THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this prospectus or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Blu Spa Holdings Limited, you should at once hand this prospectus to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix II, has been registered by the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the SFC (as defined herein) take no responsibility as to the contents of any of the documents referred to above.

Subject to the granting of listing of, and permission to deal in, the Offer Shares (as defined herein) on GEM (as defined herein), the Offer Shares will be accepted as eligible securities by HKSCC (as defined herein) for deposit, clearance and settlement in CCASS (as defined herein) with effect from the commencement date of dealings in the Offer Shares or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange (as defined herein) on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. You should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

BLU SPA™

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

(incorporated in the Cayman Islands with limited liability)

MAJOR TRANSACTION:
OPEN OFFER TO QUALIFYING SHAREHOLDERS OF 196,800,000 OFFER SHARES OF HK$0.01 EACH ON THE BASIS OF 12 OFFER SHARES FOR EVERY 25 EXISTING SHARES HELD AT A SUBSCRIPTION PRICE OF HK$0.018 PER OFFER SHARE PAYABLE IN FULL ON APPLICATION

Financial adviser

第一上海 FIRST SHANGHAI GROUP

First Shanghai Capital Limited

Underwriter

KINGSTON SECURITIES LIMITED

The latest time for application of and payment for the Offer Shares is 4:00 p.m. on Wednesday, 19th March, 2003. The procedures for application is set out on pages 19 to 20 of this prospectus.

As at the Record Date (as defined herein), 410,000,000 Shares were in issue. On the basis of 12 Offer Shares for every 25 Shares held, 196,800,000 Offer Shares are to be issued. Profit Trick (as defined herein) and XO-Holdings (as defined herein) have irrevocably undertaken to the Company to take up their entitlements under the Open Offer (as defined herein) to the extent of 19,644,800 Offer Shares. Profit Trick has also irrevocably undertaken to apply for 31,000,000 Offer Shares in excess of its entitlement. Pursuant to the Underwriting Agreement (as defined herein), the balance of 146,155,200 Offer Shares have been fully underwritten by the Underwriter (as defined herein). Details are set out in the paragraphs headed "Underwriting arrangements" in the Letter from the Board in this prospectus.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right, which may be exercisable at any time prior to 4:00 p.m. on the third Business Day (as defined herein) after the Acceptance Date (as defined herein), to terminate the obligations of the Underwriter thereunder, if (1) there develops, occurs or comes into force (a) any new law or government regulation or other occurrence of any nature whatsoever which in the reasonable opinion of the Underwriter materially and adversely affects or will materially and adversely affect the business of the Group (as defined herein) or any part thereof or which will materially and adversely affect the Open Offer; or (b) any event or change (whether or not permanent and whether or not forming part of a series of events or changes occurring or continuing before, on and/or after the date of the Underwriting Agreement) in local, national, international, financial, political, military, economic or stock market conditions which in the reasonable opinion of the Underwriter will materially and adversely affect the Open Offer or makes it inadvisable or inexpedient to proceed therewith; or (c) suspension of trading in Shares (as defined herein) on the Stock Exchange for 14 consecutive days before the third Business Day after the Acceptance Date; (2) there comes to the notice of the Underwriter any breach of any of the representations and warranties contained in the Underwriting Agreement in any material respect or there has been a material breach of any other provision of the Underwriting Agreement which the Underwriter reasonably determines is likely to have a materially prejudicial effect on the Open Offer; (3) the Company (as defined herein) commits any breach of or omits to observe any of the material obligations or undertakings expressed to be assumed by it under the Underwriting Agreement; (4) there are any litigation or arbitration proceedings (whether or not occurring or continuing before, and/or after the date of the Underwriting Agreement) involving any company in the Group and/or any Director (as defined herein) which, in the reasonable opinion of the Underwriter, is of a material and adverse nature in the context of the Group as a whole and which might be adverse to the success of the Open Offer; then and in any such case the Underwriter reserves the right to terminate the arrangements set out in the Underwriting Agreement by notice in writing to the Company and thereupon all obligations of the Underwriter thereunder will cease and determine and no party will have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement save in respect of any antecedent breach of any obligation under the Underwriting Agreement and liabilities under representations, warranties and undertakings and liabilities incurred and/or accrued prior to the termination of the Underwriting Agreement. If the Underwriter exercises such right and terminates the Underwriting Agreement, the Open Offer will not proceed.

This prospectus will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

3rd March, 2003

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 of the Stock Exchange 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. GEM-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.

CONTENTS

Page

Definitions 1

Summary of the Open Offer 5

Expected timetable 6

Termination of the Underwriting Agreement 7

Letter from the Board

Introduction 9
Terms of the Open Offer
Issue statistics 10
Basis of entitlement 10
Qualifying Shareholders 10
Subscription Price for the Offer Shares 11
Status of the Offer Shares 12
Fractions of Offer Shares and Offer Shares of Excluded Shareholders 12
Application for excess Offer Shares 12
Listing and dealing 12
Underwriting arrangements
Undertakings from Profit Trick and XO-Holdings 13
Underwriting Agreement 13
Termination of the Underwriting Agreement 14
Conditions of the Open Offer 14
Warning of the risks of dealing in Shares and Offer Shares 15
Changes in the shareholding structure of the Company arising from the Open Offer 15
Reasons of the Open Offer and use of proceeds 16
Working capital 18
Business review and future prospects of the Group 18
Financial effects of the Open Offer on the Group 19
Excluded Shareholders 19
Certificates for Offer Shares and refund cheques 19
Procedures for application 19
Additional information 20

Appendix I – Financial information on the Group 21

Appendix II – General information 59

In this Prospectus, the following expressions have the following meanings, unless the context otherwise requires:

"Acceptance Date"	Wednesday, 19th March, 2003 or such later date as the Underwriter may agree in writing with the Company as the date for acceptance of, and payment for, the Offer Shares
"All Rich Pacific"	All Rich Pacific Limited, a company incorporated in the British Virgin Islands and beneficially owned as to 50% by Ms. Chan Choi Har, Ivy, an executive Director, and as to 50% by Ms. Chan Yuen Ling, Vivian, a cousin of Ms. Chan Choi Har, Ivy
"Application Form"	the form of application for the Offer Shares enclosed with this Prospectus (subject as mentioned herein)
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Business Day"	a day on which banks in Hong Kong are generally open for business (other than a Saturday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. (Hong Kong time) and 12:00 noon (Hong Kong time) and is not lowered at or before 12:00 noon (Hong Kong time) or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. (Hong Kong time) and 12:00 noon (Hong Kong time) and is not discontinued at or before 12:00 noon (Hong Kong time))
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	Blu Spa Holdings Limited, an exempted company incorporated in the Cayman Islands on 30th August, 2001 with limited liability, the securities of which are listed on GEM
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Director(s)"	director(s) of the Company

"East Point Resources"	East Point Resources Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is held by Well Arts Enterprises Limited in its capacity as trustee of the Eastpoint Trust, a discretionary trust, the beneficiaries of which include certain family members of Ms. Rajewski Natalie, N., the chairman of the Company
"Excluded Shareholders"	Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on such register are outside Hong Kong
"GEM"	the Growth Enterprise Market operated by the Stock Exchange
"GEM Listing Committee"	has the meaning ascribed thereto in the GEM Listing Rules
"GEM Listing Rules"	Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	27th February, 2003, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information contained in this Prospectus
"Offer Share(s)"	196,800,000 new Share(s) to be issued and allotted under the Open Offer
"Open Offer"	the proposed offer of 12 Offer Shares at HK$0.018 each for every 25 Shares held by the Qualifying Shareholders on the Record Date
"Options"	options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme

"PRC" or "China"	the People's Republic of China, which for the purposes of this prospectus, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme of the Company adopted on 30th January, 2002
"Profit Trick"	Profit Trick Holdings Limited, a company incorporated in the British Virgin Islands and beneficially owned as to 100% by Ms. Wai Suk Chong, Helena
"Prospectus"	this prospectus containing details of, among other things, the Open Offer
"Prospectus Documents"	the Prospectus and the Application Form in relation to the Open Offer
"Qualifying Shareholders"	Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, other than the Excluded Shareholders
"Record Date"	Monday, 17th February, 2003 or such other date as the Underwriter may agree in writing with the Company for the determination of the entitlements under the Open Offer
"SDI Ordinance"	Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
"SFC"	The Securities and Futures Commission of Hong Kong
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Share Option Scheme"	the share option scheme of the Company adopted on 30th January, 2002
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategic Alliance"	Strategic Alliance Investments Inc., a company incorporated in the British Virgin Islands and beneficially owned by Mr. Lee Kim Ying, an independent third party

"Subscription Price"	subscription price for the Offer Shares, being HK$0.018 per Offer Share
"Underwriter"	Kingston Securities Limited, a company incorporated in Hong Kong with limited liability and a securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
"Underwriting Agreement"	the underwriting agreement dated 10th January, 2003 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Open Offer
"US" or "United States"	the United States of America
"XO-Holdings"	XO-Holdings Limited, a company incorporated in the British Virgin Islands which is beneficially owned as to 65% by Ms. Chan Choi Har, Ivy, an executive Director, and as to 35% by Ms. Heung See Wai, Angela
"C$"	Canadian dollars, the lawful currency of Canada
"HK$" and "cents"	Hong Kong dollars and cents respectively
"%"	percentage

The following information is derived from, and should be read in conjunction with and subject to, the full text of this Prospectus:

Number of Offer Shares to be issued	:	196,800,000 Offer Shares
Amount to be raised (based on 410,000,000 Shares in issue as at the Record Date)	:	approximately HK$3.54 million from the Open Offer, before expenses
Subscription Price	:	HK$0.018 per Offer Share payable in full on application
Basis of allotment	:	12 Offer Shares for every 25 existing Shares held on the Record Date
Status of the Offer Shares	:	the Offer Shares, when issued and fully-paid, will rank *pari passu* with the then existing Shares in issue in all respects. Holders of the fully-paid Offer Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by reference to a record date falling after the date of issue of the Offer Shares
Excess applications	:	Qualifying Shareholders may apply for the Offer Shares in excess of their provisional allotments
Excluded Shareholders	:	Offer Shares which represent entitlements of Excluded Shareholders will be made available for application by the Qualifying Shareholders

The expected timetable for the Open Offer is set out below:

	2003
Last day of dealings in the Shares on a cum-entitlement basis	Monday, 10th February
First day of dealings in the Shares on an ex-entitlement basis	Tuesday, 11th February
Latest time for lodging transfers of Shares to qualify for the Open Offer	4:00 p.m. on Wednesday, 12th February
Register of members closed (both dates inclusive)	Thursday, 13th February to Monday, 17th February
Record Date	Monday, 17th February
Register of members re-opened	Tuesday, 18th February
Despatch of the Prospectus Documents	Monday, 3rd March
Latest time for application and payment for, Offer Shares	4.00 p.m. on Wednesday, 19th March
Open Offer expected to become unconditional on or before	4:00 p.m. on Monday, 24th March
Announcement of results of the Open Offer on or before	Tuesday, 25th March
Certificates for fully-paid Offer Shares and refund cheques in respect of unsuccessful excess applications expected to be despatched on or before	Tuesday, 25th March

Note: All times refer to Hong Kong local times in this Prospectus.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter reserves the right to terminate the arrangements set out in the Underwriting Agreement which shall be exercisable by notice in writing given by the Underwriter to the Company at any time prior to 4:00 p.m. (Hong Kong time) on the third Business Day after the Acceptance Date (that date is currently expected to be Monday, 24th March, 2003), if:

1. **there develops, occurs or comes into force:**

   a. **any new law or government regulation or other occurrence of any nature whatsoever which in the reasonable opinion of the Underwriter materially and adversely affects or will materially and adversely affect the business of the Group or any part thereof or which will materially and adversely affect the Open Offer; or**

   b. **any event or change (whether or not permanent and whether or not forming part of a series of events or changes occurring or continuing before, on and/or after the date of the Underwriting Agreement) in local, national, international, financial, political, military, economic or stock market conditions which in the reasonable opinion of the Underwriter will materially and adversely affect the Open Offer or makes it inadvisable or inexpedient to proceed therewith; or**

   c. **suspension of trading in Shares on the Stock Exchange for 14 consecutive days before the third Business Day after the Acceptance Date.**

2. **there comes to the notice of the Underwriter any breach of any of the representations and warranties contained in the Underwriting Agreement in any material respect or there has been a material breach of any other provision of the Underwriting Agreement which the Underwriter reasonably determines is likely to have a materially prejudicial effect on the Open Offer;**

3. **the Company commits any breach of or omits to observe any of the material obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;**

4. **there are any litigation or arbitration proceedings (whether or not occurring or continuing before, and/or after the date of the Underwriting Agreement) involving any company in the Group and/or any Director which, in the reasonable opinion of the Underwriter, is of a material and adverse nature in the context of the Group as a whole and which might be adverse to the success of the Open Offer;**

then and in any such case the Underwriter reserves the right to terminate the arrangements set out in the Underwriting Agreement by notice in writing to the Company

and thereupon all obligations of the Underwriter thereunder will cease and determine and no party will have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement save in respect of any antecedent breach of any obligation under the Underwriting Agreement and liabilities under representations, warranties and undertakings and liabilities incurred and/or accrued prior to the termination of the Underwriting Agreement.

If the Underwriter exercises such right and terminates the Underwriting Agreement, the Open Offer will not proceed.

BLU SPA HOLDINGS LIMITED
富麗花•譜控股有限公司
(incorporated in the Cayman Islands with limited liability)

Executive Directors:
Ms. Rajewski, Natalie N.,
also known as Rajewski, Natasha *(Chairman)*
Ms. Chan Choi Har, Ivy
Mr. Chan Kei Kon

Independent non-executive Directors:
Mr. Yao Hon Ching
Mr. Kam Kin Yat

Registered office:
Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
Cayman Islands
British West Indies

Head office and principal place of business in Hong Kong:
Room 2429–31
24th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

3rd March, 2003

To the Shareholders

Dear Sir or Madam,

OPEN OFFER TO QUALIFYING SHAREHOLDERS OF 196,800,000 OFFER SHARES OF HK$0.01 EACH ON THE BASIS OF 12 OFFER SHARES FOR EVERY 25 EXISTING SHARES HELD AT A SUBSCRIPTION PRICE OF HK$0.018 PER OFFER SHARE PAYABLE IN FULL ON APPLICATION

INTRODUCTION

On 28th January, 2003, the Board announced that the Company proposed, subject to fulfillment of certain conditions set out in the paragraph below headed "Conditions of the Open Offer", to raise approximately HK$3.54 million, before expenses, by issuing 196,800,000 new Shares by way of the Open Offer at HK$0.018 per Offer Share on the basis of 12 Offer Shares for every 25 existing Shares held by the Qualifying Shareholders on the Record Date payable in full on application.

The Underwriting Agreement may be terminated by the Underwriter in certain circumstances and your attention is drawn to the sub-paragraph headed "Termination of the Underwriting Agreement" below.

If the Underwriting Agreement is terminated, the Open Offer will not proceed. Consequently, Shareholders and prospective investors in the Shares are advised to exercise caution when dealing in the Shares.

The purpose of this Prospectus is to give you further information regarding the Open Offer, including information on application of the Offer Shares, and certain financial and other information in respect of the Group.

TERMS OF THE OPEN OFFER

Issue statistics

Basis of the Open Offer	:	12 Offer Shares for every 25 Shares held on the Record Date by the Qualifying Shareholders
Number of existing Shares in issue	:	410,000,000 Shares as at the Record Date
Number of Offer Shares to be issued	:	196,800,000 Offer Shares
Subscription Price	:	HK$0.018 per Offer Share payable in full on application

Basis of entitlement

Subject to the satisfaction of the conditions set out in the paragraph headed "Conditions of the Open Offer" below, Qualifying Shareholders are provisionally allotted Offer Shares in the proportion of 12 Offer Shares for every 25 Shares held by them at the close of business on the Record Date at the subscription price of HK$0.018 per Offer Share, payable in full on application.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only.

To qualify for the Open Offer, a Shareholder must on the Record Date:

1. be registered as a member of the Company; and

2. have an address in Hong Kong which appears on the register of members of the Company.

The register of members of the Company had been closed from Thursday, 13th February, 2003 to Monday, 17th February, 2003 (both dates inclusive) to determine entitlements to the Open Offer.

The invitation to subscribe for the Offer Shares is not transferable or capable of renunciation and there will not be any trading arrangements in nil-paid entitlements to the Offer Shares on GEM.

Subscription Price for the Offer Shares

The Subscription Price for the Offer Shares is HK$0.018 per Offer Share payable in full on application.

The Subscription Price represents:

1. a discount of approximately 28.0% to the closing price of HK$0.025 per Share as quoted on the Stock Exchange on 9th January, 2003, being the last trading date prior to the date of the Underwriting Agreement;

2. a discount of approximately 20.7% to the theoretical ex-entitlement price of approximately HK$0.0227 per Share based on the closing price per Share as quoted on the Stock Exchange on 9th January, 2003; and

3. a discount of approximately 29.1% to the average closing price of approximately HK$0.0254 per Share for the ten trading days as quoted on the Stock Exchange up to and including 9th January, 2003.

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter having regard to prevailing market conditions, the recent trading volume and price performance of the Shares and the Board considers such Subscription Price and the terms of the Open Offer to be fair and reasonable so far as the Shareholders are concerned.

Status of the Offer Shares

The Offer Shares (when allotted and fully-paid) will rank pari passu with the existing Shares in all respects. Holders of fully-paid Offer Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by reference to a record date falling after the date of allotment of the Offer Shares.

Fractions of Offer Shares and Offer Shares of Excluded Shareholders

Fractions of Offer Shares in the nil-paid form will not be allotted. The Offer Shares arising from the aggregation of fractional entitlements (if any), and the Offer Shares which would otherwise be provisionally allotted to the Excluded Shareholders, will be available for application by Qualifying Shareholders.

Application for excess Offer Shares

Under the Open Offer, Qualifying Shareholders are entitled to apply for Offer Shares which are in excess of their entitlements. Qualifying Shareholders are entitled to apply for any unallotted entitlement of the Excluded Shareholders, unallotted fractional entitlements of Offer Shares and any nil-paid Offer Shares provisionally allotted but not accepted.

Allotment of excess Offer Shares will be made by the Company on a fair and reasonable basis. Preference will be given to applications for less than a board lot of Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings.

Listing and dealing

The Company has applied to the GEM Listing Committee for the listing of, and permission to deal in, the Offer Shares on GEM. Dealings in the Offer Shares on GEM will be subject to the payment of the applicable stamp duty, Stock Exchange trading fee, Securities and Futures Commission transaction levy or any other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on GEM, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Offer Shares on GEM or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made for the Offer Shares to be admitted into CCASS.

None of the Offer Shares will be listed or dealt in on any other stock exchanges outside Hong Kong. Save as disclosed below, none of the securities of the Company is listed or dealt in, nor is any listing of or permission to deal in securities of the Company being or proposed to be sought, on any stock exchange other than the Stock Exchange.

The Offer Shares will be traded in board lots of 8,000.

UNDERWRITING ARRANGEMENTS

Undertakings from Profit Trick and XO-Holdings

As at the Record Date, Profit Trick and XO-Holdings were beneficially interested in 30,510,000 and 105,657,870 Shares respectively, representing approximately 7.44% and 25.77% respectively of the issued share capital of the Company.

Profit Trick has irrevocably undertaken to the Company to accept or procure acceptance of all of its entitlement to the Offer Shares which will be provisionally allotted to it under the Open Offer, amounting to 14,644,800 Offer Shares. In addition, Profit Trick has irrevocably undertaken to the Company to apply for at least 31,000,000 Offer Shares under excess application.

XO-Holdings shall be entitled to subscribe for 50,715,777 Offer Shares under the Open Offer. XO-Holdings has irrevocably undertaken to the Company to accept or procure acceptance of its entitlement to the Offer Shares which will be provisionally allotted to it under the Open Offer, to the extent of 5,000,000 Offer Shares.

As at the Latest Practicable Date, the Company has not been advised by East Point Resources and All Rich Pacific of their intentions regarding their entitlements to the Offer Shares which will be provisionally allotted to them under the Open Offer.

Underwriting Agreement

Date	:	10th January, 2003
Underwriter	:	Kingston Securities Limited, an independent third party not connected with the directors, chief executive, substantial shareholders and management shareholders of the Company or any of their respective associates

Number of Offer Shares underwritten	:	146,155,200 Offer Shares (excluding the Offer Shares to be issued to and taken up by Profit Trick and XO-Holdings)
Commission	:	1.5% of the total subscription price of the Offer Shares agreed to be underwritten by the Underwriter

Termination of the Underwriting Agreement

Please refer to the section headed "Termination of the Underwriting Agreement" for circumstances under which the Underwriter may terminate the underwriting arrangements.

CONDITIONS OF THE OPEN OFFER

The Underwriting Agreement is conditional upon the fulfilment of the following conditions:

1. the signing by or on behalf of the Directors of six copies of the Prospectus Documents prior to the date of despatch;

2. the delivery of one such copy of the Prospectus Documents each to the Underwriter and the Stock Exchange prior to the date of despatch;

3. the registration of one such copy of the Prospectus Documents (and all documents required to be attached thereto) by the Registrar of Companies in Hong Kong prior to the date of despatch in compliance with the Companies Ordinance;

4. the posting of the Prospectus Documents to Qualifying Shareholders (other than the Excluded Shareholders); and

5. the GEM Listing Committee granting or agreeing to grant (subject to allotment and/or despatch of Offer Share certificates) listing of and permission to deal in the Offer Shares on or before the Acceptance Date,

and so that in the event of any of all the said conditions not being fulfilled on or before the respective dates aforesaid (or such later date or dates as the Company and the Underwriter may agree), all liabilities of the parties hereunder will cease and determine and no party will have any claim against the others save for any antecedent breach and save that the Company will pay to the Underwriter the expenses referred to in the Underwriting Agreement.

If the Underwriting Agreement does not become unconditional, the Open Offer will not proceed.

WARNING OF THE RISKS OF DEALING IN SHARES AND OFFER SHARES

Existing Shares will be dealt with on an ex-entitlement basis from 11th February, 2003. If the Underwriter terminates the Underwriting Agreement, or the conditions of the Underwriting Agreement are not fulfilled, the Open Offer will not proceed. Any person dealing in the Shares on an ex-entitlement basis will accordingly bear the risk that the Underwriting Agreement may not become unconditional and the Open Offer may not proceed.

Any Shareholder or other person contemplating selling or purchasing Shares during the period from 11th February, 2003 and the date on which the Underwriting Agreement becomes unconditional who is in any doubt about his/her position is recommended to consult his/her own professional advisers.

Shareholders and interested public are reminded to exercise caution when dealing in the Shares.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE OPEN OFFER

The following table sets out the changes in the shareholding structure of the Company upon completion of the Open Offer:

	Existing number of Shares	Existing percentage shareholding	Number of Shares after the Open Offer *(Note 1)*	Percentage shareholding after the Open Offer	Number of Shares after the Open Offer *(Note 2)*	Percentage shareholding after the Open Offer
XO-Holdings	105,657,870	25.77%	156,373,647	25.77%	110,657,870	18.24%
East Point Resources	84,099,330	20.51%	124,467,008	20.51%	84,099,330	13.86%
All Rich Pacific	30,977,800	7.56%	45,847,144	7.56%	30,977,800	5.10%
Profit Trick	30,510,000	7.44%	45,154,801	7.44%	76,154,800	12.55%
Underwriter/ sub-underwriter	–	–	–	–	146,155,200	24.09%
Public	158,755,000	38.72%	234,957,400	38.72%	158,755,000	26.16%
Total	410,000,000	100.00%	606,800,000	100.00%	606,800,000	100.00%

Note 1: Assuming the existing Shareholders have taken up their provisional allotments of the Offer Shares in full.

Note 2: Assuming (i) Profit Trick and XO-Holdings have taken up their provisional allotments to the extent of 14,644,800 and 5,000,000 Offer Shares respectively in accordance with the undertakings given by them, (ii) other existing Shareholders have not taken up any provisional allotments of the Offer Shares, (iii) Profit Trick has applied for 31,000,000 excess Offer Shares in accordance with the undertaking given by it and (iv) the remaining untaken Offer Shares are taken up by the Underwriter.

The Directors have been advised by the Underwriter that it has entered into a sub-underwriting arrangement in respect of 146,155,200 Offer Shares with Rocket High Investments Limited. Rocket High Investments Limited is a company incorporated in the British Virgin Islands engaging in securities investments and is wholly-owned by Mr. David Chiu, the deputy chairman and chief executive officer of Far East Consortium International Limited, a company listed on the Main Board of the Stock Exchange. Mr. David Chiu is an independent third party not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective associates. The Directors have been advised that should Mr. David Chiu take up Offer Shares under the sub-underwriting arrangement, he intends to hold them for investment purposes.

REASONS OF THE OPEN OFFER AND USE OF PROCEEDS

The Group is a developer, promoter and distributor of a broad range of botanical personal care products, treatments and services. The Group aims to pioneer a holistic lifestyle approach to beauty and relaxation by offering its products and spa treatments and services for consumers.

The net proceeds from the initial public offering of the Shares in February 2002 ("IPO") were approximately HK$17.5 million. During the period from 19th February, 2002, being the date of listing of the Shares on GEM, to 31st December, 2002, the Group has incurred the following amounts to achieve the business objectives as set out in the prospectus of the Company dated 4th February, 2002 (the "IPO Prospectus"):

	Amount disclosed in the IPO Prospectus	**Actual amount utilised up to 31st December, 2002**
	HK$'million	*HK$'million*
For payment to existing creditors and of accrued rental expenses due to a related company	4.9	4.9
For advertising and promotion, enhancement of logistics facilities and human resources	2.5	2.7
For research and development and product launch	1.0	0.5
For purchase of raw materials and packaging materials	1.3	2.8
For market development	0.6	0.6
For payment for acquisition of assets from B.S. International Inc.	1.2	1.2
For general working capital	2.0	4.8
Total	13.5	17.5

The use of proceeds had exceeded the estimation made in the IPO Prospectus by approximately HK$4 million. The differences are mainly attributable to the extra expenditure spent for general working capital and purchase of raw materials and packaging materials in anticipation of a projected increase in sales. All the net proceeds from the IPO had been used up as at 31st December, 2002. The deviations of use of proceeds from the IPO compared to that as stated in the IPO Prospectus were disclosed in the annual report of the Company for the year ended 30th June, 2002 and the interim report of the Company for the six months ended 31st December, 2002.

The Directors consider that the Open Offer provides a good opportunity for the Group to raise funds to improve its financial position. As the Open Offer allows Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Company, the Directors consider that it is in the interests of the Company and the Shareholders as a whole, to raise capital through the Open Offer.

The net proceeds of the Open Offer, after deduction of expenses, are estimated to be approximately HK$3 million. The Company intends to apply approximately HK$2 million for settlement of audit fee, legal fee, consultancy fee and printing charges and purchase of raw materials and the remaining approximately HK$1 million as the Group's general working capital.

WORKING CAPITAL

As at the Latest Practicable Date, the Directors are of the opinion that, after taking into account the existing cash and bank balances and the net proceeds from the Open Offer, the Group will have sufficient working capital for its coming three months' requirements. Meanwhile, the Group is expected to increase its sales through expansion of its business in order to generate sufficient funds for its working capital requirements, failing which the Group may not have sufficient working capital to support its ongoing operations. In that case, the Group will have to seek external funding, which may be in the form of issue of securities and/or advances from major Shareholders and the Company will make an announcement in relation thereto if considered appropriate.

BUSINESS REVIEW AND FUTURE PROSPECTS OF THE GROUP

The Group has undergone negotiations with the new distributors in the PRC and the Asia Pacific region including the distributorship in Zhejiang Province, the PRC and Thailand. No solid agreements have been signed yet as the Group are currently working out the terms with the potential distributors and reviewing the existing distribution strategy and structure so as to expand its distribution network in a speedy, efficient and cost effective manner.

Apart from the PRC and the Asia Pacific market, the Group is also making efforts in business expansion by exploring the European market. In Moscow, sample products have been delivered to the health department for testing and the Group is waiting for the issuance of sales certificates. Meanwhile the negotiation with the US carrier is still in process as a new program is under consideration.

In order to control the production cost, the Group has searched for independent qualified manufacturers in the PRC for outsourcing part of the production process of certain products. To facilitate the operations and achieve better control, the Group has decided to incorporate a new company in the PRC in the near future.

During the six months ended 31st December, 2002, one more health permit was issued by the relevant PRC authorities and the total number of health permits obtained increased to six. The Group understands that the other applications for outstanding health permits are under processing.

For the termination of the distributorship in Beijing, the PRC, the Group has sought the legal advice from its PRC legal advisers and decided not to undertake legal action against the original distributor as the chance of success for recovery of damages is remote. The Group is still negotiating the terms with the new distributor in Beijing, the PRC.

FINANCIAL EFFECTS OF THE OPEN OFFER ON THE GROUP

Based on the statement of unaudited pro forma adjusted consolidated net tangible assets of the Group as set out in the Appendix I to this Prospectus, the unaudited pro forma adjusted consolidated net tangible liabilities of the Group immediately prior to the completion of the Open Offer were approximately HK$2.13 million, representing approximately 0.52 cent per Share (on the basis of 410,000,000 Shares in issue as at the Latest Practicable Date). It is expected that the Open Offer will increase the net tangible assets of the Group by approximately HK$3 million to approximately HK$0.87 million, representing approximately 0.14 cent per Share (on the basis of 606,800,000 Shares in issue upon completion of the Open Offer).

EXCLUDED SHAREHOLDERS

The Prospectus Documents have not been registered under any applicable securities or equivalent legislation of any jurisdiction other than Hong Kong. In the opinion of the Directors, it would or might, be unlawful or impracticable to offer the Offer Shares in such places without registration of the Prospectus Documents and/or compliance with any legal or regulatory requirements or special formalities in such places. Accordingly, no provisional allotment of Offer Shares nor any allotment of the Offer Shares will be made to the Excluded Shareholders. The Company will send the Prospectus to the Excluded Shareholders for their information only and will not send the Application Form to the Excluded Shareholders.

Arrangements have been made for the Offer Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be subscribed by the Qualifying Shareholders.

CERTIFICATES FOR OFFER SHARES AND REFUND CHEQUES

It is expected that certificates for the fully-paid Offer Shares and refund cheques in respect of wholly and partially unsuccessful applications for excess Offer Shares will be posted to those entitled thereto (and in the case of joint applicants, to the first-named applicant) at their own risk to their addresses shown on the register of members of the Company on or before Tuesday, 25th March, 2003.

Where entitlements to fully-paid Offer Shares exceed one board lot, it is proposed, so far as is practicable, to issue certificates for Shares in board lots of 8,000 Shares, with a certificate for the balance, if any.

PROCEDURES FOR APPLICATION

An Application Form is enclosed with this Prospectus if you are a Qualifying Shareholder, which entitles you to apply for any number of Offer Shares but with your assured allotment being limited to the number of Offer Shares in your assured allotment shown thereon. If you wish to apply for Offer Shares, you must sign and lodge the Application Form in accordance with the instructions printed thereon, together with a remittance for the full amount payable on application, with the Company's branch share registrars and transfer office in Hong Kong, Secretaries Limited at Ground Floor, Bank

of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by no later than 4:00 p.m. on or before Wednesday, 19th March, 2003. All remittances must be made in Hong Kong dollars and cheques must be drawn on an account with, or banker's cashier orders must be issued by, a bank in Hong Kong and made payable to "BLU SPA HOLDINGS LIMITED – OPEN OFFER ACCOUNT" and crossed "ACCOUNT PAYEE ONLY".

It should be noted that unless the Application Form, together with the appropriate remittance, have been lodged with the Company's branch share registrars and transfer office in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, by no later than 4:00 p.m. on or before Wednesday, 19th March, 2003 by a Qualifying Shareholder, the provisional allotment and all rights to subscribe for Offer Shares thereunder will be deemed to have been declined and will be cancelled.

All cheques or banker's cashier orders will be presented for payment following receipt and all interest earned on such moneys will be retained by and for the benefit of the Company. Any Application Form in respect of which the cheque or banker's cashier order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. In the event that the Open Offer is not capable of becoming unconditional, the amount tendered on application is expected to be returned to you, without interest, as soon as possible following the announcement thereof.

No action has been taken to permit the offering of the Offer Shares or the distribution of any of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving any of the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Offer Shares unless in the relevant territory such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the Offer Shares to satisfy himself as to the observance of the laws and regulations of all relevant territories, including the obtaining of any government or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. No application for the Offer Shares will be accepted from any person whose registered address is outside Hong Kong. The Company reserves the right to refuse to accept any application for the Offer Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of the territory of residence of the applicant.

ADDITIONAL INFORMATION

Your attention is drawn to the appendices to this Prospectus.

Yours faithfully,
By order of the Board
Chan Choi Har, Ivy
Director

1. SHARE CAPITAL

The authorised and issued share capital of the Company immediately following the completion of the Open Offer (assuming the Open Offer becoming unconditional) will be as follows:

Authorised:		*HK$*
10,000,000,000	Shares	100,000,000
Issued, to be issued as fully paid:		
410,000,000	Shares in issue	4,100,000
196,800,000	Shares to be issued pursuant to the Open Offer	1,968,000
606,800,000		6,068,000

All the Shares in issue rank *pari passu* in all respects with each other, including in particular, rights as to dividends, voting and capital.

The Offer Shares will, when allotted, issued and fully-paid, rank *pari passu* in all respects with the Shares then in issue including the right to receive all dividends and other distributions which may be declared, made or paid after the date in which the Offer Shares are allotted.

The Shares in issue are listed on the GEM. No part of the share capital or any other securities of the Company is listed or dealt in on any exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Offer Shares or any other securities of the Company to be listed or dealt in on any other Stock Exchange.

Dealings in Shares may be settled through CCASS established and operated by HKSCC. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

There were 22,037,500 Options outstanding as at the Latest Practicable Date.

2. UNAUDITED INTERIM RESULTS OF THE GROUP FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2002

The following is an extract of the unaudited financial statements of the Group together with accompanying notes from its interim report for the six months ended 31st December, 2002.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 31st December, 2002 (Unaudited) HK$	For the six months ended 31st December, 2001 (Unaudited) HK$	For the three months ended 31st December, 2002 (Unaudited) HK$	For the three months ended 31st December, 2001 (Unaudited) HK$
Turnover	2	1,224,406	2,543,292	532,550	1,931,047
Cost of sales		(839,758)	(754,541)	(461,357)	(488,173)
Gross profit		384,648	1,788,751	71,193	1,442,874
Other revenue	3	3,782,460	36,911	696,523	36,492
Distribution costs		(410,022)	(489,017)	(394,410)	(397,471)
Administrative expenses		(4,942,752)	(4,467,303)	(1,889,464)	(2,383,487)
Loss from operations	4	(1,185,666)	(3,130,658)	(1,516,158)	(1,301,592)
Finance costs		–	(17,578)	–	(17,578)
Loss before taxation		(1,185,666)	(3,148,236)	(1,516,158)	(1,319,170)
Taxation	5	–	–	–	–
Loss attributable to shareholders		(1,185,666)	(3,148,236)	(1,516,158)	(1,319,170)
Loss per share					
– Basic (in cents)	7	(0.29)	(0.94)	(0.37)	(0.40)
– Diluted (in cents)		(N/A)	(N/A)	(N/A)	(N/A)

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 31st December, 2002 (Unaudited) *HK$*	As at 30th June, 2002 (Audited) *HK$*
NON-CURRENT ASSETS			
Intangible assets		16,511,204	17,005,340
Plant and equipment		806,991	767,197
		17,318,195	17,772,537
CURRENT ASSETS			
Inventories – cost		4,262,653	2,442,208
Trade receivables	*8*	349,387	305,249
Deposits and other receivables		764,393	1,409,143
Bank balances and cash		653,112	4,899,586
		6,029,545	9,056,186
CURRENT LIABILITIES			
Trade payables	*9*	505,996	61,556
Accruals and other payables		2,183,427	1,896,792
Amounts due to directors		204,730	226,133
		2,894,153	2,184,481
NET CURRENT ASSETS		3,135,392	6,871,705
		20,453,587	24,644,242
CAPITAL AND RESERVES			
Share capital		4,100,000	4,100,000
Reserves	*10*	10,281,311	11,421,966
		14,381,311	15,521,966
NON-CURRENT LIABILITIES			
Amount due to a shareholder		3,572,276	3,572,276
Amounts due to directors		1,666,667	5,550,000
Amount due to a related party	*11*	833,333	–
		6,072,276	9,122,276
		20,453,587	24,644,242

CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31st December, 2002 (Unaudited) *HK$*	For the six months ended 31st December, 2001 (Unaudited) *HK$*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(1,109,109)	(1,553,684)
NET CASH INFLOW (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	3,590	(17,502)
NET CASH (OUTFLOW) INFLOW FROM INVESTING ACTIVITIES	(135,966)	1,216,910
NET CASH OUTFLOW BEFORE FINANCING	(1,241,485)	(354,276)
NET CASH (OUTFLOW) INFLOW FROM FINANCING	(3,050,000)	400,173
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,291,485)	45,897
EFFECT OF FOREIGN RATE EXCHANGE	45,011	–
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	4,899,586	34,142
CASH AND CASH EQUIVALENTS CARRIED FORWARD, REPRESENTED BY BANK BALANCE AND CASH	653,112	80,039

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Group Reorganisation and Basis of Preparation

The Company was incorporated in the Cayman Islands on 30th 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.

Pursuant to a group reorganisation (the "Group Reorganisation") in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the companies now comprising the Group on 10th December, 2001. Details of the Group Reorganisation were set out in the prospectus (the "Prospectus") of the Company dated 4th February, 2002. The shares of the Company were successfully listed on GEM on 19th February, 2002.

The consolidated results for the six months ended 31st December, 2002, have been prepared using the merger basis of accounting as a result of the Group Reorganisation. On this basis, the Company has been treated as the holding company of its subsidiaries for the period presented.

2. Segmental Information

Turnover and contribution to operating results and liabilities by business segment has not been prepared as all the Group's turnover, assets and liabilities was derived from the development, distribution and marketing of personal care treatment products.

Geographical segments

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

For the six months ended 31st December, 2002

	The People's Republic of China (Unaudited) *HK$*	Hong Kong (Unaudited) *HK$*	Taiwan (Unaudited) *HK$*	Malaysia (Unaudited) *HK$*	Philippines (Unaudited) *HK$*	Others (Unaudited) *HK$*	Elimination (Unaudited) *HK$*	Combined (Unaudited) *HK$*
REVENUE								
External sales	256,477	331,265	631,780	–	–	4,884	–	1,224,406
Inter-segment sales	–	2,078,698	–	–	–	–	(2,078,698)	–
Total revenue	256,477	2,409,963	631,780	–	–	4,884	(2,078,698)	1,224,406
RESULT								
Segment result	118,964	118,114	145,727	–	–	1,843	–	384,648
Unallocated corporate expenses								(1,573,904)
Operating loss								(1,189,256)
Interest expense								–
Interest income								3,590
Loss for the period								(1,185,666)

Assets and liabilities at 31st December, 2002

	The People's Republic of China	Hong Kong	Taiwan	Malaysia	Philippines	Others	Elimination	Combined
ASSETS								
Segment assets	9,880	19,501	315,159	–	–	4,847		349,387
Unallocated corporate assets								22,998,353
Consolidated total assets								23,347,740
LIABILITIES								
Segment liabilities	–	–	–	–	–	505,996		505,996
Unallocated corporate liabilities								8,460,433
Consolidated total liabilities								8,966,429

Analysis of capital expenditure and depreciation by geographical market is not presented because, in the opinion of the directors, there is no direct relationship between geographical market and the capital assets which are located in Hong Kong and Canada.

For the six months ended 31st December, 2001

	The People's Republic of China (Unaudited) *HK$*	Hong Kong (Unaudited) *HK$*	Taiwan (Unaudited) *HK$*	Malaysia (Unaudited) *HK$'*	Philippines (Unaudited) *HK$*	Others (Unaudited) *HK$*	Elimination (Unaudited) *HK$*	Combined (Unaudited) *HK$*
REVENUE								
External sales	1,689,429	278,861	500,366	56,674	17,962	–	–	2,543,292
Inter-segment sales	–	2,087,437	–	–	–	–	(2,087,437)	–
Total revenue	1,689,429	2,366,298	500,366	56,674	17,962	–	(2,087,437)	2,543,292
RESULT								
Segment result	1,268,799	175,903	299,737	32,873	11,439	–	–	1,788,751
Unallocated corporate expenses								(4,919,485)
Operating loss								(3,130,734)
Interest expense								(17,578)
Interest income								76
Loss for the period								(3,148,236)

Assets and liabilities at 30th June, 2001

	The People's Republic of China	Hong Kong	Taiwan	Malaysia	Philippines	Others	Elimination	Combined
ASSETS								
Segment asset	117,272	47,702	139,375	–	–	900		305,249
Unallocated corporate assets								26,523,474
Consolidated total assets								26,828,723
LIABILITIES								
Segment liabilities	–	–	–	–	–	61,556		61,556
Unallocated corporate liabilities								11,245,201
Consolidated total liabilities								11,306,757

3. Other Revenue

Other revenue mainly represents the waiver of loan from directors amounting to HK$3,410,000 (2001: Nil).

4. Loss From Operations

Loss from operations is arrived at after charging:

	Six months ended 31st December,		Three months ended 31st December,	
	2002	**2001**	**2002**	**2001**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	HK$	*HK$*	*HK$*	*HK$*
Depreciation	96,171	24,606	49,114	18,565
Amortisation of intangible assets	494,136	539,018	248,578	270,054
Interest on borrowings	–	17,578	–	17,578

5. Taxation

No provision for Hong Kong Profits Tax has been made for the six months ended 31st December, 2002 and the corresponding period in 2001, as the Group has no assessable profits for the respective periods.

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilized in the foreseeable future.

6. Dividend

The directors do not recommend the payment of a dividend for the six months ended 31st December, 2002 (2001: Nil).

7. Loss Per Share

The calculation of loss per share for the six months ended 31st December, 2002 is based on the net loss attributable to the shareholders of HK$1,185,666 and the number of 410,000,000 ordinary shares of the Company in issue during the period.

The calculation of loss per share for the six months ended 31st December, 2001 is based on the net loss attributable to the shareholders of HK$3,148,236 and the number of 333,170,000 ordinary shares of the Company in issue during the period.

No diluted loss per share for the six months ended 31st December, 2002 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.

No diluted loss per share for the six months ended 31st December, 2001 was presented as the Company did not have any diluted potential ordinary shares.

8. Trade Receivables

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

	As at 31st December, 2002 (Unaudited) *HK$*	**As at 30th June, 2002 (Audited)** *HK$*
Aged:		
0–60 days	157,861	145,882
61–120 days	190,464	54,837
Over 120 days	1,062	104,530
	349,387	305,249

9. Trade Payables

Details of the aged analysis of trade payables are as follows:

	As at 31st December, 2002 (Unaudited) *HK$*	**As at 30th June, 2002 (Audited)** *HK$*
Aged:		
0–60 days	238,446	61,391
61–120 days	267,249	165
Over 120 days	301	–
	505,996	61,556

10. Reserves

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

	Share premium	**Merger reserve**	**Translation reserve**	**Deficit**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
At 1st July, 2001	22,716,217	–	–	(18,883,567)	3,832,650
Loss for the period	–	–	–	(3,148,236)	(3,148,236)
Transfer to special reserve on group reorganization	(22,716,217)	22,716,217	–	–	–
Special reserve arises as a result of purchase of subsidiaries	–	18,360	–	–	18,360
At 31st December, 2001	–	22,734,577	–	(22,031,803)	702,774
Issue of shares through placing	22,280,700	–	–	–	22,280,700
Issue of shares pursuant to Capitalisation Issue	(3,048,300)	–	–	–	(3,048,300)
Issue of shares pursuant to Loan Capitalisation	4,719,300	–	–	–	4,719,300
Expenses for issue of shares	(5,476,639)	–	–	–	(5,476,639)
Exchange differences arising from translation of operations outside Hong Kong	–	–	(48,837)	–	(48,837)
Loss for the period	–	–	–	(7,707,032)	(7,707,032)
At 30th June, 2002	18,475,061	22,734,577	(48,837)	(29,738,835)	11,421,966
Loss for the period	–	–	–	(1,185,666)	(1,185,666)
Exchange differences arising from translation of operations outside Hong Kong	–	–	45,011	–	45,011
At 31st December, 2002	18,475,061	22,734,577	(3,826)	(30,924,501)	10,281,311

11. Amount due to a related party

As at 31st December, 2002, the amount due to a related party, Mr. Law Kin Ming, Alfred, amounted to approximately HK$0.8 million, which was unsecured and non-interest bearing (as at 30th June, 2002: Nil).

3. SUMMARY OF AUDITED FINANCIAL INFORMATION

The following is a summary of the audited income statements of the Group for the two years ended 30th June, 2002, the audited balance sheets of the Group as at 30th June, 2001 and 2002, and the audited cash flow statements of the Group for the two years ended 30th June, 2002 together with accompanying notes extracted from the annual report of the Company for the year ended 30th June, 2002 and the results of the Group for the year ended 30th June, 2000 extracted from the Accountants' Report attached as Appendix I to the prospectus of the Company dated 4th February, 2002.

CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2002

	Notes	2002 HK$	2001 HK$	2000 HK$
Turnover	3	2,856,445	4,198,093	2,293,091
Cost of sales		(1,062,431)	(1,366,619)	(1,143,702)
Gross profit		1,794,014	2,831,474	1,149,389
Other revenue		196,472	21,335	4,628
Distribution costs		(520,454)	(1,833,836)	(909,845)
Administrative expenses		(12,286,593)	(6,522,999)	(8,288,936)
Goodwill written off		–	–	(4,189,474)
Loss from operations	4	(10,816,561)	(5,504,026)	(12,234,238)
Finance costs	5	(38,707)	(1,145,154)	(149)
Loss for the year		(10,855,268)	(6,649,180)	(12,234,387)
Loss per share, in HK cents	8	(3.00)	(2.00)	(3.67)

CONSOLIDATED BALANCE SHEET
At 30th June, 2002

	Notes	2002 HK$	2001 HK$
Non-Current Assets			
Intangible assets	9	17,005,340	17,285,130
Plant and equipment	10	767,197	68,340
		17,772,537	17,353,470
Current Assets			
Inventories	12	2,442,208	136,313
Trade receivables	13	305,249	1,755,359
Deposits and other receivables		1,409,143	37,578
Amount due from a shareholder	14	–	2,000,000
Bank balances and cash		4,899,586	34,142
		9,056,186	3,963,392
Current Liabilities			
Trade payables	15	61,556	–
Accruals and other payables		1,896,792	2,495,254
Amount due to a related company	16	–	1,245,794
Amounts due to directors	17	226,133	–
		2,184,481	3,741,048
Net Current Assets		6,871,705	222,344
		24,644,242	17,575,814
Capital and Reserves			
Share capital	18	4,100,000	21,060
Reserves	20	11,421,966	3,832,650
		15,521,966	3,853,710
Non-Current Liabilities			
Amount due to a shareholder	21	3,572,276	8,172,104
Amounts due to directors	17	5,550,000	5,550,000
		9,122,276	13,722,104
		24,644,242	17,575,814

BALANCE SHEET
At 30th June, 2002

	Notes	*HK$*
Non-Current Asset		
Interests in subsidiaries	*11*	12,556,730
Current Assets		
Deposits and other receivables		181,983
Bank balances		12,682
		194,665
Current Liabilities		
Accruals and other payables		402,695
Net Current Liabilities		(208,030)
		12,348,700
Capital and Reserves		
Share capital	*18*	4,100,000
Reserves	*20*	4,676,424
		8,776,424
Non-Current Liability		
Amount due to a shareholder	*21*	3,572,276
		12,348,700

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 30th June, 2002

	2002	**2001**
	HK$	*HK$*
Exchange differences arising from translation of operations outside Hong Kong not recognised in the income statement	(48,837)	–
Loss for the year	(10,855,268)	(6,649,180)
Total recognised losses	(10,904,105)	(6,649,180)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30th June, 2002

	Notes	2002 HK$	2001 HK$
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	23	(13,452,863)	(4,817,878)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(38,707)	(1,145,154)
Interest received		9,181	14,085
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(29,526)	(1,131,069)
INVESTING ACTIVITIES			
Repayment from (advance to) a shareholder		2,000,000	(2,000,000)
Purchases of plant and equipment		(880,695)	(9,065)
Purchase of patent and trademarks/tradenames		(697,384)	(316,653)
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES		421,921	(2,325,718)
NET CASH OUTFLOW BEFORE FINANCING		(13,060,468)	(8,274,665)
FINANCING	24		
Proceeds from issue of shares, net of expenses		17,572,361	4,009,477
Advance from a shareholder		400,172	2,428,396
Increase in amounts due to directors		–	1,800,000
CASH INFLOW FROM FINANCING		17,972,533	8,237,873
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		4,912,065	(36,792)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(46,621)	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		34,142	70,934
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		4,899,586	34,142

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

1. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 30th 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.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 10th December, 2001. The shares of the Company have been listed on the GEM with effect from 19th February, 2002. Details of the Group Reorganisation were set out in the prospectus issued by the Company dated 4th February, 2002.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with the Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for Group Reconstructions".

The Company is an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 30.

In preparing the financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors are currently actively seeking new external funding to improve the liquidity position of the Group. However, certain shareholders have confirmed that in view of the current liquidity difficulties experienced by the Group, it is their intention to provide the Group with sufficient financial support to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions and balances have been eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Turnover

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

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Intangible assets

Patent and trademarks/tradenames

Patent and trademarks/tradenames represent purchase cost for the patent and trademarks/tradenames, initial fees for the registration of the trademarks/tradenames in the respective country/place of registration and fees for obtaining the relevant approvals for the sales and distribution of personal care products within the respective country/place, are stated at cost less amortisation and accumulated impairment loss. The cost of the patent and trademarks/tradenames is amortised over a period of 4 to 20 years.

Plant and equipment

Plant and equipment is stated at cost less depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of plant and equipment over their estimated useful lives using the straight line method, at 20% per annum.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purpose of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations which are denominated in currencies other than Hong Kong dollars are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Operating leases

Rentals payable in respect of operating leases are charged to the income statement on a straight line basis over the relevant lease terms.

Retirement benefits scheme

The retirement benefit scheme contributions charged to the income statement represent the contributions payable to the Mandatory Provident Fund Scheme.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Turnover and contribution to operating results and assets and liabilities by business segment has not been prepared as all the Group's turnover, assets and liabilities was derived from the development, distribution and marketing of personal care treatment products.

Geographical segments

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

	The People's Republic of China ("PRC")	Hong Kong	Malaysia	Taiwan	Others	Elimination	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
For the year ended 30th June, 2002							
TURNOVER							
External sales	1,339,283	409,925	25,590	1,061,059	20,588	–	2,856,445
Inter-segment sales	–	4,292,145	–	–	–	(4,292,145)	–
Total revenue	1,339,283	4,702,070	25,590	1,061,059	20,588	(4,292,145)	2,856,445

Inter-segment sales are charged at cost plus certain markup.

	The People's Republic of China ("PRC")	Hong Kong	Malaysia	Taiwan	Others	Elimination	Consolidated
RESULT							
Segment result	816,121	273,645	14,842	676,313	13,093	–	1,794,014
Unallocated corporate expenses							(12,619,756)
Operating loss							(10,825,742)
Interest expense							(38,707)
Interest income							9,181
Loss for the year							(10,855,268)
Assets and liabilities at 30th June, 2002							
ASSETS							
Segment assets	117,272	47,702	–	139,375	900	–	305,249
Unallocated total assets							26,523,474
Consolidated total assets							26,828,723
LIABILITIES							
Segment liabilities	–	–	–	–	61,556	–	61,556
Unallocated corporate liabilities							11,245,201
Consolidated total liabilities							11,306,757

Analysis of capital expenditure and depreciation by geographical market is not presented because, in the opinion of the directors, there is no direct relationship between geographical market and the capital assets which are located in Hong Kong and Canada.

	The PRC	**Hong Kong**	**Malaysia**	**Others**	**Elimination**	**Consolidated**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
For the year ended 30th June, 2001						
TURNOVER						
External sales	3,128,757	399,604	412,075	257,657	–	4,198,093
Inter-segment sales	–	1,879,663	–	–	(1,879,663)	–
Total revenue	3,128,757	2,279,267	412,075	257,657	(1,879,663)	4,198,093

Inter-segment sales are charged at cost plus certain markup.

	The PRC	**Hong Kong**	**Malaysia**	**Others**	**Elimination**	**Consolidated**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
RESULT						
Segment result	2,199,859	266,537	240,855	147,459	(23,236)	2,831,474
Unallocated corporate expenses						(8,349,585)
Operating loss						(5,518,111)
Interest expense						(1,145,154)
Interest income						14,085
Loss for the year						(6,649,180)
Assets and liabilities at 30th June, 2001						
ASSETS						
Segment assets	1,574,035	167,466	13,858	–	–	1,755,359
Unallocated total assets						19,561,503
Consolidated total assets						21,316,862
LIABILITIES						
Segment liabilities	–	–	–	–	–	–
Unallocated corporate liabilities						17,463,152
Consolidated total liabilities						17,463,152

The following is an analysis of the carrying amount of segment assets and additions to plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to plant and equipment and intangible assets	
	2002	**2001**	**2002**	**2001**
	HK$	*HK$*	*HK$*	*HK$*
Hong Kong	22,875,588	21,277,530	1,178,821	325,718
Canada	3,953,135	39,332	399,258	–
	26,828,723	21,316,862	1,578,079	325,718

4. LOSS FROM OPERATIONS

	2002	**2001**
	HK$	*HK$*
Loss from operations has been arrived at after charging:		
Directors' remuneration *((note 6 (a))*	3,224,435	1,800,000
Other staff costs	1,703,243	867,816
Retirement benefit scheme contributions	58,711	10,160
Total staff costs	4,986,389	2,677,976
Allowance for bad and doubtful debts	521,306	–
Amortisation of intangible assets included in administrative expenses	977,174	953,267
Auditors' remuneration	400,000	100,000
Depreciation	81,315	20,163
Loss on disposal of plant and equipment	98,307	–
Allowance for inventories	643,000	–
Research and development costs	5,966	78,000
and after crediting:		
Bank interest income	9,181	14,085

5. FINANCE COSTS

	2002	**2001**
	HK$	*HK$*
Interest on:		
Bank overdraft	–	120
Amount due to a shareholder	–	1,145,034
Others	38,707	–
	38,707	1,145,154

6. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

	2002	2001
	HK$	*HK$*
Fees:		
Executive directors	–	–
Non-executive director	52,500	–
Independent non-executive directors	91,935	–
	144,435	–
Other emoluments for executive directors		
Salaries and other benefits	3,050,000	1,800,000
Retirement benefit scheme contributions	30,000	–
	3,080,000	1,800,000
Total directors' remuneration	3,224,435	1,800,000

For the year ended 30th June, 2002, four executive directors received remuneration of approximately HK$840,000, HK$790,000, HK$790,000 and HK$630,000 respectively, one non-executive director received remuneration of approximately HK$52,000 and two independent non-executive directors received remuneration of approximately HK$52,000 and HK$39,000 respectively.

For the year ended 30th June, 2001, two executive directors received remuneration of approximately HK$1,200,000 and HK$600,000 respectively.

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. During the year, two executive directors have waived emoluments of approximately HK$280,000.

(b) Employees' emoluments

During the year, the five highest paid individuals in the Group included four (2001: two) directors of the Company, details of whose emoluments are set out above. The aggregate emoluments of the remaining one (2001: three) individuals were as follows:

	2002	2001
	HK$	*HK$*
Salaries and other benefits	214,133	691,396
Retirement benefit scheme contributions	10,000	5,800
	224,133	697,196

7. TAXATION

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits subject to Hong Kong Profits Tax for the year.

No provision for overseas taxation has been made as the subsidiaries of the Group operating in their respective jurisdictions had no assessable profits for the year.

Details of unrecognised deferred taxation are set out in note 22.

8. LOSS PER SHARE

The calculation of the basic loss per share for the year ended 30th June, 2002 is based on the loss for the year of approximately HK$10,855,000 and on the weighted average of 364,112,493 in issue during the year.

The calculation of the basic loss per share for the year ended 30th June, 2001 is based on the loss for the year of approximately HK$6,649,000 and assuming 333,170,000 shares of the Company were issued pursuant to the Group Reorganisation.

No diluted loss per share was presented as the exercise of the Company's share options would result in a decrease in loss per share.

9. INTANGIBLE ASSETS

	Patent and trademarks/ tradenames *HK$*
THE GROUP	
COST	
At 1st July, 2001	19,180,824
Additions	697,384
At 30th June, 2002	19,878,208
AMORTISATION	
At 1st July, 2001	1,895,694
Provided for the year	977,174
At 30th June, 2002	2,872,868
NET BOOK VALUE	
At 30th June, 2002	17,005,340
At 30th June, 2001	17,285,130

Patent and trademarks/tradenames represent the right and license to use all trademarks/tradenames related to "Blu Spa" personal care products and the provision of services including, but not limited to, retail store services and franchise services.

The cost of patent and trademarks/tradenames is amortised over a period of 20 years on a straight line basis. The registration fees of trademarks/tradenames in the respective country/place of registration and fees for obtaining the relevant approvals and for the sales and distribution of the Group's products in respective country/place is amortised on a straight line basis over the period of respective registration/approval of 4 to 15 years.

10. PLANT AND EQUIPMENT

	Plant and machinery HK$	Leasehold improvements HK$	Furniture, fixtures and equipment HK$	Total HK$
THE GROUP				
COST				
At 1st July, 2001	–	28,700	73,115	101,815
Additions	138,514	299,708	442,473	880,695
Disposals	–	(104,285)	(37,800)	(142,085)
At 30th June, 2002	138,514	224,123	477,788	840,425
DEPRECIATION				
At 1st July, 2001	–	8,945	24,530	33,475
Exchange realignment	493	1,420	303	2,216
Provided for the year	14,155	21,571	45,589	81,315
Eliminated on disposals	–	(24,394)	(19,384)	(43,778)
At 30th June, 2002	14,648	7,542	51,038	73,228
NET BOOK VALUE				
At 30th June, 2002	123,866	216,581	426,750	767,197
At 30th June, 2001	–	19,755	48,585	68,340

11. INTERESTS IN SUBSIDIARIES

	THE COMPANY 2002 HK$	2001 HK$
Unlisted shares, at cost	2,700	–
Amounts due from subsidiaries	25,629,935	–
	25,632,635	–
Less: Allowance on amounts due from subsidiaries	(13,075,905)	–
	12,556,730	–

In the opinion of the directors, the amounts due from subsidiaries are unsecured, non-interest bearing and are unlikely to be repaid within one year from the balance sheet date and are therefore shown in the balance sheet as non-current.

The directors of the Company consider that in the light of the recurring operating losses of these subsidiaries and unfavourable market conditions, the recoverable amount of its subsidiaries has been reduced to the estimated net realisable value of the identifiable net assets. Accordingly, an impairment loss of HK$13,075,905 has been recognised in the income statement for the year.

Particulars of the Company's subsidiaries at 30th June, 2002 are set out in note 30.

12. INVENTORIES

	THE GROUP	
	2002	2001
	HK$	*HK$*
Raw materials	1,267,466	–
Finished goods	1,174,742	136,313
	2,442,208	136,313

13. TRADE RECEIVABLES

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

	THE GROUP	
	2002	2001
	HK$	*HK$*
Aged:		
0–60 days	145,882	1,427,482
61–120 days	54,837	273,086
Over 120 days	104,530	54,791
	305,249	1,755,359

14. AMOUNT DUE FROM A SHAREHOLDER

The amount was unsecured, non-interest bearing and was repaid during the year.

15. TRADE PAYABLES

Details of the aged analysis of trade payables are as follows:

	THE GROUP	
	2002	2001
	HK$	*HK$*
Aged:		
0–60 days	61,391	–
61–120 days	165	–
	61,556	–

16. AMOUNT DUE TO A RELATED COMPANY

The amount represented amount due to Dutfield Realty Inc. ("Dutfield Realty"), which was unsecured, non-interest bearing and was repaid during the year.

Chan Choi Har, Ivy, a director of the Company, is a shareholder of Dutfield Realty.

17. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, non-interest bearing and repayable on demand except for an amount of HK$5,550,000 (2001: HK$5,550,000) which was classified as non-current since it was confirmed by the directors that they would not demand repayment of the amounts within one year from the balance sheet date. Included in the outstanding amount of HK$5,550,000, HK$3,000,000 was waived by the directors subsequent to the balance sheet date.

18. SHARE CAPITAL

	Notes	Number of shares	Amount HK$
Authorised:			
On incorporation (HK$0.1 each)	*(a)*	1,000,000	100,000
Subdivision of each unissued share into 10 shares of HK$0.01 each	*(b)(i)*	9,000,000	–
Increase in authorised share capital	*(b)(ii)*	9,990,000,000	99,900,000
At 30th June, 2002 (HK$0.01 each)		10,000,000,000	100,000,000
Issued and fully paid:			
Alloted and issued on 25th September, 2001 (HK$0.1 each)	*(a)*	1	–
Subdivision of each issued share into 10 shares of HK$0.01 each	*(b)(i)*	9	–
Issue of shares of HK$0.01 each pursuant to the Group Reorganisation	*(c)*	269,990	2,700
Issue of shares through placing	*(e)*	76,830,000	768,300
Issue of shares by capitalisation of share premium account (“Capitalisation Issue”)	*(d)(i)*	304,830,000	3,048,300
Issue of shares by capitalisation of shareholder’s advance (“Loan Capitalisation”)	*(d)(ii)*	28,070,000	280,700
At 30th June, 2002 (HK$0.01 each)		410,000,000	4,100,000

As at 30th June, 2001, the share capital shown on the consolidated balance sheet represented the share capital of Blu Spa Group Limited, the former holding company of the Group prior to the Group Reorganisation.

Notes: The following changes in the authorised and issued share capital of the Company took place during the period from 30th August, 2001 (date of incorporation) to 30th June, 2002:

(a) Upon incorporation on 30th August, 2001, the Company had authorised share capital of HK$100,000 divided into 1,000,000 shares of HK$0.1 each. On 25th September, 2001, one share was allotted and issued for cash at par.

(b) Pursuant to written resolutions of the sole shareholder of the Company passed on 27th September, 2001:

(i) every share of HK$0.1 each was subdivided into 10 shares of HK$0.01 each; and

(ii) the authorised share capital of the Company was increased from HK$100,000 to HK$100,000,000 by the creation of 9,990,000,000 additional shares of HK$0.01 each, ranking *pari passu* in all respects with the then existing issued share capital of the Company.

(c) The Group underwent the Group Reorganisation to rationalise the Group’s structure in preparation for the listing of the shares on GEM of the Stock Exchange, pursuant to which the Company became the ultimate holding company within the Group. On 10th December, 2001, the Company acquired the entire issued share capital of Blu Spa Group Limited, the former holding company of the Group, from its shareholders, XO-Holdings Limited, East Point Resources Limited and All Rich Pacific Limited and, in consideration for such acquisition, the Company allotted and issued 269,990 new shares in aggregate, credited as fully paid at HK$0.01 each, to the shareholders of Blu Spa Group Limited.

(d) Pursuant to written resolutions of the shareholders of the Company passed on 30th January, 2002:

(i) conditional on the share premium account being credited as a result of the placing on 19th February, 2002, an amount of HK$3,048,300 was capitalised and applied to pay up in full at par 304,830,000 shares of HK$0.01 each on a pro-rata basis to the Company's shareholders immediately before the placing; and

(ii) immediately following the issue of shares referred to in (d)(i) above having taken place, 28,070,000 shares of HK$0.01 each were alloted and issued by the Company, credited as fully paid up, to XO-Holdings Limited for settlement of an outstanding shareholder's advance of HK$5,000,000.

(e) Pursuant to an underwriting agreement entered into on 4th February, 2002 between the Company and underwriters, 76,830,000 shares of HK$0.01 each in the Company were placed to independent investors at a price of HK$0.3 per share. The net proceeds from the placing were used to provide working capital of the Company. The placing agreement was approved by written resolutions of the shareholders of the Company on 30th January, 2002, at which the directors of the Company were authorised to issue these shares.

19. SHARE OPTIONS

At 30th June, 2002, pursuant to the Pre-IPO share option scheme (the "Pre-IPO Scheme") and a share option scheme (the "Scheme") which were both adopted by the Company on 30th January, 2002, the options to subscribe for shares outstanding under the Company's Pre-IPO Scheme were as follows:

Exercisable period	**Exercise price** *HK$*	**Outstanding at 30th June, 2002**
30.1.2003 to 29.1.2012	0.3	37,720,000

At 30th June, 2002, no option was granted under the Scheme.

20. RESERVES

	Share premium *HK$*	Merger reserve *HK$*	Translation reserve *HK$*	Deficit *HK$*	Total *HK$*
THE GROUP					
At 1st July, 2000	–	–	–	(12,234,387)	(12,234,387)
Issue of shares	22,716,217	–	–	–	22,716,217
Loss for the year	–	–	–	(6,649,180)	(6,649,180)
At 30th June, 2001	22,716,217	–	–	(18,883,567)	3,832,650
Reserve arising from the Group Reorganisation	(22,716,217)	22,734,577	–	–	18,360
Issue of shares through placing	22,280,700	–	–	–	22,280,700
Issue of shares pursuant to Capitalisation Issue	(3,048,300)	–	–	–	(3,048,300)
Issue of shares pursuant to Loan Capitalisation	4,719,300	–	–	–	4,719,300
Expenses for issue of shares	(5,476,639)	–	–	–	(5,476,639)
Exchange differences arising from translation of operations outside Hong Kong	–	–	(48,837)	–	(48,837)
Loss for the year	–	–	–	(10,855,268)	(10,855,268)
At 30th June, 2002	18,475,061	22,734,577	(48,837)	(29,738,835)	11,421,966
THE COMPANY					
Issue of shares through placing	22,280,700	–	–	–	22,280,700
Issue of shares pursuant to Capitalisation Issue	(3,048,300)	–	–	–	(3,048,300)
Issue of shares pursuant to Loan Capitalisation	4,719,300	–	–	–	4,719,300
Expenses for issue of shares	(5,476,639)	–	–	–	(5,476,639)
Loss for the year	–	–	–	(13,798,637)	(13,798,637)
At 30th June, 2002	18,475,061	–	–	(13,798,637)	4,676,424

For the purpose of the preparation of the financial statements, the balance of the share premium account shown in the consolidated balance sheet at 30th June, 2001 represented the share premium of Blu Spa Group Limited, the entire interest of which was acquired by the Company on 10th December, 2001 pursuant to the Group Reorganisation.

The merger reserve of the Group represents the differences between the carrying amount of the share capital and share premium of Blu Spa Group Limited at the date on which it was acquired by the Company and the nominal amount of the Company's shares issued in exchange pursuant to the Group Reorganisation.

In the opinion of the directors, the Company had no reserves available for distribution as at 30th June, 2002 and 30th June, 2001.

21. AMOUNT DUE TO A SHAREHOLDER

	THE GROUP		THE COMPANY	
	2002	**2001**	**2002**	**2001**
	HK$	*HK$*	*HK$*	*HK$*
Interest bearing at 30% per annum	–	4,000,000	–	–
Non-interest bearing	3,572,276	4,172,104	3,572,276	–
	3,572,276	8,172,104	3,572,276	–

The balance represents unsecured amount due to XO-Holdings Limited.

During the year, an amount of HK$5,000,000 was capitalised and XO-Holdings Limited confirmed that it would not demand repayment of the remaining balance due to it within one year from the balance sheet date.

22. UNRECOGNISED DEFERRED TAXATION

The major components of deferred taxation (credit) charge not recognised for the year are as follows:

	THE GROUP	
	2002	**2001**
	HK$	*HK$*
Tax effect of timing differences attributable to:		
Difference of tax allowances and depreciation charged in the financial statements	24,600	(1,300)
Tax losses arising	(1,156,000)	(315,000)
	(1,131,400)	(316,300)

At the balance sheet date, the major components of the deferred taxation (asset) liability not recognised in the financial statements are as follows:

	2002	**2001**
	HK$	*HK$*
Tax effect of timing differences attributable to:		
Excess of tax allowances over depreciation charged in the financial statements	32,000	7,400
Unutilised tax losses	(1,582,000)	(426,000)
	(1,550,000)	(418,600)

The deferred taxation asset is not recognised because it is uncertain whether the tax benefit will be realised in the foreseeable future.

23. RECONCILIATION OF LOSS FOR THE YEAR TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002	2001
	HK$	*HK$*
Loss for the year	(10,855,268)	(6,649,180)
Interest income	(9,181)	(14,085)
Interest expense	38,707	1,145,154
Depreciation	81,315	20,163
Loss on disposal of plant and equipment	98,307	–
Amortisation of intangible assets	977,174	953,267
Allowance for bad and doubtful debts	521,306	–
Allowance for inventories	643,000	–
Increase in inventories	(2,948,895)	(30,197)
Decrease in trade receivables	928,804	19,145
(Increase) decrease in deposits and other receivables	(1,371,565)	1,469,164
Increase in trade payables	61,556	–
Decrease in accruals and other payables	(598,462)	(2,201,181)
(Decrease) increase in amount due to a related company	(1,245,794)	469,872
Increase in amounts due to directors	226,133	–
Net cash outflow from operating activities	(13,452,863)	(4,817,878)

24. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital, share premium and merger reserve	Amount due to a shareholder	Amounts due to directors
	HK$	*HK$*	*HK$*
At 1st July, 2000	7,800	24,463,708	3,750,000
Proceeds from issue of shares	4,009,477	–	–
Increase in amount(s) due to a shareholder/directors	–	2,428,396	1,800,000
Capitalisation of shareholders' advances	18,720,000	(18,720,000)	–
At 30th June, 2001	22,737,277	8,172,104	5,550,000
Proceeds from issue of shares	23,049,000	–	–
Expenses for issue of shares	(5,476,639)	–	–
Increase in amount due to a shareholder	–	400,172	–
Capitalisation of shareholders' advances	5,000,000	(5,000,000)	–
At 30th June, 2002	45,309,638	3,572,276	5,550,000

25. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into the following major non-cash transactions:

(i) The capitalisation of share premium, details of which are set out in note 18(d)(i).

(ii) The Company issued shares to settle the shareholders' loan, details of which are set out in note 18(d)(ii).

26. 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.

27. OPERATING LEASE COMMITMENTS

	THE GROUP	
	2002	**2001**
	HK$	*HK$*
Minimum lease payments paid under operating leases in respect of rented premises	1,067,147	721,872

At the balance sheet date, the Group had commitments for future minimum lease payments for rented premises under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2002	**2001**
	HK$	*HK$*
Within one year	535,000	335,000
In the second to fifth year inclusive	718,000	1,317,000
Over five years	–	69,000
	1,253,000	1,721,000

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of 2 years.

The Company had no operating lease commitments at the balance sheet date.

28. OTHER COMMITMENTS

At 30th June, 2002, the Group and the Company had commitments for future consultancy fee of HK$300,000 payable under a non-cancellable consultancy agreement which will expire on 18th February, 2004.

29. RELATED PARTY TRANSACTIONS

During the year, the Group had the transactions with the following parties:

Name of party	*Notes*	**Nature of transactions**	**2002** *HK$*	**2001** *HK$*
Dutfield Realty	*(i)*	Rental expenses paid by the Group	382,299	469,872
Dutfield International Group Company Limited ("Dutfield International")	*(i)*	Rental expenses paid by the Group	143,993	240,000
Rajewski, Natalie N	*(ii)*	Management fee paid by the Group	183,600	745,110
XO-Holdings Limited	*(iii)*	Interest expenses paid by the Group	–	1,145,034

Chan Choi Har, Ivy, a director of the Company, is also a shareholder of Dutfield Realty, Dutfield International and XO-Holdings Limited.

Rajewski, Natalie N. is a director of the Company.

Notes:

(i) Rentals were charged in accordance with the lease terms mutually agreed between the relevant parties.

(ii) Management fee were paid at terms determined and agreed between the relevant parties, Management services provided in accordance with the agreement entered included the provision of product development, marketing, merchandising and training services to the Group.

(iii) Interest expenses were charged on a cost reimbursement basis.

During the year, the Group paid consultancy fee of HK$500,870 (2001: nil) to 2007489 Ontario Limited, a company in which the brother-in-law of Rajewski, Natalie N., a director of the Company, has beneficial interest.

In addition, the Group had certain balances with its shareholders, related company and directors, details of these are set out in notes 14, 16, 17 and 21.

30. SUBSIDIARIES

Particulars of the Company's subsidiaries at 30th June, 2002 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and paid up share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
Blu Spa Group Limited	British Virgin Islands/ Hong Kong	Shares US$2,700	100	–	Investment holding
Blu Spa (Hong Kong) Limited	Hong Kong	Ordinary shares HK$2	–	100	Market development, product distribution and customer support services
Blu Spa International Limited	British Virgin Islands/ Hong Kong	Share US$1	–	100	Advertising, marketing and granting of distribution rights
Beachgold Assets Limited	British Virgin Islands/ Hong Kong	Shares US$2	–	100	Holding of patent and trademarks/tradenames
Clapton Holdings Limited	The Republic of Cyprus/Canada	Shares C£1,000	–	100	Advertising, marketing and granting of distribution rights
Blu Spa Management Services Limited	British Virgin Islands/ Hong Kong	Share US$1	–	100	Provision of retail concept store, spa operation and related management services
Blu Spa Canada Inc.	Canada	Shares C$10	–	100	Product development, sourcing and quality control

FINANCIAL SUMMARY

	For the year ended 30th June,		
	2002	**2001**	**2000**
	HK$	*HK$*	*HK$*
Results			
Turnover	2,856,445	4,198,093	2,293,091
Loss from ordinary activities attributable to shareholders	(10,855,268)	(6,649,180)	(12,234,387)

Assets and liabilities

	As at 30th June,		
	2002	**2001**	**2000**
	HK$	*HK$*	*HK$*
Total assets	26,828,723	21,316,862	21,459,478
Total liabilities	(11,306,757)	(17,463,152)	(33,686,065)
Balance/(Deficiency) of shareholders' funds	15,521,966	3,853,710	(12,226,587)

Note: Pursuant to a group reorganisation to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group on 10th December, 2001. The shares of the Company have been listed on the GEM with effect from 19th February, 2002. The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on the merger accounting basis as if the Company had always been the holding company of the Group. The results for the two years ended 30th June, 2000 and 2001, and the assets and liabilities as at 30th June, 2000 and 2001 have been extracted from the Company's prospectus dated 4th February, 2002.

4. INDEBTEDNESS

At the close of business on 31st December, 2002, being the latest practicable date for ascertaining information regarding this indebtedness statement, the Group had outstanding borrowings of approximately HK$6.3 million, comprising an amount due to the major Shareholder, XO-Holdings, of approximately HK$3.6 million, amount due to a Director, Ms. Chan Choi Har, Ivy of approximately HK$1.7 million, a related party, being a former Director and the spouse of Ms. Chan Choi Har, Ivy, Mr. Law Kin Ming, Alfred of approximately HK$0.8 million and amounts due to other Directors of approximately HK$0.2 million.

As at 31st December, 2002, the Group had an outstanding contract with a third party for promotion of the Group's products for a period of two years from 2nd October, 2002. Under the contract, the Group is responsible for all costs and expenses incurred for the promotion with a budget of not less than HK$4 million. The crystallisation of the HK$4 million liability would depend on the satisfactory performance of the third party.

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31st December, 2002 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Subsequent to 31st December, 2002, the Group has obtained advances of HK$900,000 from Profit Trick, a Shareholder.

The Directors confirm that, as at the Latest Practicable Date, other than aforementioned, they are not aware of any material changes in the Group's indebtedness, contingent liabilities and commitments since 31st December, 2002.

5. FINANCIAL RESOURCES

The Group generally finances its operations with internally generated resources and advances from Directors and the major Shareholders, XO-Holdings and Profit Trick.

At the close of business on 31st December, 2002, the Group had amount due to the major Shareholder, XO-Holdings, of approximately HK$3.6 million, which was unsecured and non-interest bearing. Pursuant to a deed of undertaking dated 12th December, 2001, it has undertaken that (i) it will not demand repayment of the amount of HK$3.6 million within one year from the date of the listing of the Shares 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 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 repayment will not adversely affect the operations of the Group and the implementation of its business objectives during the forward looking period. It has also confirmed its intention that it will not demand repayment of the amount outstanding at 31st December, 2002 within one year from the date of this Prospectus.

As at 31st December, 2002, the Group had amount due to a Director, Ms. Chan Choi Har, Ivy of approximately HK$1.7 million and a related party, being a former Director and the spouse of Ms. Chan Choi Har, Ivy, Mr. Law Kin Ming, Alfred of approximately HK$0.8 million, both of which were unsecured and non-interest bearing. The amounts represented the remaining outstanding loan balances after waiver of their loans of approximately HK$3.4 million pursuant to deeds of waiver dated 26th September, 2002 and 30th December, 2002. Pursuant to a deed of undertaking dated 12th December, 2001, Ms. Chan Choi Har, Ivy and Mr. Law King Ming, Alfred have undertaken that (i) they will not demand repayment of the outstanding amounts within one year from the date of the listing of the Shares on GEM; and (ii) they will not demand repayment of any outstanding amounts due to them after one year from the date of listing of the Shares 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 repayment will not adversely affect the Group's operations and the implementation of its business objectives during the forward looking period. They have also confirmed their intention that they will not demand repayment of the amounts outstanding at 31st December, 2002 within one year from the date of this Prospectus.

As at 31st December, 2002, the Group also had amounts due to other Directors of approximately HK$0.2 million mainly arising from accrued Directors' remunerations and fees payable to them. Such amounts were unsecured, non-interest bearing and repayable on demand.

Subsequent to 31st December, 2002, the Group has obtained advances of HK$900,000 for general working capital from Profit Trick, a Shareholder. The amount was unsecured, non-interest bearing and repayable on demand.

6. CONTINGENT LIABILITIES

As at 31st December, 2002, the Group had no material contingent liabilities.

7. COMMITMENTS

As at 31st December, 2002, the Group had an outstanding contract which was entered into with Emperor Entertainment (Hong Kong) Limited on 2nd October, 2002, under which the Group would engage an artiste known as Yumiko Cheng to provide services to promote the Group's products for a term of two years from 2nd October, 2002. The services include the production of print advertisement and television commercial and attendance of public relations events. Under the contract, the Group agreed that the media budget for the print advertisement and the television commercial shall not be less than HK$4 million in total (out of which HK$55,000 had already been spent as at the Latest Practicable Date).

As at 31st December, 2002, the Group had commitments for future consultancy fee of HK$300,000 payable to an independent third party under a non-cancellable consultancy agreement which will expire on 18th February, 2004 and for future minimum lease payments for rented premises under non-cancellable operating leases of HK$894,000 which is payable as to HK$356,000 within one year and as to HK$538,000 payable from the second year to the fifth year. There are no other commitments as at 31st December, 2002 other than those stated above.

8. FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs cost in Hong Kong dollars, Canadian dollars and US dollars. The Directors consider that the impact of foreign exchange exposure of the Group is minimal.

9. WORKING CAPITAL

As at the Latest Practicable Date, the Directors are of the opinion that, after taking into account the existing cash and bank balances and the net proceeds from the Open Offer, the Group will have sufficient working capital for its coming three months' requirements. Meanwhile, the Group is expected to increase its sales through expansion of its business in order to generate sufficient funds for its working capital requirements, failing which the Group may not have sufficient working capital to support its ongoing operations. In that case, the Group will have to seek external funding, which may be in the form of issue of securities and/or advances from major Shareholders and the Company will make an announcement in relation thereto if considered appropriate.

10. MATERIAL ADVERSE CHANGES

Save as the unaudited interim results of the Group for the six months ended 31st December, 2002 and the information contained in this appendix, the Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position of the Group since 30th June, 2002, the date to which the latest published audited financial statements of the Group were made up.

11. RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

The audited consolidated net asset value of the Group as at 30th June, 2002 was HK$15,521,966. The assets of the Group as at 30th June, 2002 included a significant amount of intangible assets of HK$17,005,340. Accordingly, the Group had a deficit in net tangible asset value as at 30th June, 2002 of HK$1,483,374. Since then, the Group has been in a deficit in net tangible asset value. In view of the above, a disclosure obligation had arisen in respect of Rule 17.15 of the GEM Listing Rules regarding advances to an entity. The Company will issue an announcement in that respect as soon as practicable. The delay in issuing such announcement was a breach of Rule 17.15 of the GEM Listing Rules. The Company has also breached Rule 17.22 of the GEM Listing Rules for not including such disclosure in its quarterly reports. The Stock Exchange has indicated that it reserves the right to take appropriate action.

12. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Set out below is the statement of unaudited pro forma adjusted consolidated net tangible assets of the Group based on the audited consolidated net assets as at 30th June, 2002 and taking into account the unaudited loss of the Group for the six months ended 31st December, 2002 and the effects of the Open Offer.

	HK$'000
Audited consolidated net assets of the Group as at 30th June, 2002	15,522
Less: Intangible assets as at 31st December, 2002 (being patent, trademarks and tradenames and other intellectual property rights)	(16,511)
Unaudited consolidated loss after taxation based on the unaudited management accounts of the Group for the six months ended 31st December, 2002	(1,186)
Add: Exchange differences arising from translation of operations outside Hong Kong as at 31st December, 2002	45
Unaudited pro forma adjusted consolidated net tangible liabilities of the Group before the Open Offer	(2,130)
Add: Estimated net proceeds from the Open Offer	3,000
Unaudited pro forma adjusted consolidated net tangible assets of the Group after the Open Offer	870
Unaudited pro forma adjusted consolidated net tangible liabilities per Share – before the Open Offer (based on 410,000,000 Shares in issue)	(0.52) cent
Unaudited pro forma adjusted consolidated net tangible assets per Share – after the Open Offer (based on 606,800,000 Shares in issue)	0.14 cent

1. RESPONSIBILITY STATEMENT

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this document is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this document misleading; and (iii) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors and their associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or which required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

	Number of Shares held			
Name of Directors	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**
Ms. Rajewski, Natalie N.	–	–	–	84,099,330 *(Note 2)*
Ms. Chan Choi Har, Ivy	–	–	136,635,670 *(Note 1)*	–

Notes:

1. 105,657,870 of these Shares are held by XO-Holdings and 30,977,800 of these Shares are held by All Rich Pacific. Ms. Chan Choi Har, Ivy is the beneficial owner of 65% of the issued share capital of XO-Holdings and 50% of the issued share capital of All Rich Pacific. Ms. Chan Choi Har, Ivy is therefore deemed to have an interest in the 136,635,670 Shares.

2. These shares are held by East Point Resources. The entire issued share capital of East Point Resources is held by Well Arts Enterprises Limited ("Well Arts") in its capacity as trustee of the Eastpoint Trust, a discretionary trust the discretionary objects of which include Ms. Rajewski, Natalie N. and certain of her family members.

Save as disclosed above and other than certain nominee shares in the subsidiaries held in trust for the Company or its subsidiaries, at the Latest Practicable Date, none of the directors or their associates had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations within the meaning of the SDI Ordinance or which required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

3. DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed under the paragraph headed "Share Options", as at the Latest Practicable Date, none of the Company nor any of its subsidiaries were a party to any arrangements enabling the Directors to acquire 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.

4. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, the register of substantial shareholders of the Company maintained under Section 16(1) of the SDI Ordinance did not show that the Company had been notified of any interest of 10% or more of the issued share capital of the Company.

Name of Shareholders	Number of Shares	Percentage of issued share capital
Ms. Chan Choi Har, Ivy *(Note 1)*	136,635,670	33.33%
XO-Holdings *(Note 2)*	105,657,870	25.77%
Wah Hing Consultants Limited ("Wah Hing") *(Notes 2 and 3)*	105,657,870	25.77%
Ms. Heung See Wai, Angela *(Note 3)*	105,657,870	25.77%
Ms. Rajewski, Natalie N. *(Note 4)*	84,099,330	20.51%
East Point Resources *(Note 4)*	84,099,330	20.51%
Well Arts Enterprises Limited ("Well Arts") *(Note 5)*	84,099,330	20.51%

Notes:

1. The interests of Ms. Chan Choi Har, Ivy in the Company comprise the 25.77% shareholding interest through her 65% interest in XO-Holdings, and 7.56% shareholding interest through her 50% interest in All Rich Pacific.

2. XO-Holdings is beneficially owned as to 65% by Ms. Chan Choi Har, Ivy and as to 35% by Wah Hing.

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

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

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

5. LITIGATION

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

6. SERVICE CONTRACTS

Ms. Chan Choi Har, Ivy has entered into a service agreement with the Company for an initial period of two years commencing from 1st September, 2001, which will continue thereafter until terminated by either party by three months' prior written notice.

Ms. Rajewski, Natalie N. has entered into a service agreement with the Company for an initial period of two years commencing from 1st October, 2001, which will continue thereafter until terminated by either party by three months' prior written notice.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. COMPETING INTEREST

None of the directors, management shareholders and substantial shareholders of the Company and their respective associates compete or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group pursuant to Rule 11.04 of the GEM Listing Rules.

8. SHARE OPTIONS

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted pursuant to a resolution passed on 30th January, 2002 for the primary purpose of providing incentives or reward to directors and employees of the Company and to recognise the contribution of such eligible persons to the growth of the Company or any subsidiaries, and will expire on 29th January, 2012.

As at the Latest Practicable Date, the number of Shares in respect of which Options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 22,037,500, representing 5.4% of the Shares in issue at that date.

The following table discloses movements of Options granted under the Pre-IPO Share Option Scheme following the date of grant:

Directors	Granted on 30th January, 2002	Lapsed before exercise	Outstanding as at the Latest Practicable Date
Ms. Chan Choi Har, Ivy	10,250,000	–	10,250,000
Mr. Law Kin Ming, Alfred*	4,100,000	(4,100,000)	–
Ms. Rajewski, Natalie N.	8,200,000	–	8,200,000
Ms. Loo Peck Hwee, Celene*	8,200,000	(8,200,000)	–
Ms. Wai Suk Chong, Helena*	2,050,000	–	2,050,000
Mr. Ng Kwok Tung*	820,000	(820,000)	–
Mr. Moore, Douglas Howard*	820,000	(820,000)	–
Total for Directors	34,440,000	(13,940,000)	20,500,000
Employees	6,560,000	(5,022,500)	1,537,500
Grand total	41,000,000	(18,962,500)	22,037,500

* *resigned Directors*

Details of the Options are as follows:

Date of grant	Vesting period	Exercisable period	Exercise price *HK$*
30th January, 2002	30th January, 2002 to 18th February, 2003	19th February, 2003 to 29th January, 2012	0.30

Note: 50% of the Options may be exercised at any time after the expiry of 12 months from the date on which dealings of the Shares commenced on GEM and the remaining 50% may be exercised at any time after 24 months from the date on which dealings of the Shares commenced on GEM, and in each case not later than 29th January, 2012.

Share Option Scheme

On 30th January, 2002, the Company also adopted the Share Option Scheme for the primary purpose of providing incentives or reward to directors and employees of the Company and to recognise the contribution of such eligible persons to the growth of the Company or its subsidiaries, and will expire on 29th January, 2012. Under the Share Option Scheme, the Board may grant Options to directors and employees of the Company or any subsidiaries, to subscribe for Shares within 10 years from the adoption date of the Share Option Scheme. Any grant of options to a connected person or any of its associates must be approved by all the independent non-executive Directors. As at the Latest Practicable Date, no Options had been granted under the Share Option Scheme.

9. INTEREST OF SPONSOR

As confirmed by the Company's sponsor, DBS Asia Capital Limited ("DBS Asia"), as at the Latest Practicable Date, none of DBS Asia and its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) have or, as a result of the Open Offer, may have:

(i) any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities);

(ii) any material benefit expected to accrue to DBS Asia or its associates as a result of the successful outcome of the Open Offer; and

(iii) any competing interest with the business of the Group.

DBS Asia has entered into a sponsorship agreement with the Company, whereby for a fee, DBS Asia will act as the Company's continuing sponsor for the purpose of Chapter 6 of the GEM Listing Rules up to 30th June, 2004.

10. AUDIT COMMITTEE

The Company has established an audit committee in compliance with Rules 5.23 and 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the Board. The audit committee has two members, namely Mr. Yao Hon Ching and Mr. Kam Kin Yat, both being independent non-executive Directors.

11. MATERIAL CONTRACTS

During the two years immediately preceding the date of this Prospectus, the following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group and are or may be material:

a. the asset purchase agreement dated 27th September, 2001 between Blu Spa Canada Inc. and B.S. International Inc. of 53rd Floor, Florence Avenue, Toronto, Canada, pursuant to which Blu Spa Canada Inc. acquired from Blu Spa International Inc. assets at a total consideration of C$300,000, which was partially satisfied by way of set-off of a sum of C$57,823 previously due by B.S. International Inc. to the Group and the balance of C$242,177 by the issue of a promissory note bearing interest at 5.5% per annum and repayable on or before 26th February, 2002;

b. an agreement dated 10th December, 2001 entered into between XO-Holdings, East Point Resources, All Rich Pacific, Profit Trick and Strategic Alliance as vendors, XO-Holdings, East Point Resources, All Rich Pacific, Ms. Chan Choi Ha, Ivy, Mr. Law Kin Ming, Alfred, Ms. Loo Peck Hwee, Celene, Ms. Rajewski, Natalie N., Ms. Heung See Wai, Angela and Ms. Chan Yuen Ling, Vivian as warrantors and (iii) the Company as purchaser, relating to the sale and purchase of the entire issued share capital of Blu Spa Group Limited by the vendors to the Company in consideration and in exchange for the allotment and issue, credit as fully paid, of an aggregate of 269,990 Shares as to 96,890 to XO-Holdings, 96,900 Shares to East Point Resources, 35,700 Shares to All Rich Pacific, 27,000 Shares to Profit Trick and 13,500 Shares to Strategic Alliance;

c. a deed of indemnity dated 4th February, 2002 given by the executive Directors, XO-Holdings, East Point Resources and All Rich Pacific in favour of the Company and its subsidiaries being the deed of indemnity containing indemnities in respect of Hong Kong estate duty and tax referred to in the paragraph headed "Estate duty and tax indemnity" in the prospectus of the Company dated 4th February, 2003;

d. the placing and underwriting agreement relating to the placing of the shares of the Company dated 4th February, 2002 entered into between, among others, the Company, DBS Asia Capital Limited, Celestial Capital Limited, JS Cresvale International Limited and CSC Securities (HK) Limited; and

e. the Underwriting Agreement.

12. PARTIES INVOLVED IN THE OPEN OFFER

Financial adviser	First Shanghai Capital Limited 19th Floor, Wing On House 71 Des Voeux Road Central Hong Kong
Legal advisers to the Company	*As to Hong Kong law:* Tsun & Partners, Solicitors Suite 1002, Aon China Building 29 Queen's Road Central Hong Kong
Underwriter	Kingston Securities Limited 28th Floor One International Finance Centre 1 Harbour View Street Central Hong Kong

13. CORPORATE INFORMATION

Registered office of the Company	Century Yard Cricket Square Hutchins Drive P.O. Box 2681GT George Town Grand Cayman Cayman Islands British West Indies
Head office and principal place of business of the Company in Hong Kong	Room 2429–31 24th Floor, Sun Hung Kai Centre 30 Harbour Road Wanchai Hong Kong
Company secretary	Lai Sze Wan, *ACCA, AHKSA*
Authorised representatives	Chan Choi Har, Ivy Lai Sze Wan
Qualified accountant	Lai Sze Wan, *ACCA, AHKSA*
Compliance officer	Chan Choi Har, Ivy
Auditors	Deloitte Touche Tohmatsu *Certified Public Accountants* 26th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Sponsor	DBS Asia Capital Limited 16th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
Principal share registrar and transfer office	Bank of Butterfield International (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman Cayman Islands British West Indies

Hong Kong branch share registrar and transfer office	Secretaries Limited Ground Floor Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong
Principal bankers	The Hongkong & Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong
	Hang Seng Bank Limited Basement, Central Building Peddar Street Central Hong Kong

14. EXPENSES

The expenses in connection with the Open Offer, including financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting charges are estimated to amount to approximately HK$0.54 million and are payable by the Company.

15. DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Rajewski Natalie N. (also known as Rajewski, Natasha), aged 45, is an executive Director and the chairman of the Group. She co-founded the Group in June 1998 and appointed as a Director on 25th September, 2001. She is responsible for the overall strategic planning and management of the Group. She has more than 20 years of experience in the development, manufacture and marketing of botanical personal care and beauty products. She had developed merchandising, marketing, distribution and franchise systems for a broad range of botanical beauty products under another brand that she founded in 1982 and sold to an independent party in April 1997.

Ms. Chan Choi Har, Ivy, aged 51, is an executive Director and vice chairman of the Group. She is also the compliance officer and authorised representative of the Company. She is responsible of the market development, marketing, general administration and financing of the Group. She has 15 years of experience in real estate development and related investments including hotel projects in the PRC and residential development in Macau. She has been the vice-chairman of TriNorth Capital Inc., a public company listed on the Toronto Stock Exchange, since 1994. She also has experience in and has been responsible for take-over, initial public offering, equity financing and public listing of several public listed companies in Hong Kong and Toronto.

Mr. Chan Kei Kon, aged 58, is an executive Director, he holds a degree in political science from the Guangzhou Zhongshan University, the PRC. Mr. Chan was appointed as an executive Director on 12th November, 2002. He was formerly the managing director of Tenmar International Limited, an investment company specializing in the PRC trade. He was also the chairman of a number of industrial production companies in various parts of the PRC. Mr. Chan is responsible for the business development for the PRC market.

Independent non-executive Directors

Mr. Yao Hon Ching, aged 66, is a graduate of the National Taiwan University and has over 28 years' experience in the field of banking and finance. He is currently an honorary adviser of Orix Asia Limited. He was appointed as the independent non-executive Director on 12th November, 2002.

Mr. Kam Kin Yat, aged 50, is an executive director of Quantum High-Tech Group Limited, a private company incorporated in Hong Kong and principally engages in manufacturing and trading of health products. He has more than 20 years of working experience in China trade. He was previously the senior vice-president for China investments of Lai Sun Development Limited and the assistant executive president of Lai Fung Holdings Limited. Before joining the Lai Sun Group in 1991, he worked as a foreign investors relation officer of the People's Government of Jiangsu, the PRC. He was appointed as the independent non-executive Director on 26th September, 2002.

Senior management

Ms. Lai Sze Wan, aged 30, is the company secretary, qualified accountant and authorised representative of the Company. She holds a bachelor degree in business economics from University of Leicester. Ms. Lai is an associate member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Society of Accountants. She has over five years of working experience at Deloitte Touche Tohmatsu.

Ms. Cho Mang Yee, Jennifer, aged 34, is the accounting manager of the Group. She is a member of the Canadian Institute of Chartered Accountants specialized in taxation. Prior to joining the Group in 1997, she worked with Deloitte Touche Tohmatsu, Toronto for over 10 years.

Mr. Reale, Dominic, aged 51, is the chief technical officer of the group. He has over 20 years of experience in the development, manufacture and marketing of botanical beauty products. He primarily focuses on research and study of natural plant oils, marine algae and their long term effect on skin, the findings of which are incorporated in the Blu Spa product formulations.

16. LEGAL EFFECT

This Prospectus, the Application Form, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by all the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies Ordinance, so far as applicable.

17. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Prospectus, which have been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance, were copies of the Application Form.

18. MISCELLANEOUS

The English text of this Prospectus shall prevail over the Chinese text in the case of any inconsistency.

19. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of the Company at Room 2429-31, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong up to and including Wednesday, 19th March, 2003:

a. the memorandum and articles of association of the Company;

b. the prospectus dated 4th February, 2002 of the Company;

c. the service contracts of Ms. Rajewski, Natalie N. and Ms. Chan Choi Har, Ivy;

d. the material contracts under the section headed “Material contracts” in this Appendix;

e. the audited financial statements of the Company for the years ended 30th June, 2001 and 30th June, 2002; and

f. the unaudited interim report of the Company for the six months ended 31st December, 2002.