



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 REPORT
FOR THE THREE MONTHS ENDED
30 SEPTEMBER 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.

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

This report, for which the directors (the “Directors”) of Blu Spa Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to 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 turnover of the Group for the three months ended 30 September 2007 was approximately HK\$3,211,000, representing an increase of approximately HK\$3,104,000 or approximately 29.0 times as compared to the turnover of the Group of approximately HK\$107,000 for the corresponding period in 2006.
- The loss attributable to shareholders for the three months ended 30 September 2007 was approximately HK\$656,000, representing a decrease of loss of approximately HK\$966,000 or approximately 59.6% as compared to the loss attributable to shareholders of approximately HK\$1,622,000 for the corresponding period in 2006.
- The Board did not recommend the payment of an interim dividend for the three months ended 30 September 2007.

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 ended 30 September 2007, together with the comparative figures for the corresponding period 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	
		30 September	
		2007	2006
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	3,211	107
Cost of sales		(2,534)	(19)
		<hr/>	<hr/>
Gross profit		677	88
Other revenue		2	–
Distribution costs		–	(36)
Administrative expenses		(1,145)	(1,498)
		<hr/>	<hr/>
Loss from operations	4	(466)	(1,446)
Finance costs	5	(190)	(176)
		<hr/>	<hr/>
Loss before taxation		(656)	(1,622)
Taxation	6	–	–
		<hr/>	<hr/>
Loss attributable to shareholders		(656)	(1,622)
		<hr/> <hr/>	<hr/> <hr/>
Basic loss per share (in HK cents)	8	(0.11)	(0.27)
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NOTES

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

The Company is an investment holding company.

The condensed consolidated results for the three months ended 30 September 2007, have been prepared on a going concern basis as referred to the Group's annual financial statements for the year ended 30 June 2007.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared under the historical cost convention.

The unaudited quarterly results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKASs") and interpretations ("INTs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules 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 2007.

Impact of new Hong Kong Financial Reporting Standards

HKICPA has issued a number of new standards, amendments and interpretations ("new HKFRSs"), which are either effective for annual periods beginning on or after 1 November 2006, 1 January 2007 or 1 March 2007. The Group has adopted the following new HKFRSs, which are applicable to the Group's financial statements for the three months ended 30 September 2007:

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ²
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions ³

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 November 2006.

³ Effective for annual periods beginning on or after 1 March 2007.

The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Turnover represents the net amounts received and receivable for goods sold, therapy services performed and beauty training services rendered, less returns and allowances, by the Group to outside customers.

An analysis of the Group's turnover by business and geographical segments is as follows:

For the three months ended 30 September 2007 (Unaudited)

	The People's Republic of China <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External sales				
– Distributorship	2,451	–	–	2,451
– Retailing and therapy services	1	220	–	221
– Beauty training	500	39	–	539
	<u>2,952</u>	<u>259</u>	<u>–</u>	<u>3,211</u>
Total revenue				

For the three months ended 30 September 2006 (Unaudited)

	The People's Republic of China <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External sales				
– Distributorship	9	14	13	36
– Retailing	–	71	–	71
	<u>9</u>	<u>85</u>	<u>13</u>	<u>107</u>
Total revenue				

4. LOSS FROM OPERATIONS

	(Unaudited)	
	For the three months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging:		
Director's remuneration	1	3
Other staff costs	781	604
Retirement benefit scheme contributions	30	22
	<hr/>	<hr/>
Total staff costs	812	629
	<hr/>	<hr/>
Depreciation	38	49
Amortization of intangible assets	234	234
Fixed assets written-off	-	-
	<hr/> <hr/>	<hr/> <hr/>

5. FINANCE COSTS

	(Unaudited)	
	For the three months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Interest on:		
Loans from shareholders and directors	189	175
Interest on obligation under finance lease	1	1
	<hr/>	<hr/>
	190	176
	<hr/> <hr/>	<hr/> <hr/>

6. TAXATION

	(Unaudited)	
	For the three months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Current – Hong Kong profits tax	-	-
Current – PRC profits tax	-	-
Deferred tax	-	-
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

Tax arising in 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 three months ended 30 September 2007 and the corresponding period in 2006, as the Group has no assessable profits for the respective periods.

7. DIVIDEND

The Board do not recommend the payment of an interim dividend for the three months ended 30 September 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 ended 30 September 2007 is based on the loss attributable to shareholders of approximately HK\$656,000 (2006: approximately HK\$1,622,000) and on the weighted average of 606,800,000 (2006: on 606,800,000) shares in issue during the period.

No diluted loss per share for the three months ended 30 September 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 <i>HK\$'000</i>	Merger Difference <i>HK\$'000</i>	(Unaudited) Translation Reserve <i>HK\$'000</i>	Accumulated Losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2006	19,740	22,735	(1)	(53,843)	(11,369)
Exchange differences arising from translation of operations outside Hong Kong	-	-	-	-	-
Loss for the period	-	-	-	(1,622)	(1,622)
At 30 September 2006	<u>19,740</u>	<u>22,735</u>	<u>(1)</u>	<u>(55,465)</u>	<u>(12,991)</u>
At 1 July 2007	19,740	22,735	(9)	(57,578)	(15,112)
Exchange differences arising from translation of operations outside Hong Kong	-	-	(1)	-	(1)
Loss for the period	-	-	-	(656)	(656)
At 30 September 2007	<u>19,740</u>	<u>22,735</u>	<u>(10)</u>	<u>(58,234)</u>	<u>(15,769)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

For the three months ended 30 September 2007, the Group recorded a turnover of approximately HK\$3,211,000 which represented an increase of approximately 29.0 times when compared with that of the corresponding period last year. It was because the Group revamped its marketing strategy in Year 2006 to redirect its focus to distributorship business, and the retailing outlets have been terminated to minimize its operating cost.

Cost of sales for the three months ended 30 September 2007 was approximately HK\$2,534,000 (2006: approximately HK\$19,000) of which fixed overheads incurred for both existing and newly open spa centers amounted to approximately HK\$893,000.

The gross profit amounted to approximately HK\$677,000 for the three months ended 30 September 2007 whereas the gross profit amounted to approximately HK\$88,000 in last corresponding period.

Administrative expenses incurred by the Group for the three months ended 30 September 2007 amounted to approximately HK\$1,145,000 (2006: approximately HK\$1,498,000), representing an decrease of approximately 23.6% as compared to last corresponding period.

Finance costs incurred by the Group for the three months ended 30 September 2007 amounted to approximately HK\$190,000 (2006: approximately HK\$176,000), representing an increase of approximately HK\$14,000 or approximately 8.0% as compared to last corresponding period. As at 30 September 2007, there were directors' and shareholders' loans of approximately HK\$9,384,000 and nil respectively (2006: approximately HK\$3,934,000 and HK\$5,400,000), 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\$656,000 (2006: approximately HK\$1,622,000) for the three months ended 30 September 2007, representing an decrease of approximately HK\$966,000 or approximately 59.6% 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 three months ended 30 September 2007 (2006: Nil).

BUSINESS REVIEW

During the period under review, the Group continued to focus its attention on distributorship business. The retail market including the beauty care products and service segment continued to experience healthy growth attributable largely to the robust and sustained economic growth of the region, growing number of visitor arrivals and stronger consumer spending power in Hong Kong.

The Group continued its efforts in identifying and recruiting prospective distributors in major Chinese cities such as Guangzhou, Shanghai and Chengdu and in Asian countries such as South Korea, Thailand, and Dubai. With the aim to attract potential distributors in the PRC and South-East Asian region, the Group intensified its brand building and promotional efforts in Hong Kong and the PRC.

In the period under review, the Group had been in close liaison and coordination with a small group of Canadian OEM manufacturers and Chinese suppliers (shortlisted after a long screening process) to pave way for the introduction of newly designed, packaged and/or formulated Blu Spa products. In addition, the Group continued its efforts in sourcing high quality botanical beauty care products, using its brand name to promote anti-aging, whitening, fabric mask, hydrating and purifying face care products. These product lines are targeted for re-launch over the first quarter of 2008 featuring new designs and packaging. During the period, the Group continued its research and development (including sample testing) of new and enhanced formulations for current products. Research and development efforts were also directed to high quality new innovative skin care products and product quality improvement.

As a result of the growing demand of retail customers for after-office and week-end spa services, the Group opened a 1704 sq. ft. spa centre in Lan Kwai Fong, Central in June, 2007. To facilitate efficient management and to provide additional area for beauty training lessons, the spa services had been relocated from the Worldwide House to the Lan Kwai Fong spa centre.

After the opening of Blu Spa cosmetic sales counters in Shenyang and Chongqing respectively in January and March 2007, the PRC distributor opened two additional cosmetic sales counters at Beijing Shin Kong Misukoshi (新光天地) department store and Beijing Sunlight department store (晨曦百貨) respectively in April 2007 and a new office/spa centre in Century Plaza Hotel (新都酒店), Shenzhen. The PRC Distributor's continuing expansion programme also underpinned the opening in June 2007 of two Blu Spa cosmetic sales counters in Yixing and Suzhou respectively. As at 30 June 2007, the PRC Distributor, had a total of seven Blu Spa retail outlets in Beijing, Shenzhen, Shenyang, Chongqing, Yixing and Suzhou respectively.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

For the three months ended 30 September 2007, the Group had no significant acquisitions and disposals of subsidiaries and affiliated companies (2006: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2007, the Group had 22 employees and staff costs (excluding directors' remuneration) amounted to approximately HK\$811,000 (2006: HK\$626,000) whilst the directors' remuneration amounted to approximately HK\$1,000 (2006: HK\$3,000). Remuneration is determined by reference to market conditions and the performance, qualification and experience of individual employee. Other benefits include Pre-IPO share option scheme as detailed in the prospectus dated 4 February 2002 and contributions to statutory mandatory provident fund scheme to its employees in Hong Kong.

PROSPECTS

In view of the strong and steady worldwide economic recovery and the sustained economic growth of the PRC, the Group is confident of its future prospects. The Group will direct its efforts to developing and introducing new innovative botanical beauty care products and therapies/treatments to the end-users, 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). At the same time, the Group will continue its collaboration with local co-operative partners in co-branding joint promotional campaigns aimed to promote market awareness of Blu Spa brand products and services.

Apart from continuous product promotions, the Group will direct its attention to customer service and support for both retail and wholesale customers. The Directors believe that the continuing opening of Blu Spa brand retail outlets in cities like Shenyang, Chongqing, Beijing, Shenzhen, Yixing, and Suzhou and additional cosmetic sales counters in other major cities in China is a show of confidence by the PRC Distributor in the Group's products and quality service. In this connection, a spa centre/beauty academy is scheduled to open under the management of the PRC Distributor at the Mayfair Hotel in Tianjin in November 2007. As advised by the PRC Distributor, expansion of their Shenzhen office is due to take place in December 2007. The Group's optimism in its near term business prospects is fortified by the growing attractions of Hong Kong, Macau and China attributable mainly to the buoyant casino market in Macau, Hong Kong Disneyland, Hong Kong Ocean Park and 2008 Olympic Games in Beijing. While expressing every confidence in its future sustained and strong growth in the turnover, the Group will continue its efforts in identifying and recruiting distributors in Asia and overseas countries through the participation of international and regional cosmetics exhibitions and trade shows. The Group will participate as one of the exhibitors in Cosmoprof Asia 2007, scheduled to be held in mid-November at the Hong Kong Convention & Exhibition Centre.

The successful opening in February 2007 of the spa centre at AquaMarine has opened new business opportunities to the Group in managing additional spa centres at luxurious residential clubhouses of similar class such as the Hampton Place, a luxurious residential apartment project developed by Cheung Kong (Holding) Limited in West Kowloon. The Hampton Place spa centre is due to open in November 2007 under the management of the Group. Current negotiations with other estate management for spa facility management right in high-end residential estates are underway. In view of the growing consumer demand, the Group is also locating additional spa outlets in Kowloon to satisfy the needs of its customers for top quality spa treatments and experience on the other side of the harbour. The Group is committed to provide premium quality beauty care products and services to the end users. The Group plans to introduce to the market newly designed and packaged Blu Spa products in the first quarter of 2008. The Directors believe that by introducing the Beauteca skin care line, the Group is well positioned to support its distributors in developing new distribution

channels such as Duty Free Shops and cosmetic surgery clinics. Furthermore, the PRC Distributor is planning to manage spa centre at hotels and luxurious residential projects in major cities in China as part of their ongoing efforts in developing new distribution channels for Blu Spa products and services. In light of the on-going development mentioned above, the Directors are optimistic that the Group will achieve stronger and better business performance in the coming future.

DISCLOSURE OF THE INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2007, the interests and short positions of each Director and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which are required to be entered in the register pursuant to section 352 of the SFO or interests or short positions which are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange 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	110,657,870	18.24%

Note: 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 30 September 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 <i>HK\$</i>	Number of shares options outstanding as at 30 September 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.

Save as disclosed above, as at 30 September 2007, the Directors are not aware of any Director and Chief Executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to the Division 7 and 8 of Part XV of the SFO, or will be required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company, or will be required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors and Chief Executive of the Company to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

On 30 January 2002, the Company adopted the Pre-IPO Share Option Scheme (the “Pre-IPO Scheme”) and a new share option scheme (the “Scheme”), for the primary purpose of providing incentives or rewards to the Directors and employees of the Group and to recognise the contribution of such eligible persons to the growth of the Group, and will expire on 29 January 2012. No options had been granted under the Pre-IPO Scheme and the Scheme during the period.

Share options

(1) *Pre-IPO share option scheme*

Under the Pre-IPO Scheme, the Board may grant options to directors and employees of the Company or any subsidiaries, to subscribe for shares in the Company at any time upon the adoption date of the Pre-IPO Scheme and prior to the listing date. Any grant of options to a connected person or any of its associates must be approved by all the independent non-executive directors of the Company.

As at 30 September 2007, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO Scheme was 10,250,000 shares, representing 1.69% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Pre-IPO Scheme and any other scheme is not permitted to exceed 30% of the issued share capital of the Company from time to time. Subject to the above rule, the total number of shares in respect of which options may be granted under the Pre-IPO Scheme and any other scheme is 41,000,000 shares, representing 10% of the total issued share capital of the Company as at the listing date, without prior approval from the Company's shareholders.

The number of shares issued and issuable in respect of which options may be granted under the Pre-IPO Scheme and any other scheme to any individual within 12-month period immediately preceding the date of such new grant is not permitted to exceed 1% of the issued share capital of the Company at the date of such new grant, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors, when aggregated with the options granted under the Pre-IPO Scheme and any other scheme in the past 12 months, in excess of 0.1% of the Company's 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. The exercise price is HK\$0.30 representing the IPO placing price. 50% of the options may be exercised at any time after the expiry of 12 months from the date of 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.

(2) *Share option scheme*

Under the Scheme, the Board may grant options to directors and employees of the Company or any subsidiaries, to subscribe for shares in the Company within 10 years from the adoption date of the Scheme. Any grant of options to a connected person or any of its associates must be approved by all the independent non-executive directors of the Company.

As at 30 September 2007, no options had been granted under the Scheme. The total number of shares in respect of which options may be granted under the Scheme and any other scheme is not permitted to exceed 30% of the issued share capital of the Company from time to time. Subject to the above rule, the total number of shares in respect of which options may be granted under the Scheme and any other scheme is 41,000,000 shares, representing 10% of the total issued share capital of the Company as at the listing date, without prior approval from the Company's shareholders.

The number of shares issued and issuable in respect of which options may be granted under the Scheme and any other scheme to any individual within 12-month period immediately preceding the date of such new grant is not permitted to exceed 1% of the issued share capital of the Company at the date of such new grant, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors, when aggregated with the options granted under the Scheme and any other scheme in the past 12 months, in excess of 0.1% of the Company's 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.

The following table discloses movements in the Company's share options granted under the Pre-IPO Scheme during the period:

	Outstanding at 1 July 2007	Lapsed during the period	Outstanding at 30 September 2007
Directors			
Chan Choi Har, Ivy	10,250,000	–	10,250,000
Total for Directors	10,250,000	–	10,250,000
Employees			
	–	–	–
Grand Total	10,250,000	–	10,250,000

Details of the options are as follows:

Date of grant	Vesting period	Exercisable period	Exercise price HK\$
30.1.2002	30.1.2002- 29.1.2003	30.1.2003- 29.1.2012	0.30

Note: 50% of the 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.

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

Notes:

1. The interests of Chan Choi Har, Ivy in the Company comprise 18.24% shareholding interest through her 65% interest in XO-Holdings Limited.
2. These shares are held by XO-Holdings Limited which is beneficially owned as to 65% by Chan Choi Har, Ivy and as to 35% by Wah Hing Consultants Limited.
3. Wah Hing Consultants Limited is beneficially owned as to 100% by Heung See Wai, Angela.
4. These shares are held by Eastpoint Resources Limited, a company whose entire issued share capital is held by Well Arts Enterprises Limited in its capacity as trustee of the Eastpoint Trust, a discretionary trust, the discretionary objects of which include Rajewski, Natalie N. and certain of her family members.

5. Well Arts Enterprises Limited holds the entire issued share capital of Eastpoint Resources Limited in its capacity as trustee of the Eastpoint Trust, a discretionary trust and Well Arts Enterprises Limited is deemed to have an interest in the 84,099,330 shares in the Company in which Eastpoint Resources Limited is interested.
6. These shares are held by Profit Trick Holdings Limited. The entire issued share capital of Profit Trick Holdings Limited is beneficially owned by Wai Suk Chong, Helena.
7. These shares are held by Rocket High Investments Limited. The entire issued share capital of Rocket High Investments Limited is beneficially owned by David Chiu.

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more or any short positions in the issued share capital of the Company as at 30 September 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 30 September 2007.

ADVANCES TO AN ENTITY

As at 30 September 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 review, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had any interest in business that competes or might compete with the business of the Group.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Company had complied with the Code on Corporate Governance Practices (the "CCGP") contained in Appendix 15 of the GEM Listing Rules during the period ended 30 September 2007 except the following deviations.

According to Code Provision A.4.1 of the CCGP, 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 Board and/or the Chief Executive Officer) shall be subject to retirement by rotation in every annual general meeting.

According to Code Provision A.4.2 of the CCGP 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 Board and/or the Chief Executive Officer of the Company is not subject to retirement by rotation or taken into account in determining the number of Directors to retire. During the period under review, Mr. Wu Wenzhi was the Chairman of the Board and executive Director of the Company. He had resigned as the Chairman of the Board and executive Director on 8 August 2007, and Ms. Chan Choi Har, Ivy took up the duty of Chairman of the Board and Chief Executive Officer of the Company. As Ms. Chan Choi Har, Ivy is one of the founders of the Group and is responsible for the overall 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 or Chief Executive Officer 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 Board and/or the Chief Executive Officer should not be subject to retirement by rotation.

According to Code Provision A.2.1 of the CCGP, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from 8 August 2007 to 30 September 2007, Ms. Chan Choi Har, Ivy held the positions of Chairman and Chief Executive Officer of the Company. Ms Chan Choi Har, Ivy is one of the founders of the Group and is responsible for the overall market development of the Group. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person is beneficial to the business development of the Group. The Board will review the effectiveness of such management structure and arrangement from time to time.

The Board's annual review of the effectiveness of the system of internal control of the Group pursuant to C.2.1 of the CCGP 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 2008.

MODEL CODE FOR 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. 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 30 September 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 precisely specifies its powers and duties. The primary duties of the Audit Committee are to advise the Board on the appointment and removal of external auditors, approve the remuneration and terms of appointment of the external auditors, as well as review and supervise the financial reporting process and internal control system of the Group and review the Company’s annual reports and accounts and interim and quarterly reports, and provide advice and recommendations to the Board thereon.

The Audit Committee comprises three independent non-executive Directors (“INEDs”), namely, Mr. Chan Sze Hon, Mr. Lam Wai Pong and Mr. Yeung, Mario Bercasio. Mr. Chan is the Chairman of the Audit Committee.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the “Remuneration Committee”) on 30 March 2005 with written terms of reference. The Remuneration Committee comprises three INEDs, namely, Mr. Chan Sze Hon, Mr. Lam Wai Pong and Mr. Yeung, Mario Bercasio. Mr. Chan is the Chairman of the Remuneration Committee.

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

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 Rule 5.34 of the GEM Listing Rules during the period.

By order of the Board
Blu Spa Holdings Limited
Chan Choi Har, Ivy
Chairman

Hong Kong, 9 November 2007

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