



BLU SPA HOLDINGS LIMITED
富麗花 • 譜控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8176)

INTERIM REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 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.

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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 unaudited consolidated turnover of the Group for the six months ended 31 December 2007 was approximately HK\$5,888,000, representing an increase of approximately HK\$5,133,000 or approximately 7 times as compared to the unaudited consolidated turnover of the Group of approximately HK\$755,000 for the corresponding period in 2006.
- The loss attributable to shareholders for the six months ended 31 December 2007 was approximately HK\$1,520,000, representing an decrease of loss of approximately HK\$1,297,000 or approximately 46% as compared to the loss attributable to shareholders of approximately HK\$2,817,000 for the corresponding period in 2006.
- The board did not recommend the payment of an interim dividend for the six months ended 31 December 2007.

UNAUDITED INTERIM RESULTS

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

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)		(Unaudited)	
		For the six months ended 31 December 2007 <i>HK\$'000</i>	For the six months ended 31 December 2006 <i>HK\$'000</i>	For the three months ended 31 December 2007 <i>HK\$'000</i>	For the three months ended 31 December 2006 <i>HK\$'000</i>
Turnover	3	5,888	755	2,677	648
Cost of sales		<u>(4,205)</u>	<u>(1,117)</u>	<u>(1,671)</u>	<u>(1,098)</u>
Gross profit/(loss)		1,683	(362)	1,006	(450)
Other revenue		19	79	17	79
Distribution costs		–	–	–	36
Administrative expenses		<u>(2,885)</u>	<u>(2,169)</u>	<u>(1,740)</u>	<u>(671)</u>
Loss from operations	4	<u>(1,183)</u>	<u>(2,452)</u>	<u>(717)</u>	<u>(1,006)</u>
Finance costs	5	<u>(337)</u>	<u>(365)</u>	<u>(147)</u>	<u>(189)</u>
Loss before taxation		<u>(1,520)</u>	<u>(2,817)</u>	<u>(864)</u>	<u>(1,195)</u>
Taxation	6	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loss attributable to shareholders		<u><u>(1,520)</u></u>	<u><u>(2,817)</u></u>	<u><u>(864)</u></u>	<u><u>(1,195)</u></u>
Loss per share (in HK cents)	8	<u><u>(0.25)</u></u>	<u><u>(0.46)</u></u>	<u><u>(0.14)</u></u>	<u><u>(0.20)</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 31 December 2007 <i>HK\$'000</i>	(Audited) As at 30 June 2007 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Intangible assets		10,764	11,232
Plant and equipment		<u>590</u>	<u>578</u>
		<u>11,354</u>	<u>11,810</u>
CURRENT ASSETS			
Inventories		514	16
Trade receivables	9	3,266	1,144
Deposits and other receivables		701	557
Bank balances and cash		<u>221</u>	<u>261</u>
		<u>4,702</u>	<u>1,978</u>
CURRENT LIABILITIES			
Deposit received		1,150	676
Accruals and other payables		6,761	5,817
Amount due to directors	10	15,749	10,576
Amount due to shareholders	11	-	1,550
Amount due to related companies	12	2,956	617
Obligation under finance lease		-	20
Provision for taxation		<u>4</u>	<u>4</u>
		<u>(26,620)</u>	<u>(19,260)</u>
NET CURRENT LIABILITIES		<u>(21,918)</u>	<u>(17,282)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(10,564)</u>	<u>(5,472)</u>
NON-CURRENT LIABILITIES			
Amount due to shareholders	11	<u>-</u>	<u>3,572</u>
		<u>-</u>	<u>(3,572)</u>
NET LIABILITIES		<u>(10,564)</u>	<u>(9,044)</u>
CAPITAL AND RESERVES			
Share capital	13	6,068	6,068
Reserves		<u>(16,632)</u>	<u>(15,112)</u>
		<u>(10,564)</u>	<u>(9,044)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)					Total HK\$'000
	Share Capital HK\$'000	Share Premium HK\$'000	Merger Difference HK\$'000	Translation Reserve HK\$'000	Accumulated Losses HK\$'000	
At 1 July 2007	6,068	19,740	22,735	(9)	(57,578)	(9,044)
Exchange differences arising from translation of operations outside Hong Kong	-	-	-	-	-	-
Loss for the period	-	-	-	-	(1,520)	(1,520)
At 31 December 2007	<u>6,068</u>	<u>19,740</u>	<u>22,735</u>	<u>(9)</u>	<u>(59,098)</u>	<u>(10,564)</u>
At 1 July 2006	6,068	19,740	22,735	(1)	(53,843)	(5,301)
Exchange differences arising from translation of operations outside Hong Kong	-	-	-	3	-	3
Loss for the period	-	-	-	-	(2,817)	(2,817)
At 31 December 2006	<u>6,068</u>	<u>19,740</u>	<u>22,735</u>	<u>2</u>	<u>(56,660)</u>	<u>(8,115)</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) For the six months ended 31 December 2007 <i>HK\$'000</i>	(Unaudited) For the six months ended 31 December 2006 <i>HK\$'000</i>
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	5,185	(1,258)
NET CASH (USED IN) INVESTING ACTIVITIES	(83)	–
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	<u>(5,142)</u>	<u>1,397</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(40)	139
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	261	70
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>–</u>	<u>3</u>
CASH AND CASH EQUIVALENTS AT ENDED OF PERIOD, represented by bank balances and cash	<u><u>221</u></u>	<u><u>212</u></u>

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.

Basis of Preparation of Financial Statements

The Group incurred a loss attributable to the shareholders of approximately HK\$1,520,000 for the six months ended 31 December 2007. In addition, the Group had net current liabilities and net liabilities of approximately HK\$21,918,000 and HK\$10,564,000, respectively, as at 31 December 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 coming year, after taking into consideration of the following:

- (a) The Group is undergoing serious negotiations with interested investors for new equity to be introduced to the Group;
- (b) The Group has taken 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) The Group will continue to negotiate to set up more spa centers in the club house of 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 above-mentioned 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 December 2007.

2. PRINCIPAL ACCOUNTING POLICIES

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

The unaudited condensed consolidated financial statements for the six months ended 31 December 2007 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The accounting policies used in the unaudited consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2007.

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 (“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 six months ended 31 December 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 receivables 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 and contribution to operating results and segment assets and liabilities by business and geographical segments is as follows:

For the six months ended 31 December 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	4,451	23	–	4,474
– Retailing and therapy services	–	414	–	414
– Beauty training	1,000	–	–	1,000
	<u>5,451</u>	<u>437</u>	<u>–</u>	<u>5,888</u>
Total revenue				
	<u>5,451</u>	<u>437</u>	<u>–</u>	<u>5,888</u>
RESULT				
Segment result	3,019	(1,336)	–	1,683
	<u>3,019</u>	<u>(1,336)</u>	<u>–</u>	<u>1,683</u>
Unallocated corporate income				18
Unallocated corporate expense				(2,885)
Interest income				1
Finance costs				(337)
Taxation				–
				<u>–</u>
Loss for the period				<u><u>(1,520)</u></u>
Assets and liabilities at 31 December 2007 (Unaudited)				
ASSETS				
Segment assets	–	3,266	–	3,266
Unallocated corporate assets				<u>12,790</u>
Consolidated total assets				<u><u>16,056</u></u>
LIABILITIES				
Segment liabilities	–	–	–	–
Unallocated corporate liabilities				<u>26,620</u>
Consolidated total liabilities				<u><u>26,620</u></u>

3. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

For the six months ended 31 December 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	469	86	13	568
– Retailing and therapy services	<u>29</u>	<u>158</u>	<u>–</u>	<u>187</u>
Total revenue	<u>498</u>	<u>244</u>	<u>13</u>	<u>755</u>
RESULT				
Segment result	<u>411</u>	<u>(777)</u>	<u>4</u>	(362)
Unallocated corporate income				79
Unallocated corporate expenses				(2,169)
Interest income				–
Finance costs				(365)
Taxation				<u>–</u>
Loss for the period				<u><u>(2,817)</u></u>
Assets and liabilities at 31 December 2006 (Unaudited)				
ASSETS				
Segment assets	–	138	–	138
Unallocated corporate assets				<u>13,088</u>
Consolidated total assets				<u><u>13,226</u></u>
LIABILITIES				
Segment liabilities	–	–	–	–
Unallocated corporate liabilities				<u>21,341</u>
Consolidated total liabilities				<u><u>21,341</u></u>

4. LOSS FROM OPERATIONS

	(Unaudited)		(Unaudited)	
	Six months ended		Three months ended	
	31 December		31 December	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging:				
Directors' remuneration	1	5	-	2
Other staff costs	1,593	1,222	812	618
Retirement benefit scheme contributions	41	43	11	21
	<u>1,635</u>	<u>1,270</u>	<u>823</u>	<u>641</u>
Total staff costs				
Depreciation	80	98	42	49
Amortization of intangible assets	468	468	234	234
	<u>468</u>	<u>468</u>	<u>234</u>	<u>234</u>

5. FINANCE COSTS

	(Unaudited)		(Unaudited)	
	Six months ended		Three months ended	
	31 December		31 December	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:				
Loans from shareholders and directors	337	363	148	188
Interest on finance lease	-	2	(1)	1
	<u>337</u>	<u>365</u>	<u>147</u>	<u>189</u>

6. TAXATION

(Unaudited)		(Unaudited)	
Six months ended		Three months ended	
31 December		31 December	
2007	2006	2007	2006
HK\$'000	HK\$'000	HK\$'000	HK\$'000

The charge (credit) comprises:

Company and subsidiaries

Current period profits tax
– PRC

– – – –

Deferred tax

Credit of current period

– – – –

Taxation attributable to the Group

– – – –

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 six months ended 31 December 2007 and the corresponding period in 2006, as the Group has no assessable profits for the respective periods.

7. DIVIDEND

No dividend was paid or proposed for the six months ended 31 December 2007 (2006: HK\$Nil), nor has any dividend been proposed since the balance sheet date.

8. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 31 December 2007 is based on the loss for the period of approximately HK\$1,520,000 (2006: approximately HK\$2,817,000) and on the weighted average of 606,800,000 (2006: 606,800,000) shares in issue during the period.

No diluted loss per share for the six months ended 31 December 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.

9. TRADE RECEIVABLES

The Group allows an average credit period of three months to six months to its trade customers. Details of the aged analysis of trade receivables are as follows:

	(Unaudited) As at 31 December 2007 <i>HK\$'000</i>	(Audited) As at 30 June 2007 <i>HK\$'000</i>
Aged:		
0-60 days	750	780
61-120 days	500	307
Over 120 days	<u>2,016</u>	<u>57</u>
	<u><u>3,266</u></u>	<u><u>1,144</u></u>

10. AMOUNT DUE TO DIRECTORS

As at 31 December 2007, the amounts due to directors include an amount of approximately HK\$9,384,000 (30 June 2007: approximately HK\$7,784,000) which is repayable on demand and bears interest at Hong Kong Dollar prime lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time. The remaining balances are unsecured, non-interest bearing and repayable on demand.

11. AMOUNT DUE TO SHAREHOLDERS

	(Unaudited) As at 31 December 2007 <i>HK\$'000</i>	(Audited) As at 30 June 2007 <i>HK\$'000</i>
Current liabilities		
Profit Trick Holdings Limited	<i>1</i> –	1,550
Non-current liabilities		
XO-Holdings Limited	<i>2</i> –	<u>3,572</u>
	<u><u>–</u></u>	<u><u>5,122</u></u>

11. AMOUNT DUE TO SHAREHOLDERS (Continued)

Note:

1. As at 31 December 2007, the balance of HK\$1,550,000 due to Profit Trick Holdings Limited, a substantial shareholder of the Company, was assigned to Ms. Chan Choi Har, Ivy, a Director of the Company.

As at 30 June 2007, the amount of HK\$1,550,000 due to Profit Trick Holdings Limited is repayable on demand and bears interest at Hong Kong Dollar prime lending rate quoted by The HongKong and Shanghai Banking Corporation Limited.

2. As at 31 December 2007, the balance of approximately HK\$3,572,000 due to XO-Holdings Limited, a substantial shareholder of the Company, was assigned to Ms. Chan Choi Har, Ivy. XO-Holdings Limited is beneficially owned as to 65% by Ms Chan Choi Har, Ivy.

As at 30 June 2007, the amount of approximately HK\$3,572,000 due to XO-Holdings Limited is 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\$3,572,000 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 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.

12. AMOUNT DUE TO RELATED COMPANIES

As at 31 December 2007, the balance of approximately HK\$2,956,000 (30 June 2007: approximately HK\$617,000) due to a related company, the controlling shareholder of which is the chief executive officer of a subsidiary of the Company, is unsecured, non-interest bearing and repayable on demand.

13. SHARE CAPITAL

	Number of Shares of HK\$0.01 each	Amount HK\$'000
<i>Authorised:</i>		
At 31 December (Unaudited) and 30 June (Audited) 2007	<u>10,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
At 31 December (Unaudited) and 30 June (Audited) 2007	<u>606,800,000</u>	<u>6,068</u>

14. OPERATING LEASE COMMITMENTS

	(Unaudited) As at 31 December 2007 HK\$'000	(Audited) As at 30 June 2007 HK\$'000
Accrued lease payments	13	975
Within one year	1,857	1,502
In the second to fifth year inclusive	<u>1,841</u>	<u>2,429</u>
	<u>3,711</u>	<u>4,906</u>

Operating lease payments represent rentals payable by the Group for its office premises, warehouse and certain of its beauty centers. Leases are negotiated for an average term of 4 years.

15. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the “MPF” Scheme) for all employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme.

The retirement benefits cost charged to the income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

16. EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2007, the Group had 25 employees (2006: 14) and staff cost for the six months ended 31 December 2007 (excluding directors’ remuneration) amounted to approximately HK\$1,593,000 (2006: approximately HK\$1,222,000) whilst the directors’ remuneration for the six months ended 31 December 2007 amounted to approximately HK\$1,000 (2006: approximately HK\$5,000). 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.

17. RELATED PARTY TRANSACTIONS

For the six months ended 31 December 2007, the Group had the transactions with the following parties:

Name of party	Notes	Nature of transactions	(Unaudited)	(Audited)
			As at 31 December 2007 HK\$’000	As at 30 June 2007 HK\$’000
Ms. Chan Choi Har, Ivy	(i)	Loan from a director	15,749	10,576
Profit Trick Holdings Limited	(i)	Loan from shareholders	-	1,550
Garrick International Limited	(ii)	Purchases of products	2,318	516
Garrick International Limited	(ii)	Provision of finance lease	<u>1</u>	<u>84</u>

Notes:

- i. The amounts due to directors include an amount of approximately HK\$9,384,000 (30 June 2007: approximately HK\$7,784,000) which is repayable on demand and bears interest at Hong Kong Dollar prime lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time. The remaining balances are unsecured, non-interest bearing and repayable on demand.

The amount due to Profit Trick Holdings Limited is repayable on demand and bears interest at Hong Kong Dollar prime lending rate quoted by The HongKong and Shanghai Banking Corporation Limited.

During the six months ended 31 December 2007, the Group had not paid any interest but has accrued interest for the loan from Ms. Chan Choi Har, Ivy in amount of approximately HK\$335,000 and Profit Trick Holdings Limited in amount of approximately HK\$1,000.

- ii. Ms. Keung Wai Fun, Samantha, who is the chief executive officer of Blu Spa (Hong Kong) Limited, a subsidiary of the Company, is the controlling shareholder and director of Garrick International Limited.

Garrick International Limited has signed the contract of purchasing machine on behalf of the Group, amounting to HK\$120,000 under finance lease. Garrick International Limited has paid an amount of approximately HK\$19,114 including interest of approximately HK\$886 on behalf of the Group for the six months ended 31 December 2007.

In addition, the Group had certain balances with its shareholders and related company, details of these are set out in notes 11 and 12 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of operation

For the six months ended 31 December 2007, the Group recorded a turnover of approximately HK\$5,888,000, representing an increase of approximately 7 times as compared to last year (2006: approximately HK\$755,000). This significant increase in turnover was attributable to the Group's transition from retail business to distributorship business and re-deployment of its resources to the development of distributorship business pursuant to its revamped marketing strategy.

The Group had gross profit of approximately HK\$1,683,000 for the six months ended 31 December 2007 and gross loss of approximately HK\$362,000 for the six months ended 31 December 2006.

The Group's administrative expense was approximately HK\$2,885,000 for the six months ended 31 December 2007, representing an increase of approximately 33% as compared to last year (2006: approximately HK\$2,169,000).

The Group's finance cost was approximately HK\$337,000 for the six months ended 31 December 2007, representing a decrease of approximately 7.7% as compared to last year (2006: approximately HK\$365,000).

For the six months ended 31 December 2007, the loss attributable to shareholders of the Group amounted to approximately HK\$1,520,000, representing a decrease of loss of approximately HK\$1,297,000 as compared to last year (2006: approximately HK\$2,817,000).

Liquidity and financial resources

For the six months ended 31 December 2007, the Group mainly financed its operations with loan from a director of the Company, Ms. Chan Choi Har, Ivy.

As at 31 December 2007, the Group had cash and cash equivalents of approximately HK\$221,000 (30 June 2007: approximately HK\$261,000).

Total assets of the Group as at 31 December 2007 was approximately HK\$16,056,000 (30 June 2007: approximately HK\$13,788,000).

Total liabilities of the Group as at 31 December 2007 was approximately HK\$26,620,000 (30 June 2007: approximately HK\$22,832,000) in which amount due to a director amounted to approximately HK\$15,749,000 (30 June 2007: approximately HK\$10,576,000) accounting for approximately 59.2% (30 June 2007: approximately 46.3%) of total liabilities.

Net liabilities of the Group as at 31 December 2007 was approximately HK\$10,564,000 (30 June 2007: approximately HK\$9,044,000), representing an increase of net liabilities of approximately 16.8% as compared with that as at 30 June 2007.

Capital structure

As at 31 December 2007, total loan was approximately HK\$15,749,000, representing an increase of approximately HK\$51,000 as compared with that as at 30 June 2007 (30 June 2007: approximately HK\$15,698,000).

	(Unaudited) As at 31 December 2007 HK\$'000	(Audited) As at 30 June 2007 HK\$'000
Amounts due to directors (<i>Note 10</i>)	15,749	10,576
Profit Trick Holdings Limited (<i>Note 11</i>)	–	1,550
XO-Holdings Limited (<i>Note 11</i>)	–	3,572
	<u>15,749</u>	<u>15,698</u>

The cash and cash equivalents and loans of the Group were mostly denominated in Hong Kong dollars.

Gearing Ratio

As at 31 December 2007, the Group's gearing ratio, expressed as a percentage of total borrowings (comprising amounts due to directors and shareholders) to total assets of the Group, was approximately 98.1% (30 June 2007: approximately 113.9%). The Directors believe that the gearing ratio is at a high level for the Group and the Group was actively seeking interested investors to inject fresh funds to repay the loans and improve its cash position.

INTERIM DIVIDEND

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

BUSINESS REVIEW

During the period under review, the Group continued to direct its focus to distributorship business. The retail market including the beauty care segment continued to benefit from the remarkable growth as a result of the strong and sustained economic growth of the region, growing number of visitor arrivals and stronger consumer spending power in Hong Kong.

The Group continued to direct its efforts to identification and recruitment of prospective distributors in major Chinese cities such as Guangzhou, Shanghai and Chengdu and in Asian countries including South Korea, Philippines, Thailand, and Dubai. With the objective to attract potential distributors in the PRC and Asian region, the Group stepped up its brand building and promotional efforts in Hong Kong and the PRC.

In the period under review, the Group was in the process of finalizing the product design, packaging design and/or formulations of those Blu Spa products that were targeted for new product launch in the first quarter of 2008. At the same time, the Group stepped up its efforts to identify new innovative ingredients and premium quality botanical beauty care products, utilizing Blu Spa brand name to promote its enlarged specialist product line featuring new product design, new packaging design and new formulations. During the period under review, the Group's research and development (including sample testing) of new innovative formulations for existing product lines progressed in earnest. High performance and top quality new innovative skin care continued to be the primary focus of the Group's research and development activities. The Group opened a 1704 sq. ft. spa centre in Lan Kuai Fong, Central in June, 2007 to meet the after-office and week-end spa service needs of retail customers. As a result, the spa services were centralized in the Lan Kuai Fong spa center to spare office area for beauty training lessons at Worldwide House for better management. With the successful opening in February 2007 of the spa center at AquaMarine under the Group's management, the Group was given the opportunity to manage the second spa center at Hampton Place, a luxurious residential apartment complex developed by Cheung Kong (Holding) Limited in West Kowloon.

In November 2007, the Group participated as exhibitor in Cosmoprof Asia 2007, a high profile international annual beauty industry event, held at the Hong Kong Convention & Exhibition Centre as part of its continuing marketing and promotional efforts.

Following the opening of Blu Spa cosmetic sales counters in Shenyang and Chongqing respectively in January and March 2007, the PRC distributor pursued its market development plan by opening two additional Blu Spa cosmetic sales counters at two high pedestrian traffic locations, namely, Beijing Shin Kong Misukoshi (新光天地) department store and Beijing Sunlight department store (晨曦百貨) respectively in April 2007. In the same month, the PRC distributor also opened its new office/spa centre in Century Plaza Hotel (新都酒店), Shenzhen. The PRC Distributor's market expansion efforts continued with the opening in June 2007 of two Blu Spa cosmetic sales counters in Yixing and Suzhou. As at 30 June 2007, the PRC Distributor was operating a total of seven Blu Spa retail outlets in Beijing, Shenzhen, Shenyang, Chongqing, Yixing and Suzhou respectively.

PROSPECTS

Given the robust and stable global economy and the continuing economic growth of the PRC, the Group is confident of its future prospects. The Group will devote its efforts to research and development and timely introduction of new innovative botanical beauty care products and therapies/treatments to the end-users, brand building and advertisement (promoting women new-age holistic lifestyle concepts and introducing new innovative and prestigious botanical beauty care products and services to the consumers). In addition, the Group will continue to collaborate with local co-operative partners in co-branding joint promotional campaigns with the aim to drive market recognition of Blu Spa brand products and services.

Furthermore, the Group will place special emphasis on customer service and customer support (retail and wholesale). The Directors perceive the continuing rollout of Blu Spa cosmetic retail outlets in Shenyang, Chongqing, Beijing, Shenzhen, Yixing, and Suzhou and additional cosmetic sales counters in other major cities in China as a show of confidence by the PRC Distributor in the Group's products, quality service and professionalism. In strengthening its retail network in the PRC, a spa centre/beauty academy is expected 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 reinforced by the growing attractions of Hong Kong, Macau and China as destination of choice for overseas tourists. This phenomenon is largely prompted by the buoyant casino market in Macau, Hong Kong Disneyland, Hong Kong Ocean Park and 2008 Beijing Olympics. While expressing every confidence in its future strong and sustained growth in the turnover, the Group will devote its efforts to identifying and recruiting distributors in Asia and overseas countries by taking advantage of international and regional cosmetics exhibitions and trade shows. Given the high turnout of visiting guests at Blu Spa booth in Cosmoprof Asia 2007, such trade event is perceived as an efficient and cost effective means to promote market awareness of Blu Spa products and services.

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. 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 currently sourcing additional spa outlets in Kowloon to satisfy the needs of its customers for top quality spa treatments and experience across the harbour. The Group is committed to provide premium quality beauty care products and services to the end users. Market launch of the Group's newly designed, packaged and formulated Blu Spa products is scheduled to take place in the first quarter of 2008. The Directors further believe that through the introduction of the Beauteca skin care line, the Group is better positioned to support its distributors in developing new distribution channels such as Duty Free Shops and cosmetic surgery clinics. In the meanwhile, the PRC Distributor is planning to manage spa centre at hotels and luxurious residential projects in tier-one cities in China as part of their ongoing efforts in distribution channels development for Blu Spa products and services. In light of the on-going development mentioned above, the Directors are optimistic that the Group will see 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 31 December 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. Ms. 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.

C. Share options

Options to subscribe for shares in the Company:

Name	Date of grant	Exercise price HK\$	Number of shares options outstanding as at 31 December 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 31 December 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 (the “INEDs”) of the Company.

As at 31 December 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 INEDs, 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 INEDs of the Company.

As at 31 December 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 INEDs, 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 31 December 2007
Directors			
Chan Choi Har, Ivy	<u>10,250,000</u>	<u>–</u>	<u>10,250,000</u>
Total for Directors	<u>10,250,000</u>	<u>–</u>	<u>10,250,000</u>
Employees	<u>–</u>	<u>–</u>	<u>–</u>
Grand Total	<u><u>10,250,000</u></u>	<u><u>–</u></u>	<u><u>10,250,000</u></u>

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 by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors or their spouses or children under the age 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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 31 December 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 six months ended 31 December 2007.

ADVANCES TO AN ENTITY

As at 31 December 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 competed or might compete with the business of the Group.

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 31 December 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 31 December 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 31 December 2007.

BOARD OF DIRECTORS

The Board of the Company comprises five Directors, of which two are Executive Directors, namely, Ms. Chan Choi Har, Ivy and Mr. Chan Shun Kuen, Eric and three are INEDs, namely, Mr. Chan Sze Hon, Mr. Lam Wai Pong and Mr. Yeung Mario Bercasio. The Directors are collectively responsible for the development of the Group's strategies and policies. The Executive Directors are responsible for the daily operation of the Group while the 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, except the Chairman of the Board and/or the Chief Executive Officer, shall retire by rotation from office each year in accordance with the Company's Bye-laws. The term of office of the Directors is the period up to their retirement by rotation. Those Directors at any time appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company 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 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 INEDs, namely, Mr. Chan Sze Hon, Mr. Lam Wai Pong, Mr. Yeung Mario Bercasio. Mr. Chan Sze Hon 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 currently comprises three INEDs of the Company, namely, Mr. Chan Sze Hon, Mr. Lam Wai Pong, Mr. Yeung Mario Bercasio. Mr. Chan Sze Hon 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 Rules 5.34 of the GEM Listing Rules during the period.

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

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

Hong Kong, 1 February 2008