

**BLU SPA HOLDINGS LTD:
THE COMPANY ADMITS THAT IT IS BUST!**

As in the case of a racehorse, which has a broken leg, one which cannot be reset and, even if it could be reset, the leg would never heel properly, it is advisable to put down the poor animal in order to stop it from suffering any further.

So, it would appear to **TARGET** should Blu Spa Holdings Ltd (富麗花·譜控股有限公司) (Code: 8176, The Growth Enterprise Market [The GEM] of The Stock Exchange of Hongkong Ltd) be put out of its misery, once and for all.

The company is suffering horribly, and it would appear that there is no cure for what ails it: It is a dud; it, always, will be a dud; and, no amount of money will save it.

Management of this publicly listed company is, clearly, hopeless, as its history, over the past 6 Financial Years, has demonstrated.

Honour requires a quick and painless death for this silly company which, for the past 72 months, has recorded aggregate Losses Attributable To Shareholders of not less than \$HK109 million.

For the Financial Year, ended June 30, 2005, the Loss Attributable To Shareholders was about \$HK5.67 million on a Turnover of about \$HK1.56 million.

Shareholders' Funds, as at June 30, 2005, were the negative figure of about \$HK380,000, which compared with the positive figure, as at the 2004 Balance Sheet Date, of \$HK5.30 million.

Today, Blu Spa Holdings is unable to pay its debts as they fall due.

This is, normally, considered to be the accepted definition of insolvency.

The company has, in fact, stated this quite openly in its summary of the final results of the 2005 Financial Year.

Just last Thursday, Fenix Logistic Services Ltd, a storage and logistics service provider, sued Blu Spa (Hongkong) Ltd (富麗花·譜(香港)有限公司), a wholly owned subsidiary of Blu Spa Holdings, for \$HK271,922.07.

According to District Court Action Number 4690, Fenix Logistic Services agreed, on April 11, 2003, 'to provide storage and logistic services ("Services") to the Defendant' (Blu Spa (Hongkong) Ltd).

The Statement of Claim, attached to the Writ of Summons, goes on to allege that Fenix Logistic Services 'duly provided' services to Blu Spa (Hongkong) Ltd between August 2004 and August 2005, but Blu Spa (Hongkong) Ltd 'failed and/or refused to settle payment for the Services provided in a total sum of HK\$271,922.07 or any part thereof ...'.

At Page 11 of the summary of the financial results for the 2005-Year, Blu Spa Holdings stated:

'Due to operating difficulties, one of the subsidiaries, Blu Spa (Hong Kong) Limited ("BSHK"), has owed an amount of about HK\$233,000 to Fenix Logistic Services Limited ("FLS") for the storage and management of its inventory for the period since August 2004. Both parties have come to an agreement over the repayment of the outstanding amount in July 2005. However, the Group is suffering cash flow difficulty and has not yet paid any part of the outstanding amount according to the repayment schedule. If no settlement is reached in the near future, FLS is likely

to sue BSHK, and BSHK will then have to bear additional legal cost which FLS may incur in recovering its claim. The Group has attempted to seek additional loans from shareholders to meet the payment, it is not, however, expected that they will bear additional legal cost.'
(This is a verbatim transcript. **TARGET** has made no corrections to the original)

With regard to the last sentence in the above paragraph, copied from the summary of the 2005 financial results, at Page 13 of this same report, it is stated that loans from shareholders had swollen, during the 2005-Year, to about \$HK11,372,000, up from the recorded amount of about \$HK9,422,000, as stated in the 2004 Annual Report.

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