(Stock Code: 8079)

B.A.L.

B.A.L. Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2006

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

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

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

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

This report, for which the directors (the "Directors") of B.A.L. Holdings Limited (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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.

The Stock Exchange takes no responsibility for the contents of this report, makes on 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.

CONTENTS

Financial Summary

Annual results for the three years ended 31 October 2006

	Results for the year ended		
	31 October	31 October	31 October
	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	
Turnover	**146,381**	101,664	67,298
Profit from operations	**20,842**	20,208	9,642
Profit attributable to the equity holders of the Company	**17,052**	17,030	13,961

	As at 31 October		
	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*
Total assets	**111,196**	71,339	23,379
Total liabilities	**(29,594)**	(24,813)	(19,508)
	81,602	46,526	3,871

Notes:

(1) The Company was incorporated in the Cayman Islands on 6 March 2001 and became the holding company of the Group with effect from 21 September 2001.

(2) The results for the year ended 31 October 2006 have been extracted from the consolidated income statement as set out on page 26.

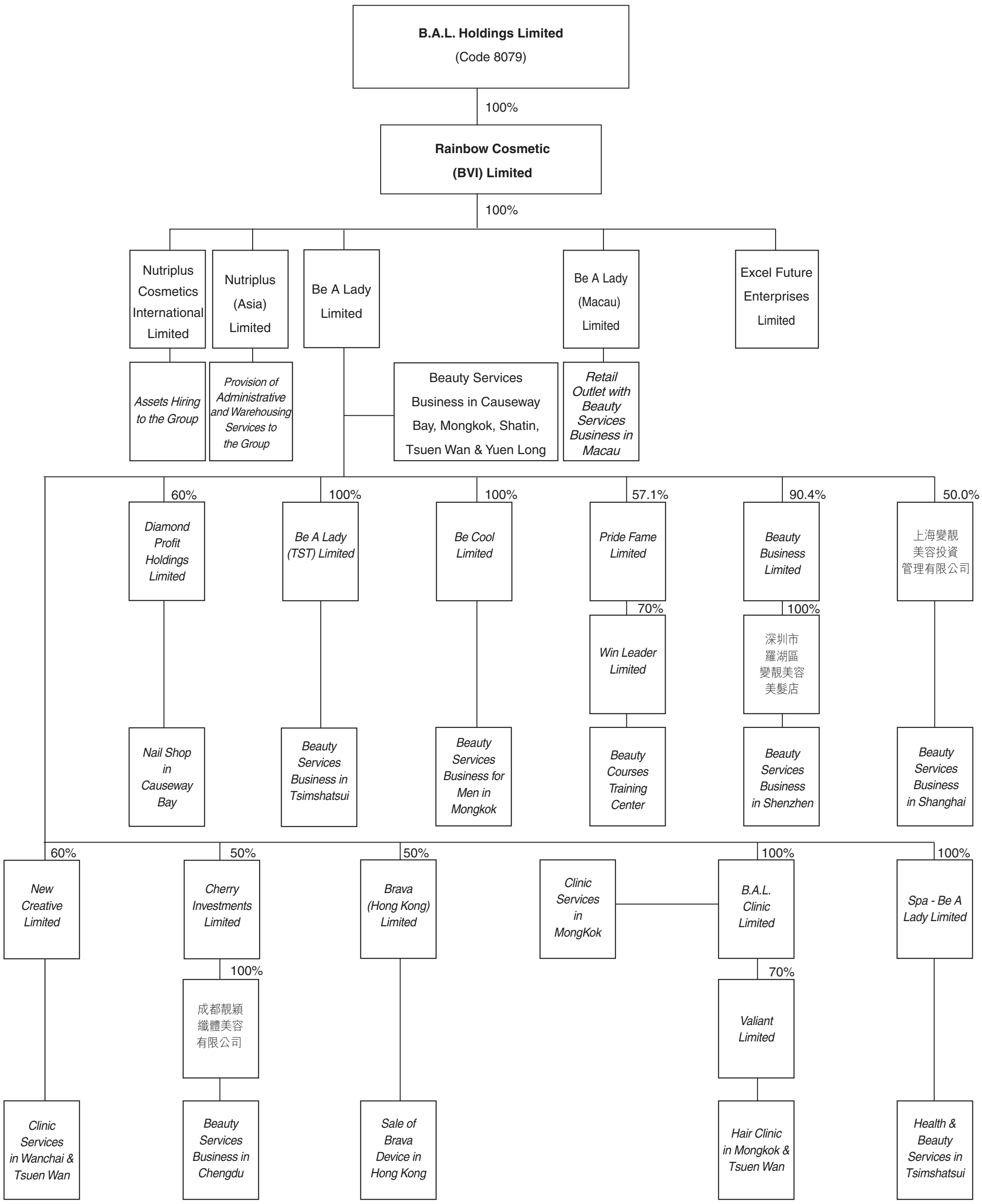
(3) The financial summary of the Group has been prepared on the combined basis.

Corporate Profile

B.A.L. Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") is principally engaged in the retails of beauty products in Hong Kong and also in the provision of beauty services, clinical services and beauty courses in Hong Kong, Macau and China.

During the year, the Group together with the jointly controlled entities have been operating 11 beauty services centers/direct sales centers in Hong Kong, Macau and China, one nail shop, one beauty course training centre, three medical clinics and one warehouse in Hong Kong.

As at 31 October 2006, the organisation chart of the Group together with the jointly controlled entities is set out below:–



Corporate Information

Directors

Executive Directors

Ms. SIU York Chee, Doreen – Chairperson
Mr. LEUNG Kwok Kui

Independent Non-Executive Directors and members of audit committee of the board of Directors

Mr. HUNG Anckes Yau Keung
Mr. SIU Yim Kwan, Sidney *S.B.St.J.*

Company Secretary

Mr. LO Gun Yuen, Raymond, *CPA*

Compliance Officer

Ms. SIU York Chee, Doreen

Qualified Accountant

Mr. LO Gun Yuen, Raymond, *CPA*

Authorised Representatives

Ms. SIU York Chee, Doreen
Mr. LEUNG Kwok Kui

Audit Committee

Mr. HUNG Anckes Yau Keung *(Chairman)*
Mr. SIU Yim Kwan, Sidney *S.B.St.J.*

Remuneration Committee

Mr. HUNG Anckes Yau Keung *(Chairman)*
Mr. SIU Yim Kwan, Sidney *S.B.St.J.*

Legal Advisers on the Cayman Islands Law

Maples and Calder Asia

Auditors

Grant Thornton
Certified Public Accountants
13th Floor Gloucestor Tower
The Landmark
15 Queen's Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Ltd
P.O. Box 705
Butterfield House, Fort Street
George Town, Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar and Transfer Office

Standard Registrars Limited
26th Floor
Tesbury Centre
28, Queen's Road East
Wanchai, Hong Kong

Registered Office

Ugland House
P.O. Box 309, George Town
Grand Cayman
Cayman Islands
British West Indies

Head Office and Principal Place of Business in Hong Kong

14th Floor
Guardian House
32 Oi Kwan Road
Wanchai
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
409-415 Hennessy Road, Wanchai
Hong Kong

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Hong Kong

Stock Code

8079

Website

beta.hkbealady.com.

Chairperson's Statement

On behalf of the board of Directors (the "Board"), I am pleased to present to the Shareholders the audited combined results of the Company and its subsidiaries for the year ended 31 October 2006

REVIEW OF OPERATIONS

This was in fact a year of transformation for the Group. Although the core business for the Group is still beauty related, the focus has been switched to medical based beauty service, including Plastic Surgery.

During the first half of the financial year, while the turnover was still growing the management has noticed a decline in profit margin, which has led the management to seek for other window of profit. The Company has introduced medical centers into its services, which lead our level of service to a new dimension. As of the end of the year, 3 medical centers have been in full operations, and geographically located in Mongkok, Tsuen Wan & Wanchai (which has been equipped a surgical operation theater), also Macau's Medical Center has been opened in the first financial quarter 2006/2007. The business of the clinics has been growing dramatically. During the month of December of 2006, the business of the beauty clinic has reached approximately HK$5.4 million, which amounted to 39% of the month's turnover. By the end of the first financial quarter 2006/2007, the management expected over 50% of the Group's turnover will be contributed by the medical beauty service.

On the contrary, the business of the beauty center for the last quarter has declined due to the inherent competitiveness in nature of business of the beauty centers and beauty clinics. In the coming financial year the total size of the beauty center may be reduced by means of lease expiry or adjustment subject to environment of the business geographically.

During the financial period we have acquired a spa operation from an independent third party, which has expanded our horizon of service to our customer and also has expanded our level of expertise. The Group has accounted for a goodwill of HK$3,136,000 from the acquisition of the spa operation. To be more conservative regarding the sets of books, we have made adequate provision on the total investment in Shanghai due to the dispute with the Shanghai partner.

DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the financial year ended 31 October 2006 (2005: Nil).

PROSPECTS

Looking forward, the management expects that keen competition will continue in the coming year. However, the Group is confident that 2007 will be a prosperous year of good business growth, subsequent to our expansion of the business scope.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to our staff members for their support in the past year and cheer them as we tackle future challenges successfully.

Ms. Siu York Chee, Doreen
Chairperson

Hong Kong, 31 January 2007

Management Discussion and Analysis

Business Review

Beauty Services and Sale of Beauty Products Operations

The Group's beauty services and sale of beauty products operations recorded a gradual growth during the period under review. Turnover from this segment amounted to approximately HK$130 million for the year ended 31 October 2006 representing approximately 30% increase as compared with the previous financial year.

As the Group is committed to provide excellent service at reasonable price to customers, continued professional training of beauticians and consultants will be carried on. Under the gradual expansion, the Group had invested approximately HK$4 million on the acquisition of new beauty service equipments during the year.

Clinical Services

Although the medical clinics started towards the end of the financial year, revenue then generated has been encouraging. Turnover from this segment amounted to approximately HK$9 million, representing 6% of the Group's turnover. The management is confident that its result of the coming year will be very favourable.

Beauty Course

As the beauty course training centre was opened in September/October of 2005, a majority of the course receipts fell into this year's revenue thus making a growth rate of approximately 600%. Besides the introduction of new beauty courses in 2006 with good profit margin also contributed significantly to the revenue receipts of the year. The Group is planning to open some more new courses when conditions justify.

As at 31 October 2006, the Group together with the jointly controlled entities have been operating 11 beauty services centers/direct sales centers in Hong Kong, Macau, China; one nail shop, one beauty course training centre, three medical clinics and one warehouse in Hong Kong. Details of these operations including the locations and the staff headcount in each of the respective operating units of the Company are summarised as follows:

	Operated by	Name	Principal Activities	Location	No. of Employees
1.	Nutriplus (Asia) Limited	N/A	Administrative Services to the Group	14th Floor, Guardian House, 32, Oi Kwan Road, Wan Chai, Hong Kong	55
2.	Be A Lady Limited	Mongkok Beauty Services Center with Direct Sales Centre	Beauty Services & Direct Sales	25th Floor, Wu Sang House, 655 Nathan Road, Kowloon	32
3.	Be A Lady Limited	Causeway Bay Beauty Services Center with Direct Sales Centre	Beauty Services & Direct Sales	17th & 23rd Floor, Island Centre, 1 Great George Street, Causeway Bay, Hong Kong	33
4.	Be A Lady Limited	Shatin Beauty Services Center	Beauty Services & Direct Sales	(a) Unit 619 – 620, 6/F, Citylink Plaza, Shatin, N.T. (b) 615-617, Level 6, Tower II, Grand Central Plaza, Shatin, N. T.	38
5.	Be A Lady (TST) Limited	Tsimshatsui Beauty Services Centre	Beauty Services & Direct Sales	(a) 5/F., 6/F. & 18/F, Mass Resources, Development Bldg, 12 Humphrey's Avenue, Tsimshatsui, Kowloon (b) Shop A-E & G, 8 Humphreys Avenue, T.S.T, Kln.	28
6.	Be Cool Limited	Mongkok Beauty Services Centre (Male)	Beauty Services	26/F., Wu Sang House, 655 Nathan Road, Kowloon	6
7.	B.A.L. Holdings Limited	N/A	Head office	14th Floor Guardian House, 32, Oi Kwan Road, Wan Chai, Hong Kong	N/A
8.	Nutriplus (Asia) Limited	Chai Wan Warehouse	Warehouse	Unit 8, 17/F., Chai Wan Industrial City, Phase 1, No. 60, Wing Tai Road, H.K.	N/A
9.	B.A.L. Clinic Limited	B.A.L. Medical Centre, Mongkok	Non-surgical Beauty Services	23/F., Wu Sang House, 655, Nathan Road, Kowloon	12
10.	Nutriplus Cosmetics International Limited	N/A	Assets hiring to the Group	14th Floor, Guardian House, 32, Oi Kwan Road, Wan Chai, Hong Kong	N/A

	Operated by	Name	Principal Activities	Location	No. of Employees
11.	Be A Lady Limited	Tsuen Wan Beauty Services Centre	Beauty Services & Direct Sales	(a) Units 1701-04 & 1707-08, City Landmark 1, Office Tower, 68 Chung On Street, Tsuen Wan, N.T. (b) Shop No. 232, City Landmark 1, Office Tower, 68 Chung On Street, Tsuen Wan, N.T.	39
12.	Be A Lady Limited	Yuen Long Beauty Services Centre	Beauty Services of Direct Sales	Shop 5,G/F, Room 4-5, 8-9, 9th Floor, Kwong Wah Plaza, 11. Tai Tong Road, Yuen Long, N.T.	15
13.	Spa-Be A Lady Limited	Tsimshatsui Spa Beauty Services Centre	Spa & Beauty Services	Basement & Shop 1, G/F, Leader Commercial Building, 54-56, Hillwood Road, Tsimshatsui, Kowloon	17
14.	New Creative Limited	B.A.L. Medical Centre Wan Chai,	Non-surgical Beauty Services	14/F., China Underwriters Centre, 88 Gloucester Road, Wanchai, Hong Kong	16
		B.A.L. Medical Centre, Tsuen Wan	Non-surgical Beauty Services	1204-1206 12/F, City Landmark I, 68 Chung On Street, Tsuen Wan	16
15.	Win Leader Limited	Professional Management Training Centre	Beauty Course Training Centre	4/F., Fee Tat Commercial Ctr, 613 Nathan Road, Kln.	15
16.	Diamond Profit Holdings Limited	Pretty Nail	Nail Shop	Flat A, 1/F., Prospect Mansion, 66-72 Paterson Street, Causeway Bay, H.K.	10
17.	Be A Lady (Macau) Limited	Macau Beauty Services Centre	Beauty Services & Direct Sales	AVENIDA DE ALMEIDA RIBEIRO N˚s.89a 99. Edificio Commercial Nai Wa. 3˚ andar E 4˚ andar EM Macau	28
18.	深圳市羅湖區變靚美容美髮店	Shenzhen Beauty Services Centre	Beauty Services	深圳市羅湖區紅岭中路荔園酒店三樓	56
19.	成都靚穎纖體美容有限公司	Chengdu Beauty Services Centre	Beauty Services	成都市青龍街鉑金商城五樓	21

Total employees of the Group as at 31 October 2006 437

Financial Review

For the year ended 31 October 2006, the Group's consolidated turnover amounted to approximately HK$146 million, representing an increase of approximately 44%, as compared with the previous financial year.

The Group recorded profit for the financial year ended 31 October 2006 amounted to approximately HK$17 million.

The Group's cash and bank balances as at 31 October 2006 was approximately HK$20 million.

The Directors do not recommend the payment of a dividend.

Liquidity and financial resources

The Group generally financed its operations with internally generated cash flows. As at 31 October 2006, the Group had cash and cash equivalents of approximately HK$20 million as compared to approximately HK$23 million as at 31 October 2005.

As at 31 October 2006 the Group had amounts due to minority shareholders of approximately HK$5 million.

Gearing Ratio

As at 31 October 2006, the Group's gearing ratio, expressed as a percentage of total borrowings, (Comprising amounts due to related companies and minority shareholders, borrowings) over total assets, was approximately 6%.

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.

Significant investments

As at 31 October 2006, the Group had significant investments in listed securities and jointly controlled entities.

Future plans for material investments or capital assets

Subsequent to the year end date of 31 October 2006, the Group had acquired a beauty service centre in Guangzhou and will seek further business opportunities in China.

Capital Structure

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 Asia Strategies Fund, PMA Asia 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.

During the year ended 31 October 2006, share options to subscribe for 5,757,533 shares of the Company were exercised by employees of the Group.

Contingent Liabilities

As at 31 October 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 31 October 2006 and up to the date of the approval of the audited results of the Group for the year ended 31 October 2006.

Employees

As at 31 October 2006, the Group had 437 (2005: 316) full-time employees. The total of employee remuneration, including that of the Directors, for the year ended 31 October 2006 amounted to HK$54 million (2005: HK$34 million). The Group remunerates its employees based on their performance, experience and the prevailing commercial practice.

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.

Details of the Scheme of the Group are set out in note 30 to the financial statements.

Directors and Senior Management of the Group

DIRECTORS

Executive Directors

Ms. SIU York Chee, Doreen, aged 62, is the executive director since 16 June 2003 and being the chairperson of the Group since 17 September 2003. With extensive professional knowledge and many years of experience in the commercial field, Ms. Siu plays a positive role in the re-organising and development of the Group. Prior to joining the Group, Ms. Siu was one of the founders of Companion Building Material International Holdings Limited (Currently known as Dong Fang Gas Holdings Limited, code no. 432) which was established in 1973 and listed in the Stock Exchange in 1993. Ms. Siu has resigned as Executive Director and Chairman of Companion Building Material International Holdings Limited on January 2002. Ms. Siu is the wife of Mr. Leung Kwok Kui.

Mr. LEUNG Kwok Kui, aged 64, is the executive director of the Group since 5 September 2003. Mr. Leung has over 30 years' experience in the commercial field. Mr. Leung is responsible in sales and marketing operations of the Company. Prior to joining the Group, Mr. Leung was the executive director and one of the founders of the Companion Building Material International Holdings Limited (Currently known as Dong Fang Gas Holdings Limited, code no. 432) and was also the executive director of Skynet (International Group) Holdings Limited which were listed companies in the Stock Exchange. Mr. Leung has resigned both positions as executive director on 31 January 2002.

Independent non-executive Directors

Mr. HUNG Anckes Yau Keung, MBA, aged 54, a Certified Public Accountant, was appointed as an independent non-executive Director of the Company in October 2003, Mr. Hung has over 25 years experience in accounting. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, a member of the Chartered Institute of Management Accountants and the Certified General Accountants Association, and an overseas non-practising member of the Chinese Institute of Certified Public Accountants. He is also a member of the Certified Fraud Examiners of U.S.A.

Mr. Hung is now the practising director of KND & Co. CPA Limited, Certified Public Accountants (Practising). He is the Honorary Treasurer of The Overseas CICPA Members Association since the incorporation of the Association. He is also the Visiting Professor of the Southwestern University of Finance and Economics and the Research Institute of Economics of the Shenzhen University in China.

Dr. SIU Yim Kwan, Sidney, aged 60, Dr. Siu was appointed as an independent non-executive director of the Company in December 2004. Dr. Siu holds a doctorate degree in Business Management from Armstrong University in the United States. Dr. Siu is the non-executive director of Wang On Group Limited, a listed company in Hong Kong since November 1993.

He is a director of The Association of The Directors & Former Directors of Pok Oi Hospital Limited, Bright China Foundation Limited and Chiu Yang Residents Association of Hong Kong Limited, those companies are non-profitable association and providing community services in Hong Kong.

Dr. Siu is a director of The Hong Kong Tae Kwon Do Association Limited, a sport association in Hong Kong and also an executive member of a number of charitable organizations and sports associations.

SENIOR MANAGEMENT

Mr. LO Gun Yuen, Raymond, is the Qualified Accountant and the Company Secretary of the Group. Mr. Lo is responsible for the overall financial and accounting functions of the Group. Mr. Lo has over 25 years of accounting, auditing and management financial reporting experience. Prior to joining the Group, Mr. Lo worked in the public listed companies in The Stock Exchange of Hong Kong Limited. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants.

Ms. LEE Kin Yuk, Eliza, is the Shop Manager of the Causeway Bay beauty center of the Group, who mainly oversees the operation of the Causeway Bay beauty center. Prior to joining the Group, Ms. Lee has approximately four years of experience in beauty services industry.

Ms. CHANG Chi King, Anne, is the Administration Manager of the Group. She is mainly responsible for policy implementation of all beauty centers and the administration functions of the Group. Prior to joining the Group, Ms. Chang has 8 years of administration experience in beauty and servicing industry.

Ms. KOO Fung Yi, Sue, is the Company Secretarial Officer. She mainly deals with company secretarial matters of the Group and communicates with The Stock Exchange of Hong Kong Limited on announcements, publications and share allotments. Prior to joining the Group, Ms. Koo worked for 15 years in several companies listed in The Stock Exchange of Hong Kong Limited.

Corporate Governance Report

The Board of Directors ("Board") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 October 2006.

In November 2004, The Stock Exchange of Hong Kong Limited ("Stock Exchange") issued the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Rules") which sets out corporate governance principles ("Principles") and code provisions ("Code Provisions") with which listed issuers are expected to follow and comply.

The Company has applied the Principles as set out in the CG Code that are considered to be relevant to the Company and has complied with most of the Code Provisions set out in the CG Code save for certain deviations, details of which will be explained in the relevant paragraphs in this report.

Good corporate governance has always been recognized as vital to the Group's success and to sustain development of the Group. The Company acknowledges the important role of its Board in providing effective leadership and direction to company business, and ensuring transparency and accountability of company operations. The Company also endeavours to periodically review its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transactions (in particular those which may involve conflict of interests), appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities.

All directors have full and timely access to all relevant information as well as the advice and services of the professional advisers, as and when required, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board of the Company as at the date of this report comprises the following directors:

Executive directors:
Ms. Siu York Chee, Doreen *(Chairperson)*
Mr. Leung Kwok Kui

Independent non-executive directors:
Mr. Hung Anckes Yau Keung *(Chairman of Audit Committee and Remuneration Committee)*
Dr. Siu Yim Kwan, Sidney *(member of Audit Committee and Remuneration Committee)*

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the GEM Rules.

Ms. Siu York Chee, Doreen is the spouse of Mr. Leung Kwok Kui. Save for the aforesaid, none of the members of the Board is related to one another.

Rule 5.05(1) of the GEM Rules requires that every listed issuer must have at least three independent non-executive directors. Following the resignation of Mr. To Chi as an independent non-executive director and a member of the Audit Committee of the Company on 18 December 2006, the Company has only two independent non-executive directors and Audit Committee members. The Board is in the process of identifying a suitable candidate to fill the vacancy of independent non-executive director and Audit Committee member.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the GEM Rules. The Company considers both independent non-executive directors to be independent in accordance with the independence guidelines set out in the GEM Rules.

Appointment and Succession Planning of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's articles of association.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

None of the independent non-executive directors is appointed for a specific term. Pursuant to the Company's articles of association, all directors of the Company, regardless of his/her term of appointment, if any, are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy is subject to re-election by shareholders at the first annual general meeting after his/her appointment. The Company in practice will observe Code Provision A.4.2 and will ensure that any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment.

Though the Company has not set up a nomination committee, the Board is responsible for reviewing its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. External recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

In accordance with the Company's articles of association, Ms. Siu York Chee, Doreen and Mr. Leung Kwok Kui shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting. Detailed information of the directors standing for re-election will be included in the Company's circular to be dispatched together with the notice of the 2007 annual general meeting.

The Board recommended the re-appointment of the directors standing for re-election at the forthcoming annual general meeting of the Company.

Training for Directors

Each newly appointed director received comprehensive induction on the first occasion of his appointment so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the GEM Rules and relevant regulatory requirements.

The directors have access to seek professional advice on legal and regulatory developments at the Company's expenses whenever feel necessary.

Board and Board Committees Meetings

Number of Meetings and Directors' Attendance

Regular Board meetings should be held at least four times a year at quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year ended 31 October 2006, five Board meetings (four of which were regular Board meetings) and four Audit Committee meetings were held.

The individual attendance record of each director at the meetings of the Board and Audit Committee during the year ended 31 October 2006 is set out below:

	Attendance/Number of Meetings held during the tenure of directorship	
Name of Directors	**Board**	**Audit Committee**
Executive Directors		
– Ms. Siu York Chee, Doreen *(Chairperson)*	5/5	N/A
– Mr. Leung Kwok Kui	5/5	N/A
Independent Non-Executive Directors		
– Mr. Hung Anckes Yau Keung *(Chairman of Audit Committee and Remuneration Committee)*	5/5	4/4
– Dr. Siu Yim Kwan, Sidney *(member of Audit Committee and Remuneration Committee)*	5/5	4/4
– Mr. To Chi (appointed on 21 August 2006 and resigned on 18 December 2006, *member of Audit Committee*)	1/1	1/1
– Mr. Ko Sin Ming (resigned on 21 August 2006, *member of Audit Committee*)	3/4	3/3
Non-Executive Director		
– Mr. Lai Tin Ying, Michael, alias Lai Siu Tin (resigned on 21 August 2006)	3/4	N/A

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Code Provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting. During the year ended 31 October 2006, less than 14 days' notice was given for two regular Board meetings in order to suit the tight and busy schedules of the directors. For other Board and committee meetings, reasonable notices are generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or Audit Committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given an opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to the senior executives whenever necessary. With the support of the senior executives, the Chairperson is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are kept by secretary of the meetings and open for inspection by the directors.

The Company's articles of association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of Chairperson and Chief Executive Officer should be separate and should not be performed by the same individual.

Ms. Siu York Chee, Doreen is the Chairperson and Chief Executive Officer of the Company. In view of the scale of operations of the Company and the fact that daily operations of the Group's business is delegated to the senior executives and department heads, the Board considers that vesting the roles of both Chairperson and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that the current structure provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. It is in the best interest of the Group to maintain the current practice for continuous efficient operations and development of the Group.

BOARD COMMITTEES

The Board has established two committees, namely, the Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are available to shareholders upon request and steps are being taken to include the terms of reference on the Company's website.

All the members of each Board committee are independent non-executive directors and the list of the chairman and members of each Board committee is set out under "Composition" of this report.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

Remuneration Committee

The Remuneration Committee was established on 25 January 2007 and no meeting has been held up to the date of this report.

The primary objectives of the Remuneration Committee include reviewing, making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior executives. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as market practice and conditions. The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairperson of the Company about these recommendations on remuneration policy and structure and remuneration packages.

Audit Committee

Rule 5.28 of the GEM Rules requires that the Audit Committee must comprise a minimum of three members with a majority of independent non-executive directors and at least one member must have appropriate professional qualifications or accounting or related financial management expertise.

Subsequent to the year ended 31 October 2006, Mr. To Chi resigned as an independent non-executive director and a member of the Audit Committee of the Company. Following his resignation, the Audit Committee of the Company has only two members (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors. The Board is in the process of identifying a suitable replacement for the office of independent non-executive director and member of the Audit Committee.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held four meetings during the year ended 31 October 2006, to review the financial results and reports, financial reporting and compliance procedures, report on the Company's internal control and risk management review and processes as well as the re-appointment of the external auditors.

There is no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 October 2006, has been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 October 2006.

The Company also has established written guidelines on no less exacting terms than the Required Standard of Dealings (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the GEM Rules and other regulatory requirements.

The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 October 2006.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on page 25.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 October 2006 amounted to HK$500,000.00.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's articles of association. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of 2006 annual general meeting and explained during the proceedings of the meeting.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairperson of the Board and the Chairman of the Audit Committee attended the 2006 annual general meeting to answer questions at the meeting.

Separate resolutions were proposed at 2006 annual general meeting on each substantial issue, including the election of individual directors.

Report of the Directors

The directors of the Company ("Directors") present their annual report together with the audited financial statements of the Company and the Group for the year ended 31 October 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the retails of beauty products and provision of beauty services, clinical services and beauty courses in Hong Kong, Macau and China.

An analysis of the Group's turnover and contribution to operating results of the Group by principal activities and geographical locations for each of the two years ended 31 October 2006 is set out in note 6 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest suppliers of the Group accounted for less than 30% of its operating costs for the year.

Sales to the Group's five largest customers accounted for less than 30% of the Group's turnover for each of the two years ended 31 October 2006.

Save as disclosed above, none of the directors or any of their associates (as defined in the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules") or any shareholders of the Company (who, to the knowledge of the Directors, own more than 5% of the issued share capital of the Company) had any beneficial interest in any of the five largest suppliers or customers of the Group for the financial year ended 31 October 2006.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 October 2006 are set out in the consolidated income statement on page 26 of the annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three years is set out on page 2.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 12 to the financial statements.

ISSUED CAPITAL AND SHARE OPTIONS

Details of the movements in issued capital and share options of the Company during the year are set out in notes 29 and 30, respectively to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 31 to the financial statements respectively.

DONATIONS

During the year, there was no donation made (2005: HK$6,000).

DIRECTORS

The Directors who held office during the year are:

Executive directors

SIU York Chee, Doreen
LEUNG Kwok Kui

Non-executive directors

LAI Tin Ying, Michael (alias LAI Siu Tin)	(resigned on 21 August 2006)
HUNG Anckes Yau Keung **	
KO Sin Ming **	(resigned on 21 August 2006)
SIU Yim Kwan, Sidney** *S.B.St.J.*	
TO Chi**	(appointed on 21 August 2006 and resigned on 18 December 2006)

** *Independent Non-executive Directors*

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of five years. The service contracts shall be renewed automatically after the initial five years unless and until terminated by not less than six months' notice in writing served by either party on the other.

The non-executive Directors (including the independent non-executive Directors) have no fixed term of office but are subject to the provisions of retirement and rotation of Directors under the Articles of Association of the Company.

In accordance with the Company's articles of association, Ms. Siu York Chee, Doreen and Mr. Leung Kwok Kui shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting. Detailed information of the directors standing for re-election will be included in the Company's circular to be dispatched together with the notice of the 2007 annual general meeting.

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.

Share options and respective exercise prices are as follows for the reporting periods presented:

	Number of options during the year							
Type of grantee	At 1 November 2005	Granted	Exercised	Cancelled/ Lapsed	At 31 October 2006	Date of grant	Exercise period of the share options	Exercise price per share
								HK$
Directors								
– Siu York Chee	127,954*	–	(127,954)	–	–	14-Jan-05	20/1/2005 – 19/6/2006	0.1657*
– Leung Kwok Kui	127,954*	–	(127,954)	–	–	14-Jan-05	20/1/2005 – 19/6/2006	0.1657*
	255,908	–	(255,908)	–	–			
Employees								
– In aggregate	212,133*	–	(161,625)	(50,508)	–	15-Feb-05	18/8/2005 – 7/9/2006	0.1728*
– In aggregate	6,000,000	–	(1,100,000)	–	4,900,000	20-Jun-05	22/6/2005 – 21/12/2008	0.345
– In aggregate	4,640,000	–	(4,240,000)	(400,000)	–	05-Jul-05	7/1/2006 – 6/1/2007	0.372
– In aggregate	5,000,000	–	–	(5,000,000)	–	05-Jul-05	21/7/2005 – 20/7/2007	0.372
	15,852,133	–	(5,501,625)	(5,450,508)	4,900,000			
Other eligible persons								
– In aggregate	2,000,000	–	–	–	2,000,000	27-Jun-05	6/7/2005 – 5/7/2007	0.373
	18,108,041	–	(5,757,533)	(5,450,508)	6,900,000			

* *This reflects the adjusted exercise prices 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.*

No additional options were granted during the year ended 31 October 2006. The fair values of options granted in previous years were determined using the Black-Scholes valuation model. Significant inputs into the calculation included a weighted average share price of HK$0.37 and exercise prices as illustrated above. Furthermore, the calculation takes into account a volatility rate of 117.92%, based on expected share price. Risk-free interest rate was determined at 3.13%.

In total, HK$338,000 of employee compensation expense has been included in the consolidated income statement for 2006 (2005: HK$589,000) which gave rise to additional equity. No liabilities were recognised due to share-based payment transactions.

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 October 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	Type of interest	No. of shares	Approximate percentage of interest
Mr. Leung Kwok Kui	Personal	3,427,954	0.74
Ms. Siu York Chee	Personal	43,707,954	9.41

(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	Exercised/ Lapsed	Outstanding at 31 October 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 31 October 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 31 October 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 *(Note 1)*	35,480,000	7.64
Everproven Limited *(Note 2)*	65,230,651	14.04
Ms. Hau Lai Mei *(Note 3)*	33,202,570	7.15
PMA Capital Management Ltd *(Note 4)*	51,600,000	11.11
Deutsche Bank Aktiengesellschaft *(Note 5)*	47,668,050	10.26
Diversified Asian Strategies Fund *(Note 6)*	28,271,600	6.09

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.

4) The 51,600,000 shares were held by PMA Capital Management Ltd, as investment manager.

5) The 47,668,050 shares were held as security interest by Deutsche Bank Aktiengesellschaft.

6) So far as known to the Directors of the Company, Diversified Asian Strategies Fund is managed by PMA Capital Management Limited and the interests in the shares held by PMA Capital Management Limited include the shares held by Diversified Asian Strategies Fund.

(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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

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

During the year ended 31 October 2006, the Company repurchased 2,780,000 ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$1,326,000. The repurchases were effected by the Directors for the enhancement of shareholders' value. Details of the repurchases are follows:

Month of the repurchases	Total number of the ordinary shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration
		HK$	*HK$*	*HK$'000*
June-August 2006	2,780,000	0.510	0.393	1,326

All the 2,780,000 shares repurchased, were cancelled on delivery of the share certificates in late July and August 2006.

Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the period from 1 November 2005 to 31 October 2006.

COMPETING INTEREST

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.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 October 2006.

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 two independent non-executive Directors, namely Mr. Hung Anckes Yau Keung, and Dr. Siu Yim Kwan, Sidney. Mr. Hung Anckes Yau Keung is also the chairman 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.

During the financial year ended 31 October 2006, the audit committee has reviewed the Company's half-year report, quarterly reports and monthly reports and has provided advice and comments thereon to the Board. The audit committee has met 4 times during the financial year for reviewing the Company's financial reports and monitoring the Company's internal control procedures.

CORPORATE GOVERNANCE

The Company has published its Corporate Governance Report, details of which are set out on pages 13 to 18 of this annual report.

AUDITORS

During the financial year ended 31 October 2006, Grant Thornton were appointed as the Company's auditors in place of the resigning auditors, Chang Leung Hui & Li C.P.A. Limited. The financial statements of the Company for the year ended 31 October 2006 were audited by Grant Thornton, who will retire and a resolution to re-appoint Grant Thornton as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board
B.A.L. Holdings Limited
Siu York Chee, Doreen
Chairperson

Hong Kong, 31 January 2007

Grant Thornton
均富會計師行

Certified Public Accountants
Member of Grant Thornton International

TO THE MEMBERS OF B.A.L. HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of B.A.L. Holdings Limited (the "Company") set out on pages 26 to 68, which comprise the consolidated and Company balance sheets as at 31 October 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 October 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower, The Landmark
15 Queen's Road Central
Hong Kong

31 January 2007

Consolidated Income Statement

For the year ended 31 October 2006

	Note	2006 HK$'000	2005 HK$'000 (Restated)
Revenue	5	**146,381**	101,664
Cost of sales		**(13,902)**	(9,025)
Gross profit		**132,479**	92,639
Other income and gains	5	**6,275**	4,235
Servicing, selling and distribution costs		**(86,218)**	(58,052)
Administrative expenses		**(29,813)**	(18,599)
Other operating expenses		**(1,881)**	(15)
Operating profit	7	**20,842**	20,208
Finance costs	8	**(1,150)**	(142)
Share of results of jointly controlled entities		**(510)**	–
Profit before income tax		**19,182**	20,066
Income tax expense	9	**(2,658)**	(3,696)
Profit for the year		**16,524**	16,370
Attributable to:			
Equity holders of the Company	10	**17,052**	17,030
Minority interests		**(528)**	(660)
Profit for the year		**16,524**	16,370
Earnings per share for profit attributable to the equity holders of the Company during the year	11		
– Basic		**HK3.88 cents**	HK5.08 cents
– Diluted		**N/A**	HK5.08 cents

Consolidated Balance Sheet

As at 31 October 2006

	Note	2006 HK$'000	2005 HK$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*12*	**26,735**	21,268
Goodwill	*13*	**3,136**	–
Held-to-maturity securities	*14*	**–**	3,945
Interests in jointly controlled entities	*16*	**1,480**	–
Deposits	*19*	**3,459**	2,365
Deferred tax assets	*28*	**86**	–
		34,896	27,578
Current assets			
Inventories	*17*	**2,348**	772
Trade receivables	*18*	**23,508**	7,464
Prepayments, deposits and other receivables	*19*	**23,187**	11,892
Financial assets at fair value through profit or loss	*20*	**2,745**	702
Available-for-sale financial assets	*21*	**3,753**	–
Amounts due from a related company	*22*	**695**	220
Amounts due from minority interests	*23*	**–**	195
Cash and cash equivalents	*24*	**20,052**	22,516
Tax recoverable		**12**	–
		76,300	43,761
Current liabilities			
Trade payables	*25*	**417**	417
Other payables, receipts in advance and accruals	*26*	**18,337**	18,458
Amounts due to related companies	*22*	**–**	40
Amounts due to minority interests	*23*	**4,647**	–
Borrowings	*27*	**348**	286
Provision for tax		**5,845**	3,806
		29,594	23,007
Net current assets		**46,706**	20,754
Total assets less current liabilities		**81,602**	48,332
Non-current liabilities			
Loan from minority interests	*23*	**–**	780
Borrowings	*27*	**–**	197
Deferred tax liabilities	*28*	**–**	829
		–	1,806
Net assets		**81,602**	46,526
EQUITY			
Equity attributable to Company's equity holders			
Share capital	*29*	**46,444**	41,946
Reserves		**34,904**	3,846
		81,348	45,792
Minority interests		**254**	734
Total equity		**81,602**	46,526

Siu York Chee
Director

Leung Kwok Kui
Director

Balance Sheet

As at 31 October 2006

	Note	2006 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	15	**1,097**	1,097
Current assets			
Other receivables	19	**20**	3
Amounts due from subsidiaries	15	**41,550**	15,728
Cash and cash equivalents	24	**81**	7,195
		41,651	22,926
Current liabilities			
Accruals	26	**184**	267
Amounts due to subsidiaries	15	**3,030**	3,038
Provision for tax		**57**	28
		3,271	3,333
Net current assets		**38,380**	19,593
Net assets		**39,477**	20,690
EQUITY			
Equity attributable to Company's equity holders			
Share capital	29	**46,444**	41,946
Reserves	31	**(6,967)**	(21,256)
Total equity		**39,477**	20,690

Siu York Chee
Director

Leung Kwok Kui
Director

Consolidated Statement of Changes in Equity

For the year ended 31 October 2006

	Equity attributable to equity holders of the Company								Minority interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Exchange reserve	Accumulated losses	Capital reserves	Investment revaluation reserve	Share option reserve		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000 (Note 31)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 November 2004	24,962	18,816	–	–	(68,253)	28,327	–	–	19	3,871
Profit for the year (As restated)	–	–	–	–	17,030	–	–	–	(660)	16,370
Total recognised income and expense for the year	–	–	–	–	17,030	–	–	–	(660)	16,370
Equity-settled share option arrangement	–	–	–	–	–	–	–	589	–	589
Dividend paid to minority shareholders of a subsidiary	–	–	–	–	–	–	–	–	(75)	(75)
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	1,450	1,450
Proceeds from shares issued	15,220	5,568	–	–	–	–	–	–	–	20,788
Proceeds from exercise of share options	1,764	1,769	–	–	–	–	–	–	–	3,533
At 31 October 2005, restated	41,946	26,153*	–	–	(51,223)*	28,327*	–	589*	734	46,526
At 1 November 2005										
As previously reported	41,946	26,153	–	–	(50,634)	28,327	–	–	734	46,526
Prior year adjustment	–	–	–	–	(589)	–	–	589	–	–
As restated	41,946	26,153	–	–	(51,223)	28,327	–	589	734	46,526
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	(192)	–	–	(192)
Arising from change of exchange rate	–	–	–	17	–	–	–	–	51	68
Profit for the year	–	–	–	–	17,052	–	–	–	(528)	16,524
Total recognised income and expense for the year	–	–	–	17	17,052	–	(192)	–	(477)	16,400
Equity-settled share option arrangement	–	–	–	–	–	–	–	338	–	338
Capital contribution by minority equity holders of subsidiaries	–	–	–	–	–	–	–	–	7	7
Arising from acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	(10)	(10)
Proceeds from shares issued	4,200	13,440	–	–	–	–	–	–	–	17,640
Proceeds from exercise of share options	576	1,451	–	–	–	–	–	–	–	2,027
Repurchase of shares	(278)	(1,048)	278	–	(278)	–	–	–	–	(1,326)
At 31 October 2006	46,444	39,996*	278*	17*	(34,449)*	28,327*	(192)*	927*	254	81,602

* *These reserve accounts comprise the consolidated reserves of HK$34,904,000 (2005: HK$ 3,846,000) in the consolidated balance sheet.*

Consolidated Cash Flow Statement

For the year ended 31 October 2006

	Note	2006 HK$'000	2005 HK$'000 (Restated)
Cash flows from operating activities			
Profit for the year before income tax		**19,182**	20,066
Adjustments for:			
Depreciation	7	**8,506**	4,296
Property, plant and equipment written off	7	**156**	–
Dividend income	5	**(8)**	(10)
Interest income	5	**(467)**	(287)
(Profit)/loss from disposal of financial assets at fair value through profit or loss	5, 7	**(2,325)**	11
Fair value (gains)/loss of financial assets at fair value through profit or loss	5, 7	**(188)**	70
Interest expenses	8	**1,150**	142
Provision for impairment of trade receivables	7	**148**	–
Provision for impairment of property, plant and equipment	7	**1,287**	–
Excess of cost of acquisition of additional interest in a subsidiary over the net carrying amount acquired	7	**290**	–
Share of losses in jointly controlled entities		**510**	–
Equity-settled share option arrangement	7	**338**	589
Recognition of negative goodwill arising from acquisition of a subsidiary	5	**–**	(483)
Operating profit before working capital changes		**28,579**	24,394
Increase in inventories		**(1,530)**	(416)
Increase in trade and other receivables		**(28,313)**	(13,205)
(Decrease)/increase in trade and other payables		**(3,150)**	6,562
Increase in amounts due from a related company		**(475)**	–
Decrease in amounts due to related companies		**(40)**	(1,086)
Decrease in amount due to a director		**–**	(1,000)
Cash (used in)/generated from operations		**(4,929)**	15,249
Interest received		**467**	287
Income tax paid		**(1,546)**	–
Net cash (used in)/from operating activities		**(6,008)**	15,394
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		**(28,574)**	(9,479)
Proceeds from disposal of financial assets at fair value through profit or loss		**29,044**	–
Acquisition of a subsidiary	33	**(948)**	–
Investment in jointly controlled entities		**(1,990)**	–
Acquisition of additional interest in a subsidiary		**(300)**	–
Dividend received		**8**	10
Dividend paid to minority shareholder		**–**	(75)
Purchase of property, plant and equipment		**(14,745)**	(17,491)
Proceeds from sales of property, plant and equipment		**–**	2
Proceeds from disposal of securities		**–**	6,137
Negative goodwill arising from acquisition of a subsidiary		**–**	483
Net cash used in investing activities		**(17,505)**	(20,413)

Consolidated Cash Flow Statement

For the year ended 31 October 2006

	Note	**2006** **HK$'000**	2005 HK$'000 (Restated)
Cash flows from financing activities			
Interest paid		**(1,150)**	(142)
Proceeds from issuance of share capital, net of expenses		**19,667**	24,321
Repurchase of shares		**(1,326)**	–
Capital contributed by minority shareholders		**–**	1,450
Loans from minority shareholders		**4,062**	780
Other loan obtained		**150**	–
Repayment of bank loans		**–**	(1,882)
Capital element of finance lease liabilities		**(279)**	(2,346)
Hire purchase loans obtained		**–**	575
Net cash from financing activities		**21,124**	22,898
Net (decrease)/increase in cash and cash equivalents		**(2,389)**	17,879
Cash and cash equivalents at 1 November		**22,510**	4,631
Effect of foreign exchange rate changes, net		**(69)**	–
Cash and cash equivalents at 31 October		**20,052**	22,510
Analysis of balances of cash and cash equivalents			
Cash at bank and in hand		**20,052**	22,510

Notes to the Financial Statements

For the year ended 31 October 2006

1. GENERAL INFORMATION

B.A.L. Holdings Limited (the "Company") is an exempted company with limited liability incorporated and domiciled in the Cayman Islands. The address of its registered office is Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies and, its principal places of business are in Hong Kong and Macau. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "SEHK").

The principal activities of the Company and its subsidiaries (the "Group") include the provision of beauty services and beauty courses, retailing of beauty products and investment holding.

The financial statements on pages 26 to 68 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the SEHK (the "GEM Listing Rules").

The financial statements for the year ended 31 October 2006 were approved by the board of directors on 31 January 2007.

2. ADOPTION OF NEW OR REVISED HKFRS

From 1 November 2005, the Group has adopted for the first time the new or revised standards and interpretations of HKFRS, which are relevant to its operations. These include the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2005 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2005 comparatives contained in these financial statements differ from those published in the financial statements for the year ended 31 October 2005.

2. ADOPTION OF NEW OR REVISED HKFRS *(Continued)*

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

2.1 Adoption of HKAS 1

The application of HKAS 1 has resulted in a change in the presentation of the financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company is now presented as an allocation of the net result of the year.

2.2 Adoption of HKFRS 2

Prior to the adoption of HKFRS 2 on 1 November 2005, the Group did not recognise the financial effect of share options until they were exercised.

The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company and/or its subsidiaries, determined at the date of grant of the share options, over the vesting period with a corresponding credit to equity, unless the transaction is cash settled share-based payment.

According to the transitional provisions of HKFRS 2, the Group applies HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not vested on 1 November 2005.

2.3 Adoption of HKAS 32 and HKAS 39

Prior to 1 November 2005

Prior to the adoption of HKAS 39, the Group has recorded its held-to-maturity securities at amortised cost less any provision for impairment losses and investment in securities at fair value with changes in value being recognised in the income statement as they arise.

On or after 1 November 2005

On the adoption of HKAS 39, the Group classifies its investments into the following categories: held-to-maturity, available-for-sale and fair value through profit or loss and measured its financial assets at either fair value or at amortised cost according to the classification. It also requires the recognition of derivative financial instruments at fair value.

In accordance with the transitional provisions of HKAS 39, it does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. Accordingly, any adjustment to the previous carrying amount is recognised in the opening balance of retained earnings on 1 November 2005 and the comparative figures have not been restated.

HKAS 32 requires all disclosure and presentation rules regarding financial instruments to be applied retrospectively.

2.4 Other standards adopted

The adoption of other new or revised standards or interpretations did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

2. ADOPTION OF NEW OR REVISED HKFRS *(Continued)*

2.5 Summary of the impact of changes on accounting policies

The effect of changes in the above accounting policies on the consolidated balance sheet is summarised as follows:

	Effect of adopting HKFRS 2 *HK$'000*
At 31 October 2005	
Increase/(Decrease) in equity	
Share option reserve	589
Accumulated losses	(589)
At 31 October 2006	
Increase/(Decrease) in equity	
Share option reserve	927
Accumulated losses	(927)

The effect of the changes in the above accounting policies on the consolidated income statement is summarised as follows:

	Effect of adopting HKFRS 2 *HK$'000*
Year ended 31 October 2005	
Increase in administrative expenses	
– Increase in staff costs and related expenses	589
Total decrease in profit	589
Decrease in basic earnings per share	HK0.17 cent
Decrease in diluted earnings per share	HK0.17 cent
Year ended 31 October 2006	
Increase in administrative expenses	
– Increase in staff costs and related expenses	338
Total decrease in profit	338
Decrease in basic earnings per share	HK0.08 cent
Decrease in diluted earnings per share	N/A

2. ADOPTION OF NEW OR REVISED HKFRS *(Continued)*

2.6 New standards or interpretations that have been issued but are not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rate – Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts[2]
HKFRS 1 & HKFRS 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments – Disclosures[1]
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease[2]
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2006
3 Effective for annual periods beginning on or after 1 December 2005
4 Effective for annual periods beginning on or after 1 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis except for the financial assets at fair value through profit or loss. The measurement bases are fully described in the accounting policies note below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 October each year.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions, balances and unrealised gain on transactions between Group companies are eliminated. Unrealised loss is also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is presented separately in the consolidated balance sheet. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decision relating to the activity require the unanimous consent of the venturers.

Interests in jointly controlled entities are accounted for using equity method. All subsequent changes to the share of interest in the equity of the jointly controlled entities are recognised in the Group's carrying amount of the investment. Changes resulting from net results generated by the jointly controlled entities are charged against "share of results of jointly controlled entities" in the consolidated income statement and therefore affect net results of the Group. When the Group's share of loss in jointly controlled entities equals or exceeds its interest in the jointly controlled entities, including any other unsecured receivables, the Group does not recognise further loss, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3.5 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all separate financial statements of subsidiaries and jointly controlled entities, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the currency translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Hong Kong dollars at the closing rates.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3.6 Income and expense recognition

Revenue comprises the fair value for the sale of goods and services, net of rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

Sales of goods are recognised upon transfer of risk to the customers and collectibility of the related receivables is reasonably assured.

Sales of beauty and clinical services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Tuition fee income is recognised when beauty courses are provided.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Income and expense recognition *(Continued)*

Rental income is recognised on a straight-line basis over the term of the lease.

Management/franchise fee income is recognised when services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income is recognised when the right to receive payment is established.

Operating expenses are recognised in the income statement upon utilisation of the services.

3.7 Borrowing costs

All borrowing costs are expensed as incurred.

3.8 Goodwill

Goodwill arising on acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the fair value of the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or jointly controlled entity at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

On subsequent disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Depreciation is provided to write off the cost over their estimated useful lives, on the straight-line method, at the following rates per annum:

Leasehold improvements	20% or over the lease terms, if shorter
Equipment	20% to 30%
Furniture and fixtures	20%
Motor vehicles	20%

The assets' useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss arising on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Impairment of assets

Goodwill, property, plant and equipment, held-to-maturity investments, interests in subsidiaries and jointly controlled entities are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Leases (as the lessee)

(a) Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the present value of the lease payments plus incidental payment, if any, to be borne by the lessee. A corresponding amount is recognised as a finance lease liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreement corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed to finance costs.

(b) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged at the income statement on a straight-line basis over the lease terms.

Leases (as the lessor)

Lease income is recognised over the term of the lease on a straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Financial assets

The Group's financial assets include held-to-maturity securities, available-for-sale financial assets, trade and other receivables and financial assets at fair value through profit or loss. They are included in the balance sheet under the line items such as "Held-to-maturity securities", "Available-for-sale financial assets", "Trade receivables", "Prepayments, deposits and other receivables" and "Financial assets at fair value through profit or loss".

In previous years, the Group classified its investments in securities, other than subsidiaries, as held-to-maturity securities and investment in securities.

(a) Held-to-maturity securities

Dated debt securities that the Group has the ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less any provisions for impairment loss. Provisions are made when the carrying amounts are not expected to be fully recovered and are recognised as an expense in the income statement, such provisions being determined for each investment individually.

(b) Investment in securities

Investment in securities is investment in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement in the period in which they arise.

From 1 November 2005 onwards, the Group classifies its financial assets into held-to-maturity securities, financial assets at fair value through profit or loss and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised on their trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

(a) Held-to-maturity securities

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity securities are subsequently measured at amortised cost using the effective interest method, less any impairment losses. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in income statement.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either held for trading or are designated by the Group to be carried at fair value through profit or loss on initial recognition.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be re-classified.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Financial assets *(Continued)*

(c) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value, with changes in value recognised in equity. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement even though the financial asset has not been derecognised.

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in income statement.

Loans and receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

3.13 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.14 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Accounting for income taxes *(Continued)*

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.15 Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash in hand and at banks, including demand deposits with banks, which are not restricted as to use.

3.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.17 Retirement benefit costs and short term employee benefits

Retirement benefit costs
Retirement benefits to employees are provided through a defined contribution plan.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Short-term employee benefits
Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 November 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is ultimately recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

3.19 Financial liabilities

The Group's financial liabilities include trade payables, other payables, receipts in advance, amounts due to related companies and minority interests, finance lease liabilities and other borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

Trade payables

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 3.11).

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liabilities, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.21 Related parties

A party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Company/Group; (ii) has an interest in the Company that gives it significant influence over the Company/Group; or (iii) has joint control over the Company/Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Company/Group.

3.22 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash, and mainly exclude held-to-maturity securities and financial assets at fair value through profit or loss. Segment liabilities comprise operating liabilities and exclude items such as provision for tax and certain corporate borrowings.

Capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible), including additions of assets through acquisition of subsidiaries, that are expected to be used for more than one period.

In respect of geographical segment reporting, revenue are based on the location in which the customer is located and total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The critical accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4.1 Impairment of assets

The Group assesses impairment at each balance sheet date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market condition existing at the balance sheet dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

4.2 Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 October 2006 was HK$3,136,000 (2005: Nil). More details are given in note 13.

4.3 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date.

4.4 Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the collateral security and the past collection history of each customer. If the financial conditions of the customers of the Group, on whose account provision for impairment has been made, were improved and no impairment of their ability to make payments were noted, reversal of provision for impairment may be required.

4.5 Income taxes

The Group is subject to income taxes in certain jurisdictions other than Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4.6 Share-based employee compensation

Expense on share-based employee compensation is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option mode be changed, there would be material changes in the amount of share option benefits recognised in the income statement and share option reserve.

5. REVENUE AND OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of beauty products sold, net of discounts and sales returns, and the appropriate proportion of contract revenue generated from the provision of beauty and clinical services and beauty courses.

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Beauty services and sale of beauty products	**130,293**	100,597
Clinical services	**8,844**	–
Tuition fees of beauty courses	**7,244**	1,067
	146,381	101,664
Other income and gains		
Management fee income	**1,020**	198
Franchise fee income	**907**	900
Interest income	**467**	287
Rental income	**690**	557
Amounts due to related companies waived	**–**	1,086
Recognition of negative goodwill arising from acquisition of a subsidiary	**–**	483
Dividend income from listed investments	**8**	10
Gain on disposal of financial assets at fair value through profit or loss	**2,325**	–
Fair value gains on financial assets at fair value through profit or loss	**188**	–
Exchange gain	**30**	–
Others	**640**	714
	6,275	4,235

6. SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group is organised in to three main business segments:

(i) Provision of beauty services and sale of beauty products;

(ii) Provision of clinical services; and

(iii) Operation of beauty courses.

There were no inter-segment sales and transfers during the year (2005: Nil).

The following table presents revenue, results information for the year ended 31 October 2006 and certain asset, liability and expenditure information for the Group's business segments.

	2006			
	Beauty services and sale of beauty products	**Clinical services**	**Beauty courses**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue	**130,293**	**8,844**	**7,244**	**146,381**
Segment results	**21,350**	**3,524**	**2,497**	**27,371**
Interest and dividend income				**475**
Unallocated income				**5,773**
Unallocated expenses				**(12,777)**
Operating profit				**20,842**
Finance costs				**(1,150)**
Share of results of jointly controlled entities				**(510)**
Profit before income tax				**19,182**
Income tax expense				**(2,658)**
Profit for the year				**16,524**

6. SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

	2006			
	Beauty services and sale of beauty products	**Clinical services**	**Beauty courses**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**88,388**	**3,743**	**9,333**	**101,464**
Jointly controlled entities				**1,480**
Unallocated assets				**8,252**
Total assets				**111,196**
Segment liabilities	**12,824**	**1,614**	**6,306**	**20,744**
Unallocated liabilities				**8,850**
Total liabilities				**29,594**
Capital expenditure	**9,217**	**280**	**5,065**	**14,562**
Unallocated portion				**710**
				15,272
Depreciation	**7,862**	**102**	**299**	**8,263**
Unallocated portion				**243**
				8,506

6. SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

	2005			
	Beauty services and sale of beauty products *HK$'000*	Clinical services *HK$'000*	Beauty courses *HK$'000*	Group *HK$'000* (Restated)
Revenue	100,597	–	1,067	101,664
Segment results	17,290	–	(315)	16,975
Interest and dividend income				297
Unallocated income				3,857
Unallocated expenses				(921)
Operating profit				20,208
Finance costs				(142)
Profit before income tax				20,066
Income tax expense				(3,696)
Profit for the year				16,370
Segment assets	63,106	–	1,038	64,144
Unallocated assets				7,195
Total assets				71,339
Segment liabilities	22,636	–	1,527	24,163
Unallocated liabilities				650
Total liabilities				24,813
Capital expenditure	17,246	–	245	17,491
Depreciation	4,261	–	35	4,296

6. SEGMENT INFORMATION *(Continued)*

(b) Secondary report format – geographical segments

The Group's operations are located in three main geographical areas. The following table provides an analysis of the Group's sales by geographical markets, irrespective of the origin of the goods and services.

Sales revenue by geographical markets:

	2006	2005
	HK$'000	*HK$'000*
Hong Kong	**124,799**	99,711
Macau	**16,139**	1,481
People's Republic of China, except Hong Kong and Macau ("PRC")	**5,443**	472
	146,381	101,664

The following is an analysis of the carrying amount of segment assets, analysed by the geographical areas in which the assets are located.

	Year ended 31 October			
	2006		2005	
	Segment assets	**Capital expenditures**	Segment assets	Capital expenditures
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Hong Kong	**95,471**	**11,395**	63,329	11,341
Macau	**8,947**	**2,343**	2,613	1,890
PRC	**5,545**	**824**	5,397	4,260
Unallocated assets	**1,233**	**710**	–	–
	111,196	**15,272**	71,339	17,491

7. OPERATING PROFIT – GROUP

Operating profit is arrived at after charging/(crediting):

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Operating lease charge in respect of land and buildings	**12,746**	6,869
Cost of inventories recognised as expense	**2,127**	222
Depreciation	**8,506**	4,296
Property, plant and equipment written off	**156**	–
Fair value losses on financial assets at fair value through profit or loss	**–**	70
Loss on disposal of financial assets through profit or loss	**–**	11
Auditors' remuneration		
Current year	**505**	225
Less: Under/(over) provision in prior year	**155**	(13)
	660	212
Provision for impairment of trade receivables	**148**	–
Provision for impairment of property, plant and equipment	**1,287**	–
Excess of cost of acquisition of additional interest in a subsidiary over the net carrying amount acquired	**290**	–
Staff costs (excluding directors' remuneration)		
Basic salaries and allowances	**50,145**	30,489
Equity-settled share option expense	**338**	589
Pension scheme contributions	**1,968**	1,235
Exchange loss	**–**	15

8. FINANCE COSTS – GROUP

	2006	2005
	HK$'000	*HK$'000*
Interest charges on:		
Overdrafts repayable within five years	**1,125**	54
Finance charges on finance leases	**25**	88
	1,150	142

9. INCOME TAX EXPENSE – GROUP

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

The amount of taxation charged to the consolidated income statement represents:

	2006	2005
	HK$'000	*HK$'000*
Current tax		
Hong Kong		
– Tax for the year	**2,189**	3,164
– Over provision in respect of prior years	**(54)**	–
Overseas		
– Tax for the year	**1,438**	3
– Over provision in respect of prior years	**–**	(89)
	3,573	3,078
Deferred tax		
– Current year	**(915)**	498
– Under provision in respect of prior years	**–**	120
	(915)	618
Total income tax expense	**2,658**	3,696

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Profit before income tax	**19,182**	20,066
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**2,864**	3,605
Tax effect of non-taxable revenue	**(355)**	(267)
Tax effect of non-deductible expenses	**780**	163
Tax effect of prior years' tax losses utilised this year	**(631)**	(20)
Tax effect of tax loss unrecognised for the year	**352**	183
Tax effect of unrecognised deferred tax items	**(298)**	1
(Over)/under-provision in prior years	**(54)**	31
Income tax expense	**2,658**	3,696

10. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of HK$17,052,000 (2005: HK$17,030,000), a profit of HK$108,000 (2005: loss of HK$272,000) has been dealt with in the financial statements of the Company.

11. EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$17,052,000 (2005: HK$17,030,000) and on the weighted average of 439,823,835 (2005: 335,473,730) ordinary shares in issue during the year.

(b) Diluted

Diluted earnings per share for the year ended 31 October 2006 was not presented because the impact of the exercise of the share options was anti-dilutive.

The calculation of diluted earnings per share for the year ended 31 October 2005 is based on the profit attributable to shareholders of approximately HK$17,030,000 and the weighted average number of 335,473,730 ordinary shares in issue during the year plus the weighted average number of 125,308 ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options outstanding during the year.

12. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold improvements	**Equipment**	**Furniture and fixtures**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 November 2004					
Cost	3,815	7,346	283	–	11,444
Accumulated depreciation	(1,606)	(1,651)	(112)	–	(3,369)
Net book amount	2,209	5,695	171	–	8,075
Year ended 31 October 2005					
Opening net book amount	2,209	5,695	171	–	8,075
Additions	7,652	9,160	365	314	17,491
Disposals	–	(2)	–	–	(2)
Depreciation	(2,113)	(2,038)	(87)	(58)	(4,296)
Closing net book amount	7,748	12,815	449	256	21,268
At 1 November 2005					
Cost	11,467	16,504	648	314	28,933
Accumulated depreciation	(3,719)	(3,689)	(199)	(58)	(7,665)
Net book amount	7,748	12,815	449	256	21,268
Year ended 31 October 2006					
Opening net book amount	7,748	12,815	449	256	21,268
Reclassification	129	–	(129)	–	–
Exchange difference	80	64	–	–	144
Acquisition of a subsidiary	81	418	28	–	527
Additions	6,708	7,400	367	270	14,745
Written off	(28)	(13)	–	(115)	(156)
Impairment	(556)	(731)	–	–	(1,287)
Depreciation	(4,548)	(3,773)	(122)	(63)	(8,506)
Closing net book amount	9,614	16,180	593	348	26,735
At 31 October 2006					
Cost	17,548	23,440	888	411	42,287
Accumulated depreciation	(7,934)	(7,260)	(295)	(63)	(15,552)
Net book amount	9,614	16,180	593	348	26,735

13. GOODWILL – GROUP

The main changes in the carrying value amounts of goodwill result from the acquisition of Spa-Be A Lady Limited (Note 33). The net carrying amount of goodwill can be analysed as follows:

	2006	2005
	HK$'000	*HK$'000*
Net carrying amount at 1 November	**–**	–
Arising from acquisition of a subsidiary	**3,136**	–
Net carrying amount at 31 October	**3,136**	–
At 31 October		
Gross carrying amount	**3,136**	–
Accumulated impairment	**–**	–
Net carrying amount	**3,136**	–

Impairment testing of goodwill

The recoverable amount has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a 2-year period approved by senior management. The discount rate applied to cash flow projection is 4.4% and cash flows beyond 2-year period are extrapolated using a growth rate of 10% which is similar to the long term average growth rate of the spa business.

Management determines the cash flow projections based on experience and their expectation for market development. The budgeted gross margins are expected to be consistent with the year under review as management do not foresee any further significant price inflation.

14. HELD-TO-MATURITY SECURITIES – GROUP

	2006	2005
	HK$'000	*HK$'000*
Debt security listed outside Hong Kong, at amortised cost	**–**	3,945

The maturity profile of the above debt security was over 5 years as at the balance sheet date.

15. INTERESTS IN SUBSIDIARIES – COMPANY

	2006	2005
	HK$'000	*HK$'000*
Investments at costs:		
– Unlisted shares	**1,097**	1,097

The amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.

15. INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

Particulars of the principal subsidiaries as at 31 October 2006 are as follows:

Name	Place of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group Direct	Indirect	Principal activities
Rainbow Cosmetic (BVI) Limited	British Virgin Islands	US$50,000	100%	–	Investments holding
Nutriplus Cosmetics International Limited	Hong Kong	HK$100	–	100%	Leasing of property, plant and equipment
Be A Lady Limited	Hong Kong	HK$10,000	–	100%	Operation of beauty centres
Be A Lady (Macau) Limited	Macau	MOP60,000	–	100%	Operation of a beauty centre
Nutriplus (Asia) Limited	Hong Kong	HK$10,000	–	100%	Provision of management services
Be A Lady (TST) Limited	Hong Kong	HK$10	–	100%	Operation of a beauty centre
Be Cool Limited	Hong Kong	HK$1	–	100%	Operation of a beauty centre
Win Leader Limited	Hong Kong	HK$100	–	40%	Provision of beauty courses
Pride Fame Limited	Hong Kong	HK$14	–	57.1%	Investment holding
Beauty Business Limited	Hong Kong	HK$1,000	–	90.4%	Investment holding
Diamond Profit Holdings Limited	British Virgin Islands	US$100	–	60%	Operation of a beauty centre
New Creative Limited	Hong Kong	HK$6,000	–	60%	Operation of a medical clinic
B.A.L. Clinic Limited	Hong Kong	HK$1	–	100%	Operation of a medical clinic
Valiant Limited	Hong Kong	HK$10,000	–	70%	Operation of a haircare centre
Spa-Be A Lady Limited (formerly known as "Spa D'or Limited")	Hong Kong	HK$10,000	–	100%	Operation of a spa centre

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES – GROUP

	2006	2005
	HK$'000	*HK$'000*
Share of net assets	**1,590**	–
Amount due from a jointly controlled entity	**10**	–
Amount due to a jointly controlled entity	**(120)**	–
	1,480	–

Balances with jointly controlled entities are unsecured and interest free. The directors of the Company consider that the balances are not repayable within the next twelve months.

Particulars of the jointly controlled entities as at 31 October 2006 are as follows:

Name	Place of incorporation	Percentage of ownership interest	Principal activities
Cheery Investments Limited	Hong Kong	50%	Operation of a beauty centre in Chengdu, the PRC
Brava (H.K.) Limited	Hong Kong	50%	Sale of beauty products

17. INVENTORIES – GROUP

	2006	2005
	HK$'000	*HK$'000*
Merchandise for sale	**893**	293
Consumable store	**1,455**	479
	2,348	772

18. TRADE RECEIVABLES – GROUP

	2006	2005
	HK$'000	*HK$'000*
Trade receivables	**23,656**	7,464
Less: provision for impairment of trade receivables	**(148)**	–
Trade receivables – net	**23,508**	7,464

As at 31 October 2006, the ageing analysis of the trade receivables is as follows:

	2006	2005
	HK$'000	*HK$'000*
Within three months	**13,871**	5,849
Over three months but within six months	**4,307**	567
Over six months	**5,330**	1,048
	23,508	7,464

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments and deposits	**10,083**	5,771	**–**	–
Other receivables	**16,563**	8,486	**20**	3
	26,646	14,257	**20**	3
Non-current portion	**(3,459)**	(2,365)	**–**	–
	23,187	11,892	**20**	3

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	2006	2005
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong	**2,745**	702

The amounts presented for the listed equity securities have been determined directly by reference to published price quotations in active markets.

These financial assets are subject to financial risk exposure in terms of price risk.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2006	2005
	HK$'000	*HK$'000*
Debt security listed outside Hong Kong	**3,753**	–
Market value of the listed security	**3,753**	–

During the year, the gross loss of the Group's available-for-sale financial assets recognised directly in equity amounted to HK$192,000 (2005: Nil).

22. BALANCES WITH RELATED COMPANIES – GROUP

Particulars of the amount due from a related company disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Name:	31 October 2006 *HK$'000*	Maximum amount outstanding during the year *HK$'000*	1 November 2005 *HK$'000*
One Dollar Productions Limited (Controlled by Messrs. Shiu Yeuk Yuen and Shiu, Stephen Junior, brother and nephew of Madam Siu York Chee, a director of the Company, respectively)	**695**	**695**	220

Balances with related companies are unsecured, interest free and repayable on demand.

23. BALANCES WITH MINORITY INTERESTS – GROUP

Balances with minority interests are unsecured, interest free and repayable on demand.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Time deposits	**–**	13,901	**–**	7,088
Cash at bank and in hand	**20,052**	8,615	**81**	107
	20,052	22,516	**81**	7,195

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Included in bank and cash balances of the Group is HK$929,000 (2005: HK$93,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. TRADE PAYABLES – GROUP

As at 31 October 2006, the ageing analysis of the trade payables is as follows:

	2006	2005
	HK$'000	*HK$'000*
Within three months	**–**	–
Over three months but within six months	**–**	–
Over six months	**417**	417
	417	417

26. OTHER PAYABLES, RECEIPTS IN ADVANCE AND ACCRUALS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables and receipts in advance	**10,112**	10,768	**–**	–
Accruals	**8,225**	7,690	**184**	267
	18,337	18,458	**184**	267

27. BORROWINGS – GROUP

	2006	2005
	HK$'000	*HK$'000*
Non-current		
Finance lease liabilities	**–**	197
	–	197
Current		
Bank overdrafts	**–**	6
Finance lease liabilities	**198**	280
Other loan	**150**	–
	348	286
Total borrowings	**348**	483

Bank overdrafts are unsecured and repayable on demand. Interest is charged at floating rate quoted by the banks.

Other loan is unsecured, interest-free and repayable on demand.

27. BORROWINGS – GROUP *(Continued)*

The analysis of the obligations under finance lease is as follows:

	2006	2005
	HK$'000	*HK$'000*
Due within one year	**203**	304
Due in the second year	**–**	203
	203	507
Future finance charges on finance leases	**(5)**	(30)
Present value of finance lease liabilities	**198**	477

The present value of finance lease liabilities is as follows:

	2006	2005
	HK$'000	*HK$'000*
Due within one year	**198**	280
Due in the second year	**–**	197
	198	477
Less: Portion due within one year included under current liabilities	**(198)**	(280)
Non-current portion included under non-current liabilities	**–**	197

28. DEFERRED TAX – GROUP

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

The movement on deferred tax (liabilities)/assets is as follows:

	2006	2005
	HK$'000	*HK$'000*
At beginning of year	**(829)**	(211)
Deferred taxation credited/(charged) to income statement	**915**	(618)
At end of year	**86**	(829)

28. DEFERRED TAX – GROUP *(Continued)*

The movement in deferred tax assets and (liabilities) (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

	Accelerated tax depreciation		Tax losses		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year	**(843)**	(274)	**14**	63	**(829)**	(211)
Credited/(charged) to income statement	**149**	(569)	**766**	(49)	**915**	(618)
At end of year	**(694)**	(843)	**780**	14	**86**	(829)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has estimated unrecognised tax losses of HK$511,000 (2005: HK$216,000) arisen in subsidiaries that have been loss-making for some time.

29. SHARE CAPITAL

	2006		2005	
	No. of shares	***HK$'000***	No. of shares	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**800,000,000**	**80,000**	800,000,000	80,000
Issued and fully paid (ordinary shares of HK$0.1 each):				
At beginning of year	**419,462,918**	**41,946**	249,623,188	24,962
Allotment	**42,000,000**	**4,200**	152,197,730	15,220
Share option exercised	**5,757,533**	**576**	17,642,000	1,764
Repurchased	**(2,780,000)**	**(278)**	–	–
At end of year	**464,440,451**	**46,444**	419,462,918	41,946

By an ordinary resolution dated 25 May 2006, 42,000,000 shares of HK$0.10 each were allotted at a subscription price of HK$0.42 each.

During the year, share options were exercised to subscribe for 5,757,533 ordinary shares of HK$0.10 each for total cash consideration of approximately HK$2,027,000.

The premium totalling approximately HK$14,891,000 arising from the above subscription and exercise of share options has been credited directly to the share premium account (note 31).

29. SHARE CAPITAL *(Continued)*

During the year, the Company repurchased its own ordinary shares on the SEHK as follows:

Month/year	Number of shares repurchased	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregate price paid *HK$'000*
June 2006	1,460,000	0.510	0.480	721
July 2006	320,000	0.467	0.467	150
August 2006	1,000,000	0.465	0.393	455
	2,780,000			1,326

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the par value of the shares cancelled of HK$278,000 was transferred from accumulated losses to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$1,048,000 was charged to share premium (note 31).

30. SHARE-BASED EMPLOYEE COMPENSATION

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.

Share options and respective exercise prices are as follows for the reporting periods presented:

	Number of options during the year							
Type of grantee	At 1 November 2005	Granted	Exercised	Cancelled/ Lapsed	At 31 October 2006	Date of grant	Exercise period of the share options	Exercise price per share *HK$*
Directors								
– Siu York Chee	127,954*	–	(127,954)	–	–	14-Jan-05	20/1/2005 – 19/6/2006	0.1657*
– Leung Kwok Kui	127,954*	–	(127,954)	–	–	14-Jan-05	20/1/2005 – 19/6/2006	0.1657*
	255,908	–	(255,908)	–	–			
Employees								
– In aggregate	212,133*	–	(161,625)	(50,508)	–	15-Feb-05	18/8/2005 – 7/9/2006	0.1728*
– In aggregate	6,000,000	–	(1,100,000)	–	4,900,000	20-Jun-05	22/6/2005 – 21/12/2008	0.345
– In aggregate	4,640,000	–	(4,240,000)	(400,000)	–	05-Jul-05	7/1/2006– 6/1/2007	0.372
– In aggregate	5,000,000	–	–	(5,000,000)	–	05-Jul-05	21/7/2005 – 20/7/2007	0.372
	15,852,133	–	(5,501,625)	(5,450,508)	4,900,000			
Other eligible persons								
– In aggregate	2,000,000	–	–	–	2,000,000	27-Jun-05	6/7/2005 – 5/7/2007	0.373
	18,108,041	–	(5,757,533)	(5,450,508)	6,900,000			

* *This reflects the adjusted exercise prices 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.*

30. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

No additional options were granted during the year ended 31 October 2006. The fair values of options granted in previous years were determined using the Black-Scholes valuation model. Significant inputs into the calculation included a weighted average share price of HK$0.37 and exercise prices as illustrated above. Furthermore, the calculation takes into account a volatility rate of 117.92%, based on expected share price. Risk-free interest rate was determined at 3.13%.

In total, HK$338,000 of employee compensation expense has been included in the consolidated income statement for 2006 (2005: HK$589,000) which gave rise to additional equity. No liabilities were recognised due to share-based payment transactions.

31. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 29 of the financial statements.

The Group's capital reserves represent the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in previous years over the nominal value of the Company's shares issued in exchange therefor.

Company

	Share premium	Accumulated losses	Capital redemption reserve	Share option reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 November 2004	18,816	(47,726)	–	–	(28,910)
Allotment of shares	5,568	–	–	–	5,568
Exercise of share options	1,769	–	–	–	1,769
Loss for the year (As restated)	–	(272)	–	–	(272)
Equity-settled share option arrangements	–	–	–	589	589
At 31 October 2005, restated	26,153	(47,998)	–	589	(21,256)
At 1 November 2005					
As previously report	26,153	(47,409)	–	–	(21,256)
Prior year adjustment	–	(589)	–	589	–
At restated	26,153	(47,998)	–	589	(21,256)
Allotment of shares	13,440	–	–	–	13,440
Exercise of share options	1,451	–	–	–	1,451
Repurchase of shares	(1,048)	(278)	278	–	(1,048)
Profit for the year	–	108	–	338	446
At 31 October 2006	39,996	(48,168)	278	927	(6,967)

The share premium account of the Company arises on shares issued at a premium. Under the Companies Law of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

32. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group has the following transactions with related parties during the year:

	2006	2005
	HK$'000	*HK$'000*
Amounts due to related companies waived	**–**	1,086
Consultancy fee paid to a related company	**66**	–
Management fee income received from a related company	**50**	–
Commission income received from a related company	**10**	–
Rental income received from related companies	**202**	456

Rental income of HK$24,000 (2005: HK$72,000) was received from a company controlled by Madam Siu York Chee.

The entire consultancy fee and commission income and rental income of HK$178,000 (2005: HK$384,000) were paid to/ received from a company controlled by Messrs. Shiu Yeuk Yuen and Shiu, Stephen Junior, brother and nephew of Madam Siu York Chee respectively.

Management fee income was received from a jointly controlled entity.

(b) Compensation of key management personnel

	2006	2005
	HK$'000	*HK$'000*
Total remuneration of directors and other members of key management during the year	**2,709**	2,259

33. BUSINESS COMBINATION

On 1 August 2006, the Group acquired a 100% equity interest (the "Acquisition") in Spa D'or Limited ("Spa D'or") from an independent third party (the "Vendor"). Spa D'or operates a spa beauty centre. The purchase consideration for the Acquisition was in cash of HK$149,000. As at the date of the Acquisition, Spa D'or was indebted to the Vendor in the amount of HK$10,236,000 (the "Vendor Loan"). In connection with the Acquisition, on 1 August 2006, the Vendor entered into a deed of assignment with the Group in which the Vendor agreed to assign the Vendor Loan to the Group at a consideration of HK$1.

Spa D'or contributed revenue of approximately HK$3,742,000 and net profit of approximately HK$2,620,000 to the Group for the period from 1 August 2006 to 31 October 2006. If the acquisition had occurred on 1 November 2005, the Group's revenue would have been approximately HK$148 million and profit for the year ended 31 October 2006 would have been approximately HK$15 million.

Details of the net assets acquired and goodwill are as follows:

	HK$'000
Cash paid	149
Direct costs relating to the Acquisition	800
Total purchase consideration	949
Fair value of net liabilities acquired	2,187
Goodwill	3,136

33. BUSINESS COMBINATION *(Continued)*

The assets and liabilities arising from the Acquisition are as follows:

	Fair value *HK$'000*	Acquiree's carrying amount *HK$'000*
Property, plant and equipment	527	527
Inventories	46	46
Trade and other receivables	268	268
Cash and cash equivalents	1	1
Trade and other payables	(3,029)	(3,029)
Amount due to a shareholder	(10,236)	(10,236)
	(12,423)	(12,423)
Acquisition of balance due to a former shareholder	10,236	
Net liabilities acquired	(2,187)	
Total purchase consideration		(949)
Cash and cash equivalents in a subsidiary acquired		1
Cash outflow on acquisition		(948)

34. OPERATING LEASE COMMITMENTS

At 31 October 2006, the Group's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2006 ***HK$'000***	2005 *HK$'000*
Within one year	**15,330**	10,415
In the second to fifth year, inclusive	**10,986**	6,202
Over five year	**1,344**	2,102
	27,660	18,719

At 31 October 2006, the Group's total future minimum lease receipts under non-cancellable operating leases were payable as follows:

	2006 ***HK$'000***	2005 *HK$'000*
Within one year	**613**	38
In the second to fifth year, inclusive	**817**	–
	1,430	38

35. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

35.1 Directors' emoluments

Remuneration of the directors disclosed pursuant to section 161 of the Hong Kong Companies Ordinance and the disclosure requirements of the GEM Listing Rules is as follows:

	Year ended 31 October 2006		
	Fees	**Salaries, allowances and benefits in kind**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Executive directors:			
– Ms. Siu York Chee, Doreen	–	892	892
– Mr. Leung Kwok Kui	–	633	633
	–	1,525	1,525
Independent non-executive directors:			
– Mr. Hung Yau Keung, Anckes	50	–	50
– Mr. Siu Yim Kwan, Sidney	50	–	50
	100	–	100
	100	1,525	1,625

	Year ended 31 October 2005		
	Fees	**Salaries, allowances and benefits in kind**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Executive directors:			
– Ms. Siu York Chee, Doreen	–	768	768
– Mr. Leung Kwok Kui	–	508	508
	–	1,276	1,276
Independent non-executive directors:			
– Mr. Hung Yau Keung, Anckes	50	–	50
– Mr. Siu Yim Kwan, Sidney	50	–	50
	100	–	100
	100	1,276	1,376

Except as disclosed above, there were no remuneration paid to the other directors for each of the two years ended 31 October 2005 and 2006.

There was no emolument paid by the Group to its directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

35. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

35.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2005: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2005: three) individuals during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries, bonuses, allowances and benefits in kind	**1,084**	883

The remuneration paid to each of the non-director, highest paid employees fell within the band of nil to HK$1,000,000 for each of the two years ended 31 October 2005 and 2006.

There was no emolument paid by the Group to any of these five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

Foreign exchange risk

The Group mainly operates in Hong Kong, Macau and the PRC. All of its assets and liabilities were located or incurred in these areas. Sales and services are made to customers and purchases are made in within these areas as well. The directors of the Company consider that the Group is not exposed to significant foreign exchange risk as the exchange rates between Hong Kong dollars, Reminbi and Macau Patacas are relatively stable.

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that services made on credit are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards.

Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss.

Liquidity risk

The Group's primary cash requirements are for expansion of business, payment on related debts and payment for purchases and operating expenses. The Group finances its working capital requirements through a combination of funds generated from operations and short-term borrowings. The Directors believe that cash from operations and short-term borrowings will be sufficient to meet the Group's operating cash flow.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for the cash and cash equivalents, details of which have been disclosed in Note 24. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Note 27.

Fair value

The fair value of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturities.

37. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements due to the adoption of new HKFRS during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.