



B.A.L.

B.A.L. Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Interim Report

For the six months ended 30 April 2005

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

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

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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 six months ended 30 April 2005 was approximately 38.5 million (2004: HK\$19.7 million) representing an increase of approximately 96%, as compared with the corresponding period in 2004.
- A gross profit of HK\$38.4 million (or 99.7% gross profit margin) 2004: HK\$19.3 million (or 98% gross profit margin), excluding the provision for slow-moving and obsolete inventories, was achieved.
- Profit for the six months ended 30 April 2005 was approximately HK\$6.3 million (2004: HK\$6.2 million).
- As at 30 April 2005, B.A.L. Holdings Limited and its subsidiaries had cash and bank balance of approximately HK\$12.2 million (31 October 2004: HK\$4.63 million).
- The board of Directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 30 April 2005.

INTERIM RESULTS (UNAUDITED)

The Board is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 April 2005, together with the comparative unaudited figures for the corresponding period in 2004 as follows:

Consolidated profit and loss account

	Note	(Unaudited)		(Unaudited)	
		For the three months ended 30 April		For the six months ended 30 April	
		2005	2004	2005	2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	2	21,277	12,549	38,476	19,672
COST OF SALES		(54)	(19)	(116)	(341)
GROSS PROFIT		21,223	12,530	38,360	19,331
OTHER REVENUE	2	128	4	144	41
OTHER EXPENSES					
Selling and distribution costs		(11,646)	(6,084)	(24,924)	(9,573)
Administrative expenses		(3,119)	(1,930)	(6,354)	(3,324)
Other operating expenses		-	-	-	-
		(14,765)	(8,014)	(31,278)	(12,897)
PROFIT FROM OPERATIONS	3	6,586	4,520	7,226	6,475
FINANCE COSTS		(64)	(123)	(127)	(255)
PROFIT BEFORE TAXATION		6,522	4,397	7,099	6,220
TAXATION	4	(566)	-	(650)	-
PROFIT AFTER TAXATION		5,956	4,397	6,449	6,220
MINORITY INTERESTS		(106)	6	(107)	6
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>5,850</u>	<u>4,403</u>	<u>6,342</u>	<u>6,226</u>
EARNINGS PER SHARE					
— BASIC	6	0.20 cents	0.18 cents	0.21 cents	0.25 cents
EARNINGS PER SHARE					
— DILUTED	6	<u>0.20 cents</u>	<u>0.18 cents</u>	<u>0.21 cents</u>	<u>0.25 cents</u>

Consolidated balance sheet

		(Unaudited)	(Audited)
		As at	As at
	Note	30 April	31 October
		2005	2004
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Fixed assets	7	9,633	8,075
Current assets			
Investment in securities		–	1,386
Prepayments, deposits and other receivables		6,966	3,454
Inventories		363	356
Trade receivables	8	11,927	5,477
Cash and bank balances		12,208	4,631
		31,464	15,304
LIABILITIES			
Current liabilities			
Due to a director		–	1,000
Due to related companies		2,177	1,126
Current portion of bank loans		–	1,416
Current portion of obligation under hire purchase contracts		116	1,689
Trade payables	9	417	417
Other payables and accruals		13,061	11,896
Taxation payable		1,378	728
		(17,149)	(18,272)
Net current liabilities		14,315	(2,968)
Total assets less current liabilities		23,948	5,107
Non-current liabilities			
Bank loans		–	466
Obligation under hire purchase contracts		–	559
Deferred tax liabilities		211	211
		(211)	(1,236)
Net assets		23,737	3,871
Minority Interests		(126)	(19)
		23,611	3,852
CAPITAL AND RESERVES			
Issued capital	10	31,259	24,962
Reserves	11	(7,648)	(21,110)
		23,611	3,852

Consolidated profit and loss account (By Operations)*For the three months ended 31 April 2005*

	(Unaudited)					
	For the three months ended 31 January					
	Continuing Operations		Discontinuing Operations		Total	
	2005	2004	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	21,277	11,510	-	1,039	21,277	12,549
COST OF SALES	(54)	-	-	(19)	(54)	(19)
GROSS PROFIT	21,223	11,510	-	1,020	21,223	12,530
OTHER REVENUE	39	4	89	-	128	4
OTHER EXPENSES						
Selling and distribution costs	(11,646)	(5,690)	-	(394)	(11,646)	(6,084)
Administrative expenses	(3,108)	(1,816)	(11)	(114)	(3,119)	(1,930)
Other operating expenses	-	-	-	-	-	-
	(14,754)	(7,506)	(11)	(508)	(14,765)	(8,014)
PROFIT FROM OPERATIONS	6,508	4,008	78	512	6,586	4,520
FINANCE COSTS	(64)	(118)	-	(5)	(64)	(123)
PROFIT BEFORE TAXATION	6,444	3,890	78	507	6,522	4,397
TAXATION	(566)	-	-	-	(566)	-
PROFIT BEFORE MINORITY INTERESTS	5,878	3,890	78	507	5,956	4,397
MINORITY INTERESTS	(106)	6	-	-	(106)	6
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	5,772	3,896	78	507	5,850	4,403

Consolidated profit and loss account (By Operations)

For the six months ended 31 April 2005

	(Unaudited)					
	For the three months ended 31 January					
	Continuing Operations		Discontinuing Operations		Total	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	38,476	17,905	-	1,767	38,476	19,672
COST OF SALES	(116)	(96)	-	(245)	(116)	(341)
GROSS PROFIT	38,360	17,809	-	1,522	38,360	19,331
OTHER REVENUE	55	41	89	-	144	41
OTHER EXPENSES						
Selling and distribution costs	(24,924)	(8,652)	-	(921)	(24,924)	(9,573)
Administrative expenses	(6,343)	(3,125)	(11)	(199)	(6,354)	(3,324)
Other operating expenses	-	-	-	-	-	-
	(31,267)	(11,777)	(11)	(1,120)	(31,278)	(12,897)
PROFIT FROM OPERATIONS	7,148	6,073	78	402	7,226	6,475
FINANCE COSTS	(127)	(244)	-	(11)	(127)	(255)
PROFIT BEFORE TAXATION	7,021	5,829	78	391	7,099	6,220
TAXATION	(650)	-	-	-	(650)	-
PROFIT BEFORE MINORITY INTERESTS	6,371	5,829	78	391	6,449	6,220
MINORITY INTERESTS	(107)	6	-	-	(107)	6
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	6,264	5,835	78	391	6,342	6,226

Condensed consolidated cash flow statement

	(Unaudited)	
	For the six months	
	ended 30 April	
	2005	2004
	HK\$'000	HK\$'000
Net cash from/(used) in operating activities	15,898	3,350
Net cash from/(utilized in) investing activities	(3,307)	(1,498)
Net cash from/ (used) before financing activities	12,591	1,852
Net cash from/(utilized in) financing activities	(5,014)	(647)
Net increase/(decrease) in cash and cash equivalent	7,577	1,205
Cash and cash equivalents at beginning of period	4,631	1,175
Cash and Cash equivalents at the end of period	<u>12,208</u>	<u>2,380</u>

Condensed consolidated statement of changes in equity

	(Unaudited)	
	For the six months	
	ended 30 April	
	2005	2004
	HK\$'000	HK\$'000
At beginning of the period	3,852	(12,627)
Profit/(Loss) for the period	6,342	6,226
Issuance of shares, net of issuing expenses	13,417	-
At end of the period	<u>23,611</u>	<u>(6,401)</u>

Notes to the condensed interim accounts

1. Basis of preparation

The condensed interim financial statements are unaudited but have been reviewed by the Audit Committee.

The condensed interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the HKICPA and the disclosure requirements set out in Chapter 18 of The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The accounting policies adopted in the condensed interim financial statements are consistent with those followed in the 2004 annual accounts. The condensed interim financial statements should be read in conjunction with the 2004 annual accounts.

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.

(a)

	For the three months ended 30 April		For the six months ended 30 April	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Turnover				
Retails and wholesales of beauty products	122	403	281	803
Beauty services	<u>21,155</u>	<u>12,146</u>	<u>38,195</u>	<u>18,869</u>
	21,277	12,549	38,476	19,672
Other revenue				
Other	<u>128</u>	<u>4</u>	<u>144</u>	<u>41</u>
Total revenue	<u><u>21,405</u></u>	<u><u>12,553</u></u>	<u><u>38,620</u></u>	<u><u>19,713</u></u>

(b) *Primary reporting format — business segments*

	(Unaudited)		
	For the six months ended		
	30 April 2005		
	Retail and wholesales of beauty products <i>HK\$'000</i>	Beauty services <i>HK\$'000</i>	Total <i>HK\$'000</i>
TURNOVER			
Sales to external customers	<u>281</u>	<u>38,195</u>	<u>38,476</u>
PROFIT FROM OPERATION			
Segment results	<u>40</u>	<u>10,391</u>	10,431
Unallocated income			144
Unallocated expenses			(3,349)
Finance costs			<u>(127)</u>
Profit before taxation			7,099
Taxation			<u>(650)</u>
Profit after taxation			<u>6,449</u>

	(Unaudited)		
	For the six months ended		
	30 April 2004		
	Retail and wholesales of beauty products <i>HK\$'000</i>	Beauty services <i>HK\$'000</i>	Total <i>HK\$'000</i>
TURNOVER			
Sales to external customers	<u>803</u>	<u>18,869</u>	<u>19,672</u>
PROFIT FROM OPERATION			
Segment results	<u>112</u>	<u>8,586</u>	8,698
Unallocated income			41
Unallocated expenses			(2,264)
Interest income			-
Finance costs			<u>(255)</u>
Profit before taxation			6,220
Taxation			<u>-</u>
Profit after taxation			<u>6,220</u>

(c) *Secondary reporting format-geographical segment*

	(Unaudited)			
	For the six months ended 30 April			
	2005		2004	
	Segment Turnover <i>HK\$'000</i>	Contribution to operating profit <i>HK\$'000</i>	Segment Turnover <i>HK\$'000</i>	Contribution to operating profit <i>HK\$'000</i>
Hong Kong	38,476	7,148	17,905	6,073
Macau	–	78	1,767	402
	<u>38,476</u>	<u>7,226</u>	<u>19,672</u>	<u>6,475</u>

3. Profit before taxation

Profit before taxation is stated after crediting and charging the following:

	For the three months ended 30 April		For the six months ended 30 April	
	2005	2004	2005	2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting:				
Other income	128	4	144	41
Charging:				
Cost of inventories sold excluding provision for slowing-moving inventory for the period)	54	19	116	341
Auditors' remuneration Current period	64	–	117	70
Over provision in the previous year	–	–	–	–
Depreciation Owned assets	699	295	1,288	577
Asset held under hire purchase contracts	245	114	461	228
Operating lease rentals in respect of land and buildings	1,241	539	2,308	987
Exchange Loss	5	2.1	5	5
Interest expenses on borrowings	64	93	127	193
Hire Charge	1	3	1	8
	<u>1</u>	<u>3</u>	<u>1</u>	<u>8</u>

4. Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

5. Interim dividend

The directors do not recommend the payment of an interim dividend for the period (2004: HK\$Nil).

6. Earnings Per Share

(a) Basic

The calculation of basic earnings per share for the three months and six months ended 30 April 2005 is based on the profit attributable to shareholders of approximately HK\$5,850,000 and HK\$6,342,000 respectively (profit for the three months and six months ended 30 April 2004: approximately HK\$4,403,000 and HK\$6,226,000 respectively) and the weighted average number of 2,955,092,090 ordinary shares in issue during the period (three months and six months ended 30 April 2004: 2,450,000,000 shares in issue).

(b) Diluted

The calculation of diluted earnings per share for the three months and six months ended 30 April 2005 is based on the profit attributable to shareholders of approximately HK\$5,850,000 and HK\$6,342,000 respectively (profit for the three months and six months ended 30 April 2004: approximately HK\$4,403,000 and HK\$6,226,000 respectively) and the weighted average number of 2,955,092,090 ordinary shares in issue during the period plus the weighted average number of 1,936,832 (2004: 12,250,000) ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options outstanding during the period.

7. **Fixed assets**

	As at 30 April 2005 (Unaudited) HK\$'000	As at 31 October 2004 (Audited) HK\$'000
At beginning of the period	8,075	4,462
Additions	3,307	6,758
Disposals	–	(827)
Depreciation charge	(1,749)	(2,318)
	<u>9,633</u>	<u>8,075</u>

8. **Trade Receivables**

Majority of the Group's turnover are cash or credit card sales. The entire balance of trade receivables of the Group was aged within three months as at 30 April 2005 and 31 October 2004.

9. **Trade Payables**

	As at 30 April 2005 (Unaudited) HK\$'000	As at 31 October 2004 (Audited) HK\$'000
Within three months	–	–
Over three months but within six months	–	–
Over six months	417	417
	<u>417</u>	<u>417</u>

10. **Issued capital**

	2005		2004	
	No. of shares	HK\$'000	No. of shares	HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each	<u>8,000,000,000</u>	<u>80,000</u>	<u>4,000,000,000</u>	<u>40,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.01 each	<u>3,125,931,900</u>	<u>31,259</u>	<u>2,450,000,000</u>	<u>24,500</u>

At the Annual General Meeting held on 29 April 2005, it was resolved that:-

- (1) "the authorized share capital of the Company be increased from HK\$40,000,000.00 to HK\$80,000,000.00 by the creation of 4,000,000,000 new shares of HK\$0.01 each ranking pari passu in all respects with the existing shares of the Company."
- (2) "with effect from 3 May 2005, every ten (10) ordinary of HK\$0.01 each in the issued and unissued share capital of the Company be consolidated into one (1) share of HK\$0.10 ("the Consolidated Share") and the Consolidated Shares resulting from such share consolidation will rank pari passu in all respects with each other."

11. 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 1.11.2002				
- as previously reported	19,409	(96,843)	28,327	(49,107)
- prior year adjustment on adoption of SSAP 12 (Revised)	-	125	-	125
	<hr/>	<hr/>	<hr/>	<hr/>
- as restated	19,409	(96,718)	28,327	(48,982)
Premium on issue of rights shares	17,500	-	-	17,500
Share issue expenses	(1,829)	-	-	(1,829)
Capitalisation of share premium	(17,500)	-	-	(17,500)
Profit for the year as restated	-	14,504	-	14,504
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.10.2003	<u>17,580</u>	<u>(82,214)</u>	<u>28,327</u>	<u>(36,307)</u>
At 1.11.2003				
- as previously reported	17,580	(83,034)	28,327	(37,127)
- prior year adjustment on adoption of SSAP 12 (Revised)	-	820	-	820
	<hr/>	<hr/>	<hr/>	<hr/>
- as restated	17,580	(82,214)	28,327	(36,307)
Allotment of shares	1,138	-	-	1,138
Exercise of share option	98	-	-	98
Profit for the year	-	13,961	-	13,961
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.10.2004	<u>18,816</u>	<u>(68,253)</u>	<u>28,327</u>	<u>(21,110)</u>
Exercise of share option	7,120	-	-	7,120
Profit for the period	-	6,342	-	6,342
	<hr/>	<hr/>	<hr/>	<hr/>
At 30.4.2005	<u>25,936</u>	<u>(61,911)</u>	<u>28,327</u>	<u>(7,648)</u>

12. Share option schemes

- (a) On 24th 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, 192,040,000 shares option were granted by the Company under the Scheme and 31,239,984 shares option remain outstanding.

Type of Grantee	Date of grant	Exercise Price per share HK\$	No. of Options granted	Exercise/ Lapsed during the period	Outstanding no. of Options as at 30/4/2005	Exercisable Period
Employees	10/8/2004	0.0250	10,680,000	(1,100,000)	9,580,000	18/2/2005 - 28/2/2006
Employees	08/09/2004	0.0206	73,980,000	(73,980,000)	-	10/9/2004 - 9/3/2006
Directors	08/09/2004	0.0206	49,720,000	(49,720,000)	-	10/9/2004 - 9/3/2006
Employees	12/10/2004	0.0198	24,860,000	(24,860,000)	-	15/10/2004 - 14/4/2006
Employees	14/1/2005	0.0186	28,280,000	(11,140,016)	17,139,984	14/1/2005 - 16/6/2005
Directors	14/1/2005	0.0186	2,280,000	-	2,280,000	20/1/2005 - 19/6/2006
Employees	15/2/2005	0.0194	<u>2,240,000</u>	-	2,240,000	18/8/2005 - 7/9/2006
Total :			192,040,000	(160,800,016)	31,239,984	

- (b) On 24th 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 3rd 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.

During the year, no options were exercised under the Pre-IPO Share Option Scheme and all these options have lapsed upon the expiry of the exercise period of a duration of three years from the commencement of the trading of the shares on the GEM.

13. Contingent liabilities

As at 30 April 2005, the Company has given a corporate guarantee to a third party for securing a tenancy agreement of a subsidiary Company.

Apart from the above, the Group and the Company had no other material contingent liabilities as at 30 April 2005 and up to the date of approval of the unaudited results of the Group for the six months ended 30 April 2005.

14. Commitments

As at 30 April 2005, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 April 2005 (Unaudited) HK\$'000	As at 31 October 2004 (Audited) HK\$'000
Within one year	7,488	3,671
In the second to fifth years inclusive	<u>4,358</u>	<u>3,028</u>
	<u>11,846</u>	<u>6,699</u>

At 30 April 2005, the Group's total future minimum lease receipts under non-cancellable operating leases were receivable as follows:

	As at 30 April 2005 (Unaudited) HK\$'000	As at 31 October 2004 (Audited) HK\$'000
Within one year	126	216
In the second to fifth year, inclusive	<u>-</u>	<u>18</u>
	<u>126</u>	<u>234</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business review

For the six months ended 30 April 2005, turnover of the Group amounted to approximately HK\$38.5 million, representing an increase of approximately 96% as compared with that of the corresponding period in 2004. Profit attributable to shareholders for the six months ended 30 April 2005 was approximately HK\$6.3 million, representing an increase of approximately 1.9% from that of the corresponding period in 2004.

Retail operations

In retail operations, the Group is engaged in the sale of various branded beauty products.

Towards the end of 2003, the growth of products sales is far behind from that of the beauty services provided. It is the intention of the management that emphasis will be placed on the development of the beauty service sector which will provide a better profit margin. Whether a retail outlet will be maintained will depend largely on the return of capital employed.

During the period under review, retail operations accounted for approximately 1% of the Group's total turnover. Turnover from these operations was HK\$281,000 for the same period, representing a decrease of approximately 65% from that of last year.

BEAUTY SERVICES OPERATIONS

The Group's beauty services operations maintained its growth momentum during the period under review. Turnover from this segment amounted to approximately HK\$38.5 million for the six months ended 30 April 2005, representing an increase of approximately 102% comparing with the same period of last year.

Financial review

The Group is principally engaged in the sale and distribution of beauty and personal care products and in the provision of beauty services. During the period under review, the Group's turnover and gross profit amounted to approximately HK\$38.5 million and HK\$38.4 million respectively, representing an increase of approximately 96% and 98.4% from those of the same period of the previous year.

Comparing with the results in the first quarter, the Group's turnover for the second quarter increased by 23.7% to approximately HK\$21.3 million.

Future plans and prospects

Following the economic recovery in Hong Kong, the Group is able to maintain its growth momentum in 2005.

In March 2005, a new beauty service outlet (with floor areas of about 7,000 sq.ft.) was opened in Tsuen Wan and has been contributing significant return to the Group's turnover. As from May 2005, our Mongkok, Tsimshatsui outlets are carrying out an expansion program whereby the total floor areas will be increased by approximately 20% so as to cope with the increasing demand for the beauty service. The Group is still looking for suitable locations for the expansion of other outlets when conditions justify.

Currently, the Group is under negotiations with some potential partners in China to open beauty service centers there. It is expected that this will be the initial step for the Group's geographical expansion.

As at 30 April 2005, the Group has been operating five beauty services centers, five retail direct sales centers and one warehouse in Hong Kong.

The Directors would like to express their appreciation for the continuing support of the shareholders and the invaluable contributions made by management and staff.

Liquidity and financial resources

The Group's Cash and bank balances as of 30 April 2005 amounted to approximately HK\$12.2 million (31 October 2004: HK\$4.63 million). As of 30 April 2005, the Group had repaid all bank loans (31 October 2004: HK\$1.9 million outstanding). The Aggregate trade payables and other borrowings and liabilities as of 30 April 2005 amounted to approximately HK\$17.4 million (31 October 2004: HK\$17.6 million).

Hedging

Since most of the transactions of the Group are denominated in Hong Kong dollars, no hedging or other arrangements to reduce the currency risk have been implemented.

Gearing ratio

As at 30 April 2005, the Group's gearing ratio, expressed as a percentage of total borrowings, (Comprising amounts due to related companies, hire purchase contracts) over total assets, was approximately 6%.

Future plans for material investments or capital assets

As at 30 April 2005, the Group had future plans for investments in China.

Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 April 2005.

Contingent liabilities

Details of the contingent liabilities are set out in note 13.

Employees

As at 30 April 2005, the Group employed approximately 190 employees in Hong Kong of which 36 employees for head office, 154 employees for beauty services centers in Hong Kong. The Company's remuneration packages are generally structured with reference to market terms and individual merit.

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 30th April, 2005, 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

Name	Type of interest	No. of shares	Approximate percentage of interest
Leung Kwok Kui	Personal	24,860,000	0.80
Ms. Siu York Chee	Personal	224,860,000	7.19
Mr. Lai Tin Ying, Michael (alias Lai Siu Tin)	Personal	7,652,519	0.24

(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:

Name	Number of share options granted	Cancelled/ Lapsed	Outstanding at 31st January, 2005
Ms. Siu York Chee	1,140,000	-	1,140,000
Mr. Leung Kwok Kui	1,140,000	-	1,140,000
Mr. Lai Tin Ying, Michael* (alias Lai Siu Tin)	24,500,000	24,500,000	-

* Mr. LAI Tin Ying, Michael 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 30th April, 2005, 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 30th April, 2005, 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	Number of Shares	Percentage of Issued Share Capital
Ms. Siu York Chee (<i>Note 1</i>)	224,860,000	7.19
Ms. Lam Yin Ming, Amy (<i>Note 2</i>)	268,994,834	8.61
Mr. Lai Tin Ying, Michael (<i>Note 3</i>)	7,652,519	0.24
Mr. Lam Ying Ming (<i>Note 4</i>)	211,840,000	6.78
Everproven Limited (<i>Note 5</i>)	480,000,000	15.36

Notes:

- 1) Ms. SIU is the Chairperson and executive director of the Company.
- 2) Ms. Lam Yin Ming, Amy acquired these shares of the Company (the "Shares") through the rights issue and the bonus issue which were completed in January 2003 and February 2003 respectively. Presently Ms. Lam Yin Ming, Amy does not have management role nor board representation in the Group.
- 3) Mr. Lai Tin Ying, Michael is a non-executive Director of the Company.
- 4) Mr. Lam Ying Ming acquired these shares of the Company through the market. Presently, Mr. Lam Ying Ming does not have management role nor board representation in the Group.
- 5) Everproven Limited, a substantial shareholder of the Company, is beneficially owned by Mr. Chan Boon Ho.

(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.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has formed an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The audit committee (the "Committee") comprises three independent non-executive Directors, namely Mr. Hung Anckes Yau Keung, Mr. Ko Sin Ming and Dr. Siu Yim Kwan, Sidney. Mr. Hung Anckes Yau Keung is also the chairperson of the audit committee of the board of Directors. The primary duties of the Committee are to review the Company's annual report and accounts, half-year report, quarterly reports and monthly reports and to provide advice and comments thereon to the board of Directors. The Committee is also responsible for reviewing and monitoring the Company's internal control procedures. The Committee has reviewed the draft of this report and has provided advice and comments thereon.

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 2004 to 30 April 2005.

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 Anckes Yau Keung	-	Independent Non-Executive Director
Mr. Ko Sin Ming	-	Independent Non-Executive Director
Dr. Siu Yim Kwan, Sidney	-	Independent Non-Executive Director

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

Hong Kong, 14 June 2005