors are confident that the Group will realize stronger and better business performance in the coming future.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2007, the interests of the directors and 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 Futures 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%

Note:–

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 and the chief executive of the Company had any interests or short position in share capital of the Company or its associated corporations as at 31 March 2007. There were no debt securities issued by the Group during the period.

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 2007
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 SCHEMES

On 30 January 2002, the Company adopted the Pre-IPO Share Option Scheme (the “Pre-IPO Scheme”) and a new share option scheme (the “Scheme”), for the primary purpose of providing incentives or rewards to the directors and employees of the Group and to recognise the contribution of such eligible persons to the growth of the Group, and will expire on 29 January 2012. As at 31 March 2007, no options had been granted under the Pre-IPO Scheme and the Scheme save as disclosed above.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading “Share Options Schemes”, 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 2007, the register of substantial shareholders required to be maintained under Section 336 of the SFO showed that, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Long position in shares

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

Notes:

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

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

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

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

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

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

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

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more or any short positions in the issued share capital of the Company as at 31 March 2007.

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 period ended 31 March 2007.

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ADVANCES TO AN ENTITY

As at 31 March 2007, the Group did not have, in its normal and ordinary course of business, any relevant advance to an entity that is required to be disclosed pursuant to Rule 17.22 and 17.24 of the GEM Listing Rules.

COMPETING INTERESTS

During the 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 business that competed or might compete with the business of the Group.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") during the period ended 31 March 2007.

The Board's annual review of the effectiveness of the system of internal control of the Group pursuant to C.2.1 of the CG Code will be reported in the forthcoming corporate governance report to be contained in the Company's annual report for the financial year ending 30 June 2007.

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. Having made specific enquiry of all directors of the Company, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the directors throughout the period ended 31 March 2007.

AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee (the "Audit Committee") on 10 December 2001 with written terms of reference, which deal clearly with its authorities 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 comprises three Independent Non-Executive Directors ("INEDs"), namely, Mr. Chan Shun Kuen, Eric, Mr. Lam Wai Pong and Mr. Yeung, Mario Bercasio. Mr. Chan is the chairman of the Audit Committee.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee on 30 March 2005 with written terms of reference, which comprises three INEDs of the Company, namely, Mr. Chan Shun Kuen, Eric, Mr. Lam Wai Pong and Mr. Yeung, Mario Bercasio. Mr. Chan 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

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 during the period.

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

Hong Kong, 4 May 2007

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.