



**B.A.L.**

B.A.L. Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Third Quarterly Report

For the Nine Months ended 31 July 2004

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This report, for which the directors (the “Directors”) of B.A.L. Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **HIGHLIGHTS**

- Turnover for the nine months ended 31 July 2004 was approximately HK\$41.4 million (2003: HK\$8.7 million) representing an increase of approximately 374%, as compared with the corresponding period in 2003.
- A gross profit of HK\$41 million (or 99% gross profit margin) (2003: HK\$7.16 million (or 81.9% gross profit margin)), excluding the provision for slow-moving and obsolete inventories, was achieved.
- Profit for the nine months ended 31 July 2004 was approximately HK\$11.23 million (2003: loss HK\$6.36 million).
- The Board of Directors (the “Board”) does not recommend the payment of an interim dividend for the nine months ended 31 July 2004.

### THIRD QUARTER UNAUDITED RESULTS

The Board of Directors (the "Board") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and nine months ended 31 July 2004, together with the comparative unaudited figures for the corresponding periods in 2003 as follows:-

#### Consolidated profit and loss account

For the three months and nine months ended 31 July 2004

	Note	(Unaudited) For the three months ended 31 July		(Unaudited) For the nine months ended 31 July	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
TURNOVER	2	21,767	3,184	41,439	8,736
COST OF SALES		(39)	(368)	(380)	(1,581)
GROSS PROFIT		21,728	2,816	41,059	7,155
OTHER REVENUE		-	92	41	182
OTHER EXPENSES					
Selling and distribution costs		(13,196)	(2,898)	(22,769)	(7,525)
Administrative expenses		(3,153)	(1,411)	(6,477)	(5,404)
Other operating expenses		(99)	(19)	(99)	(188)
		<u>(16,448)</u>	<u>(4,328)</u>	<u>(29,345)</u>	<u>(13,117)</u>
PROFIT/(LOSS) FROM OPERATIONS		5,280	(1,420)	11,755	(5,780)
FINANCE COSTS		(120)	(58)	(375)	(576)
PROFIT/(LOSS) BEFORE TAXATION		5,160	(1,478)	11,380	(6,356)
TAXATION	3	-	-	-	-
PROFIT/(LOSS) AFTER TAXATION		5,160	(1,478)	11,380	(6,356)
MINORITY INTERESTS		(155)	-	(149)	-
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		<u>5,005</u>	<u>(1,478)</u>	<u>11,231</u>	<u>(6,356)</u>
EARNINGS/(LOSS) PER SHARE					
- BASIC	5(a)	0.20 cents	(0.06) cents	0.46 cents	(0.27) cents
EARNINGS/(LOSS) PER SHARE					
- DILUTED	5(b)	<u>0.20 cents</u>	<u>(0.06) cents</u>	<u>0.46 cents</u>	<u>(0.27) cents</u>

## Consolidated profit and loss account (By Operations)

For the three months ended 31 July 2004

	(Unaudited)					
	For the three months ended 31 July					
	Continuing Operations		Discontinuing Operations		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	21,138	2,360	629	824	21,767	3,184
COST OF SALES	(39)	(218)	-	(150)	(39)	(368)
GROSS PROFIT	21,099	2,142	629	674	21,728	2,816
OTHER REVENUE	-	92	-	-	-	92
OTHER EXPENSES						
Selling and distribution costs	(12,759)	(2,372)	(437)	(526)	(13,196)	(2,898)
Administrative expenses	(2,621)	(1,297)	(532)	(114)	(3,153)	(1,411)
Other operating expenses	(44)	(6)	(55)	(13)	(99)	(19)
	(15,424)	(3,675)	(1,024)	(653)	(16,448)	(4,328)
PROFIT/(LOSS) FROM OPERATIONS	5,675	(1,441)	(395)	21	5,280	(1,420)
FINANCE COSTS	(109)	(47)	(11)	(11)	(120)	(58)
PROFIT/(LOSS) BEFORE TAXATION	5,566	(1,488)	(406)	10	5,160	(1,478)
TAXATION	-	-	-	-	-	-
PROFIT/(LOSS) AFTER TAXATION	5,566	(1,488)	(406)	10	5,160	(1,478)

**Consolidated profit and loss account (By Operations)***For the nine months ended 31 July 2004*

	<b>(Unaudited)</b>					
	<b>For the nine months ended 31 July</b>					
	<b>Continuing Operations</b>		<b>Discontinuing Operations</b>		<b>Total</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	
TURNOVER	39,043	6,523	2,396	2,213	41,439	8,736
COST OF SALES	(162)	(1,204)	(218)	(377)	(380)	(1,581)
GROSS PROFIT	38,881	5,319	2,178	1,836	41,059	7,155
OTHER REVENUE	41	182	-	-	41	182
OTHER EXPENSES						
Selling and distribution costs	(21,383)	(5,992)	(1,386)	(1,533)	(22,769)	(7,525)
Administrative expenses	(5,746)	(5,052)	(731)	(352)	(6,477)	(5,404)
Other operating expenses	(44)	(168)	(55)	(20)	(99)	(188)
	(27,173)	(11,212)	(2,172)	(1,905)	(29,345)	(13,117)
PROFIT/(LOSS) FROM OPERATIONS	11,749	(5,711)	6	(69)	11,755	(5,780)
FINANCE COSTS	(354)	(510)	(21)	(66)	(375)	(576)
PROFIT/(LOSS) BEFORE TAXATION	11,395	(6,221)	(15)	(135)	11,380	(6,356)
TAXATION	-	-	-	-	-	-
PROFIT/(LOSS) AFTER TAXATION	11,395	(6,221)	(15)	(135)	11,380	(6,356)

Notes:

### 1. Basis of preparation

The principal accounting policies adopted in preparing the unaudited consolidated results conform with accounting principles generally accepted in Hong Kong and accounting standards issued by the Hong Kong Society of Accountants.

### 2. Turnover

Turnover represents the invoiced value of beauty products sold less discounts and sales returns and services income generated from the provision of beauty services during the period after the elimination of all material inter-company transactions within the Group.

<b>(Unaudited)</b>		<b>(Unaudited)</b>	
<b>For the three months</b>		<b>For the nine months</b>	
<b>ended 31 July</b>		<b>ended 31 July</b>	
<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>

#### (a) Turnover by business segment

Retails and wholesales of				
Beauty products	<b>1,149</b>	<b>388</b>	<b>1,952</b>	<b>2,893</b>
Beauty services	<b>20,618</b>	<b>2,796</b>	<b>39,487</b>	<b>5,843</b>
	<b><u>21,767</u></b>	<b><u>3,184</u></b>	<b><u>41,439</u></b>	<b><u>8,736</u></b>

#### (b) Turnover by geographical segment

Hong Kong	<b>21,138</b>	<b>2,361</b>	<b>39,043</b>	<b>6,524</b>
Macau	<b>629</b>	<b>823</b>	<b>2,396</b>	<b>2,212</b>
	<b><u>21,767</u></b>	<b><u>3,184</u></b>	<b><u>41,439</u></b>	<b><u>8,736</u></b>

### 3. Taxation

No Hong Kong profits tax was provided for as the Group had no assessable profits arising in Hong Kong (2003: Nil). Provision for taxation by a subsidiary operating in Macau has not been made as it had no assessable profits arising in Macau (2003: Nil).

In the current period, the Group adopted, for the first time, Statement of Standard Accounting Practice 12 (Revised) "Income Taxes" issued by the HKSA. During the current and prior periods, the Group recognised deferred tax assets to the extent of its deferred tax liabilities arising from any taxable temporary differences in the same period. Accordingly, there is no deferred taxation effect on the results of the Group.

### 4. Dividend

The directors do not recommend the payment of an interim dividend for the nine months ended 31 July 2004 (2003: HK\$Nil).

## 5. Earnings/(Loss) Per Share

### (a) *Basic*

The calculation of basic earnings per share for the three months and nine months ended 31 July 2004 is based on the profit attributable to shareholders of approximately HK\$5,005,000 and HK\$11,231,000 respectively (loss for the three months and nine months ended 31 July 2003: approximately HK\$1,478,000 and HK\$6,356,000 respectively) and on the weighted average number of 2,450,198,530 shares (three months and nine months ended 31 July 2003: weighted average number of 2,369,229,423 shares).

### (b) *Diluted*

The calculation of diluted earnings/(loss) per share for the three months and nine months ended 31 July 2004 is based on the profit attributable to shareholders of approximately HK\$5,005,000 and HK\$11,231,000 respectively (loss for the three months and nine months ended 31 July 2003: approximately HK\$1,478,000 and HK\$6,356,000 respectively) and on the weighted average number of 2,450,198,530 shares (2003: 2,369,229,423 shares) plus 12,250,000 (2003: 12,250,000) dilutive shares deemed to have been issued for no consideration under the Pre-IPO share Option Scheme based on the subscription price per share at 50 per cent of the offer price (i.e. HK\$0.044).

## 6. Issued capital

	(Unaudited)		(Audited)	
	As at 31 July 2004		As at 31 October 2003	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
<i>Authorised:</i>				
Ordinary shares of HK\$0.01	<u>4,000,000,000</u>	<u>40,000</u>	<u>4,000,000,000</u>	<u>40,000</u>
<i>Issue and fully paid (ordinary shares of HK\$0.01 each):</i>				
Beginning of the year	2,450,000,000	24,500	350,000,000	3,500
Rights issue	–	–	350,000,000	3,500
Bonus issue	–	–	1,750,000,000	17,500
Capitalisation issue	<u>36,231,884</u>	<u>362</u>	–	–
End of third quarter	<u>2,486,231,884</u>	<u>24,862</u>	<u>2,450,000,000</u>	<u>24,500</u>

The following changes in the share capital of the Company took place during the period:

On 27 July 2004, a Board Resolution was passed to issue an aggregate of 36,231,884 new shares at issue price of HK\$0.0414 per share to Renren Holdings Limited as full and final settlement of the HK\$1.5 million loan with Renren Finance and Credit Limited (capitalisation issue). The said shares will rank *pari passu* in all respects with the existing ordinary shares of the Company.



## 7. Reserves

### *The Group*

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1/11/2003	17,580	(83,034)	28,327	(37,127)
Premium on capitalisation issue	1,138	-	-	1,138
Profit for the period	-	11,231	-	11,231
	<u>18,718</u>	<u>(71,803)</u>	<u>28,327</u>	<u>(24,758)</u>
At 31/7/2004	<u>18,718</u>	<u>(71,803)</u>	<u>28,327</u>	<u>(24,758)</u>

## 8. Discontinuing operations

The Group's Macau outlet (operated by the Macau subsidiary) was closed on June 1, 2004 due to the sustained loss and murky market situations. The operating results of that subsidiary have been separately classified under the heading of "Discontinuing Operations" while the others are grouped as "Continuing Operations".

## 9. Share option schemes

- (a) On 24 September 2001, the shareholders of the Company approved a share option scheme ("the Scheme") under which its Board of Directors may, at its discretion, offer full-time or part time employees and executive, non-executive and independent non-executive directors of the Company and/or any of its subsidiaries, options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 30% of the issued share capital of the Company. The subscription price will be determined by the Company's Board of Directors and will be the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company's shares on the date of offer of the options, and (iii) the average of the quoted closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the options.

During the period, no option was granted by the Company under the Scheme.

- (b) On 24 September 2001, pursuant to the Pre-IPO Share Option Scheme, options to subscribe for 35,000,000 shares were granted to certain directors, employees, consultants and advisers of the Group. After the issuance of the rights issue and bonus issue approved at the extraordinary general meeting of the Company on 3 January 2003, the number of option shares was adjusted to 245,000,000. The adjusted exercise price of the share options is HK\$0.044.

All of these options have a duration of three years from the commencement of the trading of the shares on the GEM.

Except for options granted to International Capital Network Limited ("ICN") as part of the remuneration for its financial advisory service rendered to the Group, each option shall lapse if the relevant grantee ceases to be a director or an employee of the Group.

During the period, no options were exercised under the Pre-IPO Share Option Scheme.

- (c) During the period, 24,500,000 options granted to ICN were under dispute in relation to its validity. In addition, 191,100,000 options have lapsed in accordance with the terms of the Pre-IPO Share Option Scheme and the remaining balance of 29,400,000 options (the holders of which have given irrevocable undertakings not to exercise the options within 10 years from their respective date of grant) have been regarded as unexercisable as at 31 July 2004.

#### **10. Litigation to the Group**

As at the date hereof, the group has only one writ and one claim outstanding totalling HK\$0.03 million.

Apart from the above, the Group and the Company had no other material litigation or contingent liabilities as at 31 July 2004 and up to the date of the approval of the unaudited results of the Group for the nine months ended 31 July 2004.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business review**

For the nine months ended 31 July 2004, turnover of the Group amounted to approximately HK\$41.4 million, representing an increase of approximately 374% as compared with that of the corresponding period in 2003. Profit attributable to shareholders for the nine months ended 31 July 2004 was approximately HK\$11.23 million, representing an increase of approximately 277% from that of the corresponding period in 2003.

As the Group has already changed the business focus from the retail of beauty products to the provision of beauty service, the percentage of product sales over the total turnover will continue to decline subsequent to the closure of the of the Macau retail outlet in June 2004.

With the gradual recovery of the global economy and the more promising economic growth in Hong Kong, the Group is able to exercise its expansion plans. During the period under review, our beauty service centres in Causeway Bay, Mongkok and Shatin had expanded its floor areas by letting new shop units of total floor areas of 9,600 sq. ft. The Group is committed to maintaining a high quality of beauty services provided in Hong Kong and had further invested HK\$2.4 million on the acquisition of new beauty equipments.

### **Retail operations**

Although the operation size of the retail business has been greatly reduced as compared with last year, the Group has been maintaining a reasonable level of stock items at the beauty service centres for sale to our loyal customers.

During the period under review, retail operations accounted for approximately 4.7% of the Group's total turnover and the revenue generated was approximately HK\$1.95 million.

## **BEAUTY SERVICE OPERATIONS**

The Group's beauty service operations maintained its growth momentum during the period under review. Turnover from this segment amounted to approximately HK\$39.5 Million for the nine months ended 31 July 2004, representing an increase of 576% as compared with the corresponding period last year.

### **Financial review**

During the period under review, the Group's business growth was confirmed by a corresponding increase in both revenue and operating profit. The Group's turnover and gross profit amounted to approximately HK\$41.4 million and HK\$41 million respectively, representing an increase of approximately 374% and 474% from those of the same period of the previous year. Profit attributable to shareholders for the nine months ended 31 July 2004 was approximately HK\$11.23 million, representing an increase of approximately 277% from that of the corresponding period in 2003.

Comparing with the results in the second quarter, the Group's turnover for the third quarter increased by 73.5% to approximately HK\$21.7 million.

### **Future plans and prospects**

It is the Group's business objective to become a leading beauty service provider in Hong Kong both in terms of scale and scope. As such, the Board of Directors has been launching new plans to capture more customers by intensive advertising, acquisition of new beauty equipments, improved layout and designs of the beauty centres and the engagement of artists as the Groups' ambassador.

As at 31 July 2004, the Group has been operating four beauty service centres and four retail direct sales centre in Hong Kong. The Mongkok, Shatin and Causeway Bay centres had already expanded their floor areas by a total of 9,600 sq. ft.

Although the Group's retail outlet in Macau (operated by a Macau subsidiary) was closed down on 1 June 2004, the Board of Directors has not excluded the possibility of opening a new retail outlet again when business environment justifies.

### **Liquidity and financial resources**

The Group's financial position was greatly improved by the favorable business growth. Cash and bank balances as of 31 July 2004 amounted to approximately HK\$7.4 million (31 October 2003: HK\$1.2 million). As of 31 July 2004, the Group had an aggregate amount of outstanding bank loan of approximately HK\$2.2 million (31 October 2003: HK\$3.9 million).

Subsequent to the disposal of the two insolvent subsidiaries-Jet Legend Limited and Newide International Limited in May 2004, the Group has resumed to its positive net assets position.

Aggregate trade payables and other borrowings and liabilities as of 31 July 2004 amounted to approximately HK\$15.5 million (31 October 2003: HK\$16.2 million).

## **Interim dividend**

The Board does not recommend the payment of an interim dividend for the nine months ended 31 July 2004.

## **Employees**

As at 31 July 2004, the Group employs 137 employees in Hong Kong of which 24 employees are for head office. The Company's remuneration packages are generally structured with reference to market terms and individual merit.

## **Share option scheme**

On 24 September 2001, the shareholders of the Company approved a share option scheme ("the Scheme") under which its Board of Directors may, at its discretion, offer full-time or part time employees and executive, non-executive and independent non-executive directors of the Company and/or any of its subsidiaries, options to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 30% of the issued share capital of the Company. The subscription price will be determined by the Company's Board of Directors and will be the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company's shares on the date of offer of the options, and (iii) the average of the quoted closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the options. As at 31 July 2004, no option under the Scheme has been granted by the Company.

Details of the Scheme of the Company are set out in note 8 to the financial statements.

## **Valuation of share option**

The options granted are not recognized in the financial statements until they are exercised. The Directors consider that it is not appropriate to state the value of the share options granted during the period on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders of the Company.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS**

As at 31 July 2004, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 the Laws of Hong Kong ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the HKSE, were as follows:

**(a) Long positions in the shares of the Company**

<b>Name</b>	<b>Type of interest</b>	<b>No. of shares</b>	<b>Approximate percentage of interest</b>
Ms. Siu York Chee	Personal	200,000,000	8.16
Mr. Lai Tin Ying, Michael (alias Lai Siu Tin)	Personal	7,652,519	0.31

**(b) Long positions in underlying shares of equity derivatives of the Company**

The Directors had personal interests in share options granted by the Company during the period to subscribe for shares in the Company as follows:

<b>Name</b>	<b>Number of adjusted share options granted on 24 September 2001</b>	<b>Cancelled/ Lapsed</b>	<b>Outstanding at 31 July 2004</b>
Ms. Lai Tin Ying, Michael (alias Lai Siu Tin)	24,500,000	24,500,000	-
Mr. Liang Kwong Lim*	24,500,000	24,500,000	-
Ms. Li Ngar Kwan, Aldy*	24,500,000	24,500,000	-

\* Pursuant to the Share Option Scheme, the share options of Ms. Li Ngar Kwan, Aldy and Mr. LIANG Kwong Lim lapsed as a result of her/his resignation.

Mr. LAI Tin Ying, Michael and all the other grantees except International Capital Network Ltd ("ICN") subsequently agreed to waive and cancel unconditionally and irrevocably the above option in August 2002 given under the Pre-IPO share option scheme on 24 September 2001 before expiration.

**(c) Short positions in shares and underlying shares of equity derivatives of the Company**

Save as disclosed herein above, as at 31 July 2004, none of the Directors has short positions in shares or underlying shares of equity derivatives.

**PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS OF OTHER MEMBER OF THE GROUP**

So far as is known to any Director or chief executive of the Company, as at 31 July 2004, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

**(a) Long position in the shares of the Company**

Name	Type of interest	No. of shares	Approximate percentage of interest
Ms. Siu York Chee ( <i>Note 1</i> )	Personal	200,000,000	8.16
Ms. Lam Yin Ming, Amy ( <i>Note 2</i> )	Personal	323,674,834	13.21
Best Time Investments Ltd. ( <i>Note 3</i> )	Corporate	637,468,440	26.02
Mr. Lai Tin Ying, Michael ( <i>Note 4</i> )	Personal	7,652,519	0.31
Long River Investments Holdings Limited ( <i>Note 5</i> )	Corporate	238,494,005	9.73
Ever-Long Asset Management Ltd. ( <i>Note 5</i> )	Corporate	238,494,005	9.73
Ever-Long Holdings Limited ( <i>Note 5</i> )	Corporate	238,494,005	9.73
Styland Holdings Limited ( <i>Note 6</i> )	Corporate	238,494,005	9.73

*Notes:*

- 1) Ms. Siu York Chee was appointed as an executive Director on 16 June 2003 and then appointed as the chairperson of the Company on 17 September 2003.
- 2) Ms. Lam Yin Ming, Amy acquired these shares of the Company through the Rights Issue which was completed in January 2003. Presently Ms. Lam Yin Ming, Amy does not have management role nor board representation in the Group.
- 3) Best Time Investments Limited is a wholly-owned subsidiary of Wonderful World Holdings Limited, a company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange. Pursuant to Part XV of the SFO, Wonderful World Holdings Limited is taken to be interested in the shares held by Best Time Investments Limited in approximately 26.02% of the Company.

- 4) Mr. Lai Tin Ying, Michael is a non-executive Director of the Company.
- 5) Long River Investments Holdings Limited (formerly known as E-Teck Business Limited) disposed 34,703,773 shares of the Company on 18 November 2003. The remaining number of shares held is 238,494,005 shares representing 9.73% of share holding. The 238,494,005 shares are beneficially owned by and registered in the name of Long River Investments Holdings Limited. All the issued share capital of Long River Investments Holdings Limited is beneficially owned by Ever-Long Asset Management Limited, which is a wholly-owned subsidiary of Ever-Long Holdings Limited. Ever-Long Holdings Limited is a wholly-owned subsidiary of Styland Holding Limited which is a limited liability company incorporated in Bermuda whose shares are listed on the Main Board. Ever-Long Asset Management Limited, Ever-Long Holdings Limited and Styland Holdings Limited are all taken to be interested in the shares held by Long River Investments Holdings Limited pursuant to Part XV of the SFO.
- 6) Ever-Long Holdings Limited is a wholly owned subsidiary of Styland Holdings Limited. Pursuant to Part XV of the SFO, Styland Holdings Limited is taken to be interest in the shares held by Long River Investments Holdings Limited in aggregate of approximately 9.73% of the Company.

**(b) Short positions in the shares and underlying shares of equity derivatives of the Company**

So far as the directors are aware, save as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives.

**COMPLIANCE WITH RULE 5.34 TO 5.45 OF THE GEM LISTING RULES**

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures during the nine months ended 31 July 2004.

**AUDIT COMMITTEE**

The Company has formed an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Society of Accountants. The audit committee comprises two independent non-executive Directors, namely Mr. Ko Sin Ming and Mr. Hung Anckes Yau Keung who is also the Chairman of the audit committee of the board of Directors. The Group's unaudited results for the three months ended 31 July 2004 and nine months ended 31 July 2004 have been reviewed and duly approved by the audit committee of the Board.

**PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

None of the members of the Group purchased, sold or redeemed any of the Group's listed securities during the period from 1 November 2003 to 31 July 2004.

## COMPETING INTERESTS

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company has an interest in a business, which competes or may compete with the business of the Group.

## LIST OF DIRECTORS

Ms. Siu York Chee, Doreen	- Executive Director
Mr. Leung Kwok Kui	- Executive Director
Mr. Lai Tin Ying, Michael	- Non-executive Director
Mr. Hung Ankes Yau Keung	- Independent Non-Executive Director
Mr. Ko Sin Ming	- Independent Non-Executive Director

By order of the Board  
**B.A.L. Holdings Limited**  
**Siu York Chee**  
*Director*

Hong Kong, 13 September 2004