THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in Blu Spa Holdings Limited (the "Company"), you should at once hand this circular, together with the form of proxy, to the purchaser or the transferee or to the bank or stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

BLU SPA HOLDINGS LIMITED
富麗花•譜控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8176)

GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES

RE-ELECTION OF DIRECTORS

A copy of the annual report of the Company incorporating copies of the audited consolidated financial statements of the Company for year ended 30 June 2006 and the directors' and auditors' reports of the Company thereon (the "2006 Annual Report") have been despatched to all shareholders together with this circular. The notice convening the annual general meeting of the Company (the "Annual General Meeting") to be held at the Dynasty Club, 7th Floor, South West Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong on Friday, 27 October 2006 at 9:00 a.m. is set out in the 2006 Annual Report.

A form of proxy for the Annual General Meeting is enclosed with the 2006 Annual Report. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and return it to the Company's Branch Share Registrar in Hong Kong, Secretaries Limited at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the Annual General Meeting. The completion of a form of proxy will not preclude you from attending and voting at the Annual General Meeting in person.

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (1) the information contained in this circular is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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

29 September 2006

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

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

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

"Annual General Meeting"	the annual general meeting of the Company to be held at the Dynasty Club, 7th Floor, South West Tower, Convention Plaza, No.1 Habour Road, Hong Kong on Friday, 27 October 2006 at 9:00 a.m.
"Articles of Association"	the existing articles of association of the Company adopted on 26 October 2004
"Board"	the board of Directors of the Company
"Company"	Blu Spa Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
"Director(s)"	director(s) of the Company
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"GEM"	the Growth Enterprise Market of the Stock Exchange
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	26 September 2006, being the latest practicable date of ascertaining certain information in this circular prior to its publication
"Notice"	the notice to convene the Annual General Meeting dated 29 September 2006
"Repurchase Mandate"	the general mandate to exercise the power of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the resolution approving the Repurchase Mandate
"Repurchases Code"	Hong Kong Code on Share Repurchases
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong
"Share Issue Mandate"	the general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company at the date of passing of the resolution approving the Share Issue Mandate
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeover Code"	Hong Kong Code on Takeovers and Mergers
"HK$" and "HK cent(s)"	Hong Kong dollars and cent(s) respectively, the lawful currency of Hong Kong
"%"	per cent.

BLU SPA HOLDINGS LIMITED
富麗花•譜控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8176)

Executive Directors:
Mr. Wu Wenzhi *(Chairman)*
Ms. Chan Choi Har, Ivy *(Vice-chairman and CEO)*

Independent Non-Executive Directors:
Mr. Chan Shun Kuen, Eric
Mr. Lam Wai Pong
Mr. Yeung Mario Bercasio

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

Head Office and Principal Place of Business:
Room 2303, 23/F
World-Wide House
19 Des Voeux Road Central
Hong Kong

29 September 2006

To the shareholders of the Company

Dear Sir or Madam,

GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES

RE-ELECTION OF DIRECTORS

INTRODUCTION

The purposes of this circular are to provide you with the information with regard to the proposed resolutions at the Annual General Meeting of the Company to be held at the Dynasty Club, 7th Floor, South West Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong on Friday, 27 October 2006 at 9:00 a.m. relating to the granting to the Directors a general mandates to allot, issue and deal with new Shares of the Company, to repurchase Shares of the Company, to extend a general mandates to allot, issue and deal with the new Shares of the Company and to re-elect the retiring Directors.

GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES

At the annual general meeting of the Company held on Wednesday, 26 October 2005, the general mandates were granted to the Directors authorising them, inter alia, (a) to exercise the powers of the Company to allot and issue Shares not exceeding 20% of the issued share capital as at 26 October 2005; (b) to repurchase Shares not exceeding 10% of the issued share capital as at 26 October 2005; and (c) to extend the general mandate to issue Shares by the number of Shares purchased under the repurchase mandate mentioned in (b) above. Such general mandates will expire at the conclusion of the Annual General Meeting. The ordinary resolutions will be proposed at the Annual General Meeting to grant to the Directors a general mandate authorising them, inter alia, (a) to exercise the powers of the Company to allot and issue Shares not exceeding 20% of the issued share capital as at the date of the passing of such resolution ("New Issue Mandate"); (b) to repurchase Shares not exceeding 10% of the issued share capital as at the date of the passing of such resolution ("Repurchase Mandate"); and (c) to extend the general mandate to issue Shares by the number of Shares purchased under the Repurchase Mandate.

Assuming that no further Shares are issued or repurchased after 26 September 2006, being the Latest Practicable Date, and before the date of the Annual General Meeting, there will be 606,800,000 Shares in issue, and exercise in full of the New Issue Mandates will result in a maximum of 121,360,000 Shares being issued by the Company under the New Issue Mandate.

The Directors believe that it is in the interests of the Company and the Shareholders as a whole if the New Issue Mandate and Repurchase Mandate are granted at the Annual General Meeting. The Repurchase Mandate provides Directors with flexibility make such repurchase as and when appropriate. However, the Directors currently have no intention to repurchase any Shares.

RE-ELECTION OF THE RETIRING DIRECTORS

As at the Latest Practicable Date, the executive directors of the Company are Mr. Wu Wenzhi, Ms. Chan Choi Har, Ivy, and the independent non-executive directors of the company are Mr. Chan Shun Kuen, Eric, Mr. Lam Wai Pong and Mr. Yeung Mario Bercasio.

Pursuant to Articles 86 and 87 of the Articles of Association, Mr. Chan Shun Kuen, Eric and Mr. Law Wai Pong will be retiring from their office at the Annual General Meeting and being eligible for re-election. Detail of the Directors proposed to be re-elected at the Annual General Meeting are set out in the Appendix II to this circular.

EXPLANATORY STATEMENT

An explanatory statement containing all relevant information relating to the Repurchase Mandate is set out in the Appendix I to this circular. The information in the explanatory statement is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote or against the Resolution No. 4(2) to grant to the Directors the Repurchase Mandate at the Annual General Meeting.

ANNUAL GENERAL MEETING

At the Annual General Meeting, the ordinary resolutions will be proposed to approve the Share Issue Mandate, the Repurchase Mandate, the extension of the Share Issue Mandate and the re-election of the retiring Directors. The notice of the Annual General Meeting is set out in the 2006 Annual Report.

ACTION TO BE TAKEN

A form of proxy for the Annual General Meeting is enclosed in the 2006 Annual Report. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and return it to the Company's Branch Share Registrar in Hong Kong, Secretaries Limited at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the Annual General Meeting or any adjournment thereof. The completion of a form of proxy will not preclude you from attending and voting at the Annual General Meeting in person.

PROCEDURES FOR DEMANDING A POLL AT THE ANNUAL GENERAL MEETING

Article 66 of the Articles of Association, at any general meeting, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll), a poll is demanded:–

(i) by the chairman of the meeting;

(ii) by at least three members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting;

(iii) by a member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(iv) by a member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a member.

RECOMMENDATION

The Directors believe that (i) the grant of the Share Issue Mandate to the Directors; (ii) the grant of the Repurchase Mandate to the Directors; (iii) the grant of the extension of the Share Issue Mandate; and (iv) the re-election of the retiring Directors are all in the best interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders should vote in favour of all the relevant resolutions to be proposed at the Annual General Meeting as set out in the Notice containing in the 2006 Annual Report.

Yours faithfully
For and on behalf of
Blu Spa Holdings Limited
Wu Wenzhi
Chairman

The following is an explanatory statement required to be sent to all the Shareholders under the GEM Listing Rules in connection with an resolution to be proposed at the Annual General Meeting approving the Repurchase Mandate.

This explanatory statement contains all the information required under Rules 13.08 and 13.09 of the GEM Listing Rules which are set out as follows:

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued capital of the Company comprised 606,800,000 ordinary shares of HK$0.01 each.

If the Resolution No. 4(2) authorising the Directors to repurchase its own shares is passed at the Annual General Meeting, and assuming that no new shares in the Company are issued prior to the date of passing the said resolution, based on the 606,800,000 shares in issue as at the Latest Practicable Date, up to 60,680,000 shares, representing 10 per cent. of the existing issued share capital of the Company may be repurchased by the Company, during the period from the date of passing the Resolution No. 4(2) and ending on the earliest of the date of the next Annual General Meeting, the date by which the next annual general meeting of the Company is required to be held by the Articles of Association or applicable laws of the Cayman Islands and the date upon which the Resolution No. 4(2) is revoked or varied by shareholders in general meeting.

2. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and its shareholders for the Directors to have a general authority from its shareholders to enable the Company to repurchase shares in the market at any appropriate time. Such repurchase may, depending on market conditions and funding arrangements at that time, lead to enhancement of the net asset value of the Company and/or its earnings per share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

3. FUNDING OF REPURCHASES

The Company may not repurchase its shares on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Repurchases must be made out of funds legally available for the purpose in accordance with the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands and Hong Kong and the GEM Listing Rules. The Companies laws of the Cayman Islands (the "Laws") provide that a share repurchase by the Company may only be made out of profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose or, if so authorised by the Articles of Association and subject to the provisions of the Laws, out of capital. Any premium payable on a repurchase over the par value of the Shares repurchased or conditionally or unconditionally to be purchased must be provided for out of profits of the Company or out of the Company's share premium account or if so authorised by the Articles of Association and subject to the provisions of the laws, out of capital.

4. GENERAL

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position as disclosed in the most recent published audited financial statements for the year ended 30 June 2006 and taking into account the current working capital position of the Company) in the event that the proposed repurchase of shares was to be carried out in full at any time during the proposed repurchase period. However, the Directors expect to exercise such mandate if and to such extent only as they are satisfied that the exercise thereof will not have such a material adverse impact.

5. SHARE PRICES

The highest and lowest prices at which the Shares were traded on the GEM in each of the previous twelve months before the Latest Practicable Date were as follows:

	Highest	**Lowest**
Traded Price	*HK$*	*HK$*
2005		
October	Suspended	Suspended
November	Suspended	Suspended
December	Suspended	Suspended
2006		
January	Suspended	Suspended
February	Suspended	Suspended
March	Suspended	Suspended
April	Suspended	Suspended
May	Suspended	Suspended
June	Suspended	Suspended
July	Suspended	Suspended
August	Suspended	Suspended
September (up to the Latest Practicable Date)	Suspended	Suspended

6. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the memorandum and articles of association of the Company, the GEM Listing Rules and the applicable laws of the Cayman Islands.

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates have any present intention to sell any Shares of the Company under the Repurchase Mandate if such is approved by the Shareholders.

As at the Latest Practicable Date, no connected person (as defined in the GEM Listing Rules) of he Company has notified the Company that he has a present intention to sell any Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is approved by the Shareholders.

The Directors have no intention to exercise the Repurchase Mandate to an extent as may result in a public shareholding of less than such prescribed minimum percentage as required under the GEM Listing Rules.

7. HONG KONG CODE ON TAKEOVERS AND MERGERS

If, as the result of the repurchase of the Company's shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeover Code"). As a result, a shareholder, or a group of shareholders acting in concert, could, depending on the level of increase of shareholding interest, obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeover Code as a consequence of any repurchase pursuant to the Repurchase Mandate.

As at the Latest Practicable Date, the register of substantial shareholders required to be maintained under section 336 of the SFO showed that, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Substantial shareholders

Name	Number of shares	Percentage of the issued share capital of the Company	Percentage increase on full exercise Repurchase Mandate
Ms. Chan Choi Har, Ivy *(Note 1)*	110,657,870	18.24%	20.26%
XO-Holdings Limited *(Note 2)*	110,657,870	18.24%	20.26%
Wah Hing Consultants Limited *(Note 3)*	110,657,870	18.24%	20.26%
Ms. Heung See Wai, Angela *(Note 3)*	110,657,870	18.24%	20.26%
Ms. Rajewski Natalie, N. *(Note 4)*	84,099,330	13.86%	15.40%
Eastpoint Resources Limited *(Note 4)*	84,099,330	13.86%	15.40%
Well Arts Enterprises Limited *(Note 5)*	84,099,330	13.86%	15.40%
Ms. Wai Suk Chong, Helena *(Note 6)*	107,132,600	17.66%	19.61%
Profit Trick Holdings Limited *(Note 6)*	107,132,600	17.66%	19.61%
Mr. David Chiu *(Note 7)*	146,151,360	24.09%	26.76%
Rocket High Investments Limited *(Note 7)*	146,151,360	24.09%	26.76%

Notes:

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

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

3. Wah Hing Consultants Limited is a company incorporated in BVI beneficially owned as to 100% by Ms. Heung See Wai, Angela.

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

5. Well Arts Enterprises Limited holds the entire issued share capital of Eastpoint Resources Limited in its capacity as trustee of the Eastpoint Trust, a discretionary trust, the beneficiaries of which include certain family members of Ms. Rajewski, Natalie N. Well Arts Enterprises Limited is a company incorporated in BVI and the shareholders of which are independent third parties not connected with the Company, any of its subsidiaries, the directors, chief executives, substantial shareholders or management shareholders of the Company or any of its subsidiaries or their respective associates.

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

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

Save as disclosed above, the Company has not notified of any other interests representing 5% or more or any short positions in the issued share capital of the Company as at the Latest Practicable Date.

In the event that the Directors shall exercise in full the power to repurchase shares of the Company in accordance with the terms of the Resolution No. 4(2) to be proposed at the Annual General Meeting, the total interests of the above substantial shareholders would be increased to approximately the respective percentages shown in the last column above, which will not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeover Code. In fact, the Directors do not have the intention to exercise the power to repurchase shares of the Company to an extent which would make any of the substantial shareholders to be obliged to make a mandatory offer under Rule 26 of the Takeover Code in this respect.

7. CONNECTED PERSONS

No connected person (as defined in the GEM Listing Rules) has notified the Company that it has a present intention to sell any of the Company's shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

8. DIRECTORS

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, their associates have any present intention to sell any of the Company's shares to the Company or its subsidiaries if the Repurchase Mandate is exercised.

9. SHARE REPURCHASE MADE BY THE COMPANY

No purchase of Shares have been made by the Company in the previous six months immediately preceding the Latest Practicable Date, whether on the Stock Exchange or otherwise.

The details of the Directors proposed to be re-elected at the Annual General Meeting are set out below:

Chan Shun Kuen, Eric, aged 44, was appointed as an independent non-executive director of the Company on 28 September 2004. He is the chairman of the audit committee and remuneration committee of the Company. Mr. Chan is the Senior Vice President of investment banking of KGI Capital Asia Limited. He is also an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan did not hold any directorship in any other listed public companies in the last three years.

The Company does not have any service contract with Mr. Chan. His length of service with the Company is not fixed and without remuneration. Mr. Chan does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company. He does not have any share interest in the Company within the meaning of Part XV of the Securities and Futures Ordinance. The directors confirmed that there are no other matters that need to be brought to the attention of the shareholders of the Company. There is nothing which needs to be disclosed pursuant to rule 17.50(2)(h) to rule 17.50(2)(v) in respect of Mr. Chan's re-election. Mr. Chan confirmed that there is no other matters in connection with his re-election that need to be brought to the attention of the holders of securities of the Company.

Mr. Lam Wai Pong, aged 51, was appointed as an independent non-executive director of the Company on 12 August 2005. He is also a member of the audit committee and the remuneration committee of the Company. Mr. Lam is a director of several private limited companies which are engaged in the businesses of property investment, manufacturing and trading etc. He also undertakes community services and being members, director or chairman of the organizations, namely, Hong Kong Association of Tourism Technologies, Area Committee – Wan Chai mid-level, Hong Kong Institution of Engineers, The Jockey Club, The Hong Kong Society for the Blind and Lions Club of Happy Valley. In addition, Mr. Lam graduated from the University of London with a degree in Civil Engineering. He is a chartered civil engineer with extensive experience in civil engineering. Mr. Lam did not hold any directorship in any other listed public companies in the last three years.

The Company does not have any service contract with Mr. Lam. His length of service with the Company is not fixed and without remuneration. Mr. Lam does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company. He does not have any share interest in the Company within the meaning of the Part XV of the Securities and Futures Ordinance. There is nothing which needs to be disclosed pursuant to rule 17.50(2)(h) to rule 17.50(2)(v) in respect of Mr. Lam's re-election. Mr. Lam confirmed that there is no other matters in connection with his re-election that need to be brought to the attention of the holders of securities of the Company.