



Interim Report

For the six months ended 30 April 2006

B.A.L.
B.A.L. Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8079)

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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The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock 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.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2006 was approximately 65.8 million (2005: HK\$38.5 million) representing an increase of approximately 71%, as compared with the corresponding period in 2005.
- A gross profit of HK\$65.1 million (or 99% gross profit margin) 2005: HK\$38.4 million (or 99.7% gross profit margin), excluding the provision for slow-moving and obsolete inventories, was achieved.
- Profit for the six months ended 30 April 2006 was approximately HK\$11.9 million (2005: HK\$6.3 million).
- As at 30 April 2006, B.A.L. Holdings Limited and its subsidiaries had cash and bank balance of approximately HK\$9.3 million (31 October 2005: HK\$22.5 million).
- The board of Directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 April 2006.

INTERIM RESULTS (UNAUDITED)

The Board is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 April 2006, together with the comparative unaudited figures for the corresponding period in 2005 as follows:

Condensed consolidated income statement (unaudited)

	Note	For the three months ended 30 April		For the six months ended 30 April	
		2006 HK\$'000	2005 HK\$'000 (restated)	2006 HK\$'000	2005 HK\$'000 (restated)
Turnover	3	37,350	21,277	65,822	38,476
Cost of sales		(476)	(54)	(691)	(116)
Gross profit		36,874	21,223	65,131	38,360
Other revenue	3	1,800	128	2,443	144
Selling and distribution costs		(22,246)	(11,646)	(42,751)	(24,924)
Administrative expenses		(5,581)	(3,119)	(11,983)	(6,354)
Other operating expenses		-	-	-	-
		(27,827)	(14,765)	(54,734)	(31,278)
Profit from operations	4	10,847	6,586	12,840	7,226
Finance costs		(311)	(64)	(313)	(127)
Profit before income tax		10,536	6,522	12,527	7,099
Income tax expense	5	(845)	(566)	(1,579)	(650)
Profit for the period		9,691	5,956	10,948	6,449
Attributable to:					
Equity holders of the Company		9,993	5,850	11,882	6,342
Minority interests		(302)	106	(934)	107
Profit for the period		9,691	5,956	10,948	6,449
Earnings per share					
- Basic	7	2.4 cents	2.0 cents	2.8 cents	2.1 cents
Earnings per share					
- Diluted	7	2.4 cents	2.0 cents	2.8 cents	2.1 cents

Condensed consolidated balance sheet

		(Unaudited) As at 30 April 2006 HK\$'000	(Audited) As at 31 October 2005 HK\$'000 (restated)
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	9	20,133	21,268
Held-to-maturity investment, listed	8	3,945	3,945
Rental deposits		3,850	3,078
		<u>27,928</u>	<u>28,291</u>
Current assets			
Investment in securities		1,850	702
Prepayments, deposits and other receivables		19,020	11,594
Inventories		1,171	772
Trade receivables	10	20,451	7,464
Cash, bank balances and time deposits		9,251	22,516
		<u>51,743</u>	<u>43,048</u>
Current liabilities			
Temporary bank overdraft		–	6
Due to related companies		–	40
Current portion of obligation under hire purchase contracts		289	280
Trade payables	11	417	417
Other payables, receipts in advance and accruals		15,505	18,458
Taxation payable		3,975	3,806
		<u>20,186</u>	<u>23,007</u>
Net current liabilities		<u>31,557</u>	<u>20,041</u>
Total assets less current liabilities		<u>59,485</u>	<u>48,332</u>
Non-current liabilities			
Loan from minority shareholders		780	780
Obligation under hire purchase contracts		51	197
Deferred tax liabilities		829	829
		<u>(1,660)</u>	<u>(1,806)</u>
Net assets		<u>57,825</u>	<u>46,526</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	12	41,955	41,946
Reserves		16,071	3,846
		<u>58,026</u>	<u>45,792</u>
Minority interests		<u>(201)</u>	<u>734</u>
Total Equity		<u>57,825</u>	<u>46,526</u>

Condensed consolidated statement of changes in equity (unaudited)
For the six months ended 30 April 2006

	Share capital	Share premium	Accumulated losses	Capital reserves	Employee share-based compensation reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1.11.2003	24,500	17,580	(82,214)	28,327	-	(11,807)
Allotment of shares	362	1,138	-	-	-	1,500
Exercise of share options	100	98	-	-	-	198
Profit for the year	-	-	13,961	-	-	13,961
	<u>24,962</u>	<u>18,816</u>	<u>(68,253)</u>	<u>28,327</u>	<u>-</u>	<u>3,852</u>
At 31.10.2004	24,962	18,816	(68,253)	28,327	-	3,852
Allotment of shares	4,800	5,568	-	-	-	10,368
Exercise of share options	1,497	1,552	-	-	-	3,049
Profit for the period	-	-	6,342	-	-	6,342
	<u>31,259</u>	<u>25,936</u>	<u>(61,911)</u>	<u>28,327</u>	<u>-</u>	<u>23,611</u>
			(restated)		(restated)	
At 1.11.2004	24,962	18,816	(68,253)	28,327	-	3,852
Allotment of shares	15,220	5,568	-	-	-	20,788
Exercise of share options	1,764	1,769	-	-	-	3,533
Share-based expenses	-	-	-	-	589	589
Profit for the year	-	-	17,030	-	-	17,030
	<u>41,946</u>	<u>26,153</u>	<u>(51,223)</u>	<u>28,327</u>	<u>589</u>	<u>45,792</u>
At 31.10.2005	41,946	26,153	(51,223)	28,327	589	45,792
Exercise of share options	9	6	-	-	-	15
Share-based expenses	-	-	-	-	337	337
Profit for the period	-	-	11,882	-	-	11,882
	<u>41,955</u>	<u>26,159</u>	<u>(39,341)</u>	<u>28,327</u>	<u>926</u>	<u>58,026</u>
At 30.4.2006	<u>41,955</u>	<u>26,159</u>	<u>(39,341)</u>	<u>28,327</u>	<u>926</u>	<u>58,026</u>

Condensed consolidated cash flow statement

	(Unaudited)	
	For the six months	
	ended 30 April	
	2006	2005
	HK\$'000	HK\$'000
Net cash from/(used in) operating activities	(9,279)	15,898
Net cash from/(utilized in) investing activities	(3,864)	(3,307)
Net cash from/ (used) before financing activities	(13,143)	12,591
Net cash from/(utilized in) financing activities	(122)	(5,014)
Net increase/(decrease) in cash and cash equivalent	(13,265)	7,577
Cash and cash equivalents at beginning of period	22,516	4,631
Cash and Cash equivalents at the end of period	9,251	12,208

Notes to the condensed consolidated interim accounts

1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements as set out in Chapter 18 of the GEM Listing Rules. The interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended 31 October 2005.

2. Principal accounting policies

The accounting policies and basis of presentation used in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 October 2005, except that in the Review Period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”). HKASs and Interpretations (hereinafter collectively referred to as “New HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the New HKFRSs has resulted in changes in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the New HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

(i) Adoption of HKAS 1

In prior years, minority interests were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Financial results shared by minority interests were separately presented in the consolidated income statement as a deduction before arriving at the profit attributable to shareholders.

In order to comply with HKAS 1 “Presentation of Financial Statements” and HKAS 27 “Consolidated and Separate Financial Statements”, minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the ordinary shareholders of the Company, and the results shared by minority interests are presented on the face of the consolidated income statement as an allocation of the attributable profit between the minority interests and the equity holders of the Company.

(ii) Adoption of HKFRS 2

The adoption of HKFRS 2 – Share-based Payments requires all share options granted to employees or other parties to be recognized in the financial statements. The fair value of the share options at acceptance date will be amortized over the relevant vesting periods to the consolidated income statement. HKFRS 2 has been applied retrospectively for share options granted to employees after 7 November 2002 and not vested at 1 November 2005. Following the adoption of this accounting policy, the amount of employee share-based expenses of approximately HK\$Nil, and approximately HK\$337,000 were charged to the consolidated income statements for the quarter ended 31 January 2005 and 31 January 2006 respectively. There were no charges of this nature for the quarter ended 30 April 2005 and 2006. The adoption of HKFRS 2 has resulted in an increase in the balance of accumulated losses at 1 November 2005 of approximately HK\$0.6 million (1 November 2004: Nil), with a corresponding adjustment to the share-based compensation reserve, representing the cumulated effect of the change in policy on the results for the periods prior to 31 October 2005.

The Group has not early adopted the new accounting standards and interpretations that have been issued but not yet effective.

3. Turnover

Turnover represents the invoiced value of services income generated from the provision of beauty services, beauty courses and beauty products sold less discounts and sale returns.

(a)

	For the three months ended 30 April		For the six months ended 30 April	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Turnover				
Retails and wholesales of beauty products	1,065	122	1,691	281
Tuition fees of beauty courses	1,468	-	2,405	-
Beauty services	34,817	21,155	61,726	38,195
	<u>37,350</u>	<u>21,277</u>	<u>65,822</u>	<u>38,476</u>
Other revenue	1,800	128	2,443	144
	<u>1,800</u>	<u>128</u>	<u>2,443</u>	<u>144</u>
Total revenue	<u>39,150</u>	<u>21,405</u>	<u>68,265</u>	<u>38,620</u>

Other revenue includes incomes of interest, rental, management/franchise fee and dividend from listed investments; gain on disposal of investment in securities and sundry income.

(b) *Primary reporting format — business segments*

	(Unaudited) For the six months ended 30 April 2006			
	Retail and wholesales of beauty products HK\$'000	Beauty services HK\$'000	Beauty courses HK\$'000	Total HK\$'000
TURNOVER	<u>1,691</u>	<u>61,726</u>	<u>2,405</u>	<u>65,822</u>
PROFIT FROM OPERATION				
Segment results	<u>626</u>	<u>11,416</u>	<u>42</u>	<u>12,084</u>
Interest income				190
Unallocated income				2,253
Unallocated expenses				(753)
Finance costs				(313)
Profit before taxation				13,461
Taxation				(1,579)
Profit after taxation				<u>11,882</u>

(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>	Beauty courses <i>HK\$'000</i>	Total <i>HK\$'000</i> (restated)
TURNOVER	<u>281</u>	<u>38,195</u>	<u>-</u>	<u>38,476</u>
PROFIT FROM OPERATION				
Segment results	<u>40</u>	<u>10,391</u>	<u>-</u>	<u>10,431</u>
Interest income				17
Unallocated income				127
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>

(c) *Secondary reporting format - geographical segment*

	(Unaudited)			
	For the six months ended 30 April			
	2006	2005	2006	2005
	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	55,861	8,765	38,476	7,148
China	2,388	(1,054)	-	-
Macau	7,573	5,129	-	78
	<u>65,822</u>	<u>12,840</u>	<u>38,476</u>	<u>7,226</u>

4. 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	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting:				
Other income	1,800	128	2,443	144
Charging:				
Cost of inventories sold (excluding provision for slowing-moving inventory for the period)	476	54	691	116
Auditors' remuneration	125	64	242	117
Depreciation				
Owned assets	1,927	699	3,851	1,288
Asset held under hire purchase contracts	–	245	–	461
Operating lease rentals in respect of land and buildings	2,476	1,241	4,890	2,308
Exchange Loss	48	5	62	5
Interest expenses on borrowings	311	64	313	127
Hire Charge	2	1	4	1
	<u>2</u>	<u>1</u>	<u>4</u>	<u>1</u>

5. Taxation

Hong Kong profits tax has been provided for at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries/cities in which the Group operates.

The tax currently payable is based on taxable profit for the period/ 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.

6. Interim dividend

The directors do not recommend the payment of an interim dividend for the period (2005: HK\$Nil).

7. Earnings Per Share

(a) Basic

The calculation of basic earnings per share for the three months and six months ended 30 April 2006 is based on the profit attributable to shareholders of approximately HK\$9,993,000 and HK\$11,882,000 respectively (profit for the three months and six months ended 30 April 2005: approximately HK\$5,850,000 and HK\$6,342,000 respectively) and the weighted average number of 419,547,098 ordinary shares in issue during the period (three months and six months ended 30 April 2005: 295,509,209 (restated) shares in issue).

(b) Diluted

The calculation of diluted earnings per share for the three months and six months ended 30 April 2006 is based on the profit attributable to shareholders of approximately HK\$9,993,000 and HK\$11,882,000 respectively (profit for the three months and six months ended 30 April 2005: approximately HK\$5,850,000 and HK\$6,342,000 respectively) and the weighted average number of 419,547,098 (2005: weighted average number of 295,509,209 (restated) ordinary shares in issue during the period plus the weighted average number of 278,286 (2005: 193,683 (restated)) ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options outstanding during the period.

8. Held-to-maturity investment, listed

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Held-to-maturity debt security, at amortised cost		
Listed outside Hong Kong	<u>3,945</u>	<u>-</u>

9. Fixed assets

	As at 30 April 2006 (Unaudited) <i>HK\$'000</i>	As at 31 October 2005 (Audited) <i>HK\$'000</i>
At beginning of the period	21,268	8,075
Additions	2,716	17,491
Disposals	-	(2)
Depreciation charge	<u>(3,851)</u>	<u>(4,296)</u>
	<u>20,133</u>	<u>21,268</u>

10. Trade Receivables

The ageing analysis of trade receivables is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within three months	17,677	11,927
Over three months but within six months	2,510	-
Over six months	264	-
	<u>20,451</u>	<u>11,927</u>

11. Trade Payables

	As at 30 April 2006 (Unaudited) <i>HK\$'000</i>	As at 31 October 2005 (Audited) <i>HK\$'000</i>
Within three months	-	-
Over three months but within six months	-	-
Over six months	417	417
	<u>417</u>	<u>417</u>

12. Issued capital

	2006		2005	
	No. of shares	<i>HK\$'000</i>	No. of shares (restated)	<i>HK\$'000</i>
<i>Authorised:</i>				
Ordinary shares of HK\$0.1 each	<u>800,000,000</u>	<u>80,000</u>	<u>800,000,000</u>	<u>80,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.1 each	<u>419,547,098</u>	<u>41,955</u>	<u>312,593,190</u>	<u>31,259</u>

At the Meeting of Board of Directors held on 25 May 2006, it was resolved that:-

"The company is authorized to issue an aggregate of 42,000,000 new shares at a price of HK\$0.42 per subscription share to the subscribers or their nominee" pursuant to the subscription agreement entered into with PMA Capital Management Limited, the agent on behalf of Diversified Asian Strategies Fund, PMA Asian Opportunities Fund and Asian Diversified Total Return Limited Duration Company (the "Subscribers").

On 29 May 2006, 42,000,000 new shares were allotted to the subscribers.

13. 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, 37,644,000 share options (after share consolidation of every ten (10) ordinary of HK\$0.01 each into one (1) share of HK\$0.10 on 3 May 2005) were granted by the Company under the Scheme and 17,873,353 share options remain outstanding.

Details of share options before the share consolidation:

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 30/4/2006	Exercisable Period
Employees	8/9/2004	0.0206	73,980,000	(73,980,000)	-	10/9/2004 - 9/3/2006
Directors	8/9/2004	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
Total:			148,560,000	(148,560,000)	-	
Sub-total (After share consolidation):			14,856,000	(14,856,000)		

Details of share options after the share consolidation and open offer:

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 30/4/2006	Exercisable Period
Employees	10/8/2004	0.025/0.212*	1,068,000 ⁹	(1,068,000)	-	18/2/2005 - 28/2/2006
Employees	14/1/2005	0.0186/0.164*	2,828,000 ⁹	(2,828,000)	-	14/1/2005 - 16/6/2006
Directors	14/1/2005	0.1657*	228,000 ⁹	-	255,908	20/1/2005 - 19/6/2006
Employees	15/2/2005	0.1728*	224,000 ⁹	(173,972)	77,445	18/8/2005 - 7/9/2006
Employees	20/6/2005	0.345	6,000,000	-	6,000,000	22/6/2005 - 21/12/2006
Consultant	27/6/2005	0.373	2,000,000	-	2,000,000	6/7/2005 - 5/7/2007
Employees	5/7/2005	0.372	10,440,000	(900,000)	9,540,000	21/7/2005 - 20/7/2007
Sub-total:			22,788,000	(4,969,972)	17,873,353	
Grand Total:			37,644,000	(19,825,972)	17,873,353	

* The Summary of adjusted exercise price and number of share options which have been granted and are outstanding after the completion of share consolidation on 3 May 2005 and acceptance of open offer on 21 June 2005 are as follows. The calculation is based on the supplementary guidance of the GEM Listing Rules.

Type of Grantee	Original Exercise Price	Original number of share option	Adjusted Exercise Price	Adjusted number of option	Outstanding number of share option
Employees	HK\$0.0250	10,680,000	HK\$0.212	1,068,000	-
Employees	HK\$0.0186	28,280,000	HK\$0.164	2,828,000	-
Directors	HK\$0.0186	2,280,000	HK\$0.1657	255,908	255,908
Employees	HK\$0.0194	2,240,000	HK\$0.1728	251,417	77,445

- (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.

No options were ever 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.

14. Contingent liabilities

As at 30 April 2006, the Company has given corporate guarantees to third parties for securing a tenancy agreement and an advertising contract of subsidiary companies.

Apart from the above, the Group and the Company had no other material contingent liabilities as at 30 April 2006 and up to the date of approval of the unaudited condensed consolidated results of the Group for the six months ended 30 April 2006.

15. Commitments

(i) Operating lease commitments

As at 30 April 2006, the total future minimum lease payments under non-cancelable operating leases are payable as follows:

	As at 30 April 2006 (Unaudited) HK\$'000	As at 31 October 2005 (Audited) HK\$'000
Within one year	9,230	10,415
In the second to fifth years inclusive	8,591	6,202
Over five years	1,488	2,102
	<u>19,309</u>	<u>18,719</u>

At 30 April 2006, the Group's total future minimum lease receipts under non-cancellable operating leases were receivable as follows:

	As at 30 April 2006 (unaudited) HK\$'000	As at 31 October 2005 (Audited) HK\$'000
Within one year	577	38
In the second to fifth year, inclusive	2,212	-
	<u>2,789</u>	<u>38</u>

(ii) Capital commitments contracted for

The Group did not have any significant capital commitments at 30 April 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business review

For the six months ended 30 April 2006, turnover of the Group amounted to approximately HK\$65.8 million, representing an increase of approximately 71% as compared with that of the corresponding period in 2005. Profit attributable to shareholders for the six months ended 30 April 2006 was approximately HK\$12 million, representing an increase of approximately 87% from that of the corresponding period in 2005.

Retail operations

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

During the quarter ended 30 April 2006, the Group had launched various branded body slimming products for sales and the results were satisfactory.

During the period under review, retail operations accounted for approximately 3% of the Group's total turnover. Turnover from these operations was approximately HK\$1.7 million for the same period, representing an increase of approximately 500% 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\$62 million for the six months ended 30 April 2006, representing an increase of approximately 60% comparing with the same period of last year.

Financial review

The Group is principally engaged in the sale and distribution of beauty, body slimming and personal care products and in the provision of beauty services and beauty courses. During the period under review, the Group's turnover and gross profit amounted to approximately HK\$66 million and HK\$65 million respectively, representing an increase of approximately 71% and 70% 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 31% to approximately HK\$37 million.

Future plans and prospects

Following the economic recovery in Hong Kong, the Group is able to maintain its growth momentum in 2006.

A new beauty service outlet will be opened in Yuen Long, New Territories in mid - June 2006 to serve customers of the northern district. Our Mongkok beauty service outlet has been expanded to give room for the setup of a clinic and a hair-care centre in June. In China, new beauty service outlets will be opened in Chengdu and Xian soon.

As at 30 April 2006, the Group has been operating ten beauty services centres/direct sales centres in Hong Kong, Macau and China; one nail shop, one beauty course training centre and one warehouse in Hong Kong.

Liquidity and financial resources

The Group's Cash and bank balances as of 30 April 2006 amounted to approximately HK\$9.3 million (31 October 2005: HK\$22.5 million). The Aggregate trade payables and other borrowings and liabilities as of 30 April 2006 amounted to approximately HK\$20.2 million (31 October 2005 HK\$22.8 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 2006, the Group's gearing ratio, expressed as a percentage of total borrowings, (comprising hire purchase contracts) over total assets, was approximately 0.4%.

Future plans for material investments or capital assets

As at 30 April 2006, 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 2006.

Contingent liabilities

Details of the contingent liabilities are set out in note 14.

Employees

As at 30 April 2006, the Group employed 345 employees in Hong Kong, Macau and China. 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, 2006, 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	Approximate	No. of shares	percentage of interest
	Type of interest		
Mr. Leung Kwok Kui	Personal	3,300,000	0.79
Ms. Siu York Chee	Personal	43,080,000	10.27

(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 30 April, 2006
Ms. Siu York Chee	127,954	-	127,954
Mr. Leung Kwok Kui	127,954	-	127,954

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

Save as disclosed herein above, as at 30th April, 2006, 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, 2006, 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. Lam Yin Ming, Amy (<i>Note 1</i>)	44,800,000	10.68
Everproven Limited (<i>Note 2</i>)	64,090,651	15.28
Ms. Hau Lai Mei (<i>Note 3</i>)	35,802,570	8.53

Notes:

- 1) 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.
- 2) Everproven Limited, a substantial shareholder of the Company, is beneficially owned by Mr. Chan Boon Ho.
- 3) Ms. Hau Lai Mei, is a substantial shareholder 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.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with the code provisions of the Code on Corporate Governance Practice (the "CG Code") set out in Appendix 15 of the GEM Listing Rules throughout the Review Period, except for the following deviations.

- (i) The non-executive directors were not appointed for a specific term, subject to re-election;
- (ii) The Company does not have a remuneration committee; and
- (iii) The Company has not yet disclosed the terms of reference of the remuneration committee and audit committee on the website of the Company.

At present, the non-executive directors and independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The Company has established 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 2005 to 30 April 2006.

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 2006