



B.A.L.

B.A.L. Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Interim Report

For the Six Months ended 30 April 2004

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

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

## HIGHLIGHTS

- Turnover for the six months ended 30 April 2004 was approximately 19.7 million (2003: HK\$5.55 million) representing an increase of approximately 255%, as compared with the corresponding period in 2003.
- A gross profit of HK\$19.3 million (or 98% gross profit margin) 2003: HK\$4.33 million (or 78% gross profit margin)), excluding the provision for slow-moving and obsolete inventories, was achieved.
- Profit for the six months ended 30 April 2004 was approximately HK\$6.2 million (2003: Loss HK\$4.88 million).
- As at 30 April 2004, B.A.L. Holdings Limited and its subsidiaries had cash and bank balance of approximately HK\$2.4 million (31 October 2003: HK\$1.18 million) and bank loans and other borrowings of approximately HK\$2.9 million (31 October 2003: HK\$3.9 million).
- The board of Directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 April 2004.

## INTERIM RESULTS (UNAUDITED)

The Board is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 April 2004, together with the comparative unaudited figures for the corresponding period in 2003 as follows:

### Consolidated profit and loss account

	Note	(Unaudited) For the three months ended 30 April		(Unaudited) For the six months ended 30 April	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
TURNOVER	2	12,549	2,242	19,672	5,552
COST OF SALES		(19)	(312)	(341)	(1,213)
GROSS PROFIT		12,530	1,930	19,331	4,339
OTHER REVENUE	2	4	1	41	90
OTHER EXPENSES					
Selling and distribution costs		(6,084)	(2,242)	(9,573)	(4,627)
Administrative expenses		(1,930)	(1,974)	(3,324)	(3,993)
Other operating expenses		–	(104)	–	(169)
		(8,014)	(4,320)	(12,897)	(8,789)
PROFIT/(LOSS) FROM OPERATIONS	3	4,520	(2,389)	6,475	(4,360)
FINANCE COSTS		(123)	(150)	(255)	(518)
PROFIT/(LOSS) BEFORE TAXATION		4,397	(2,539)	6,220	(4,878)
TAXATION	4	–	–	–	–
PROFIT/(LOSS) AFTER TAXATION		4,397	(2,539)	6,220	(4,878)
MINORITY INTERESTS		6	–	6	–
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		4,403	(2,539)	6,226	(4,878)
EARNINGS/(LOSS) PER SHARE					
– BASIC	6	0.18 cents	(0.11) cents	0.25 cents	(0.21) cents
EARNINGS/(LOSS) PER SHARE					
– DILUTED	6	0.18 cents	(0.11) cents	0.25 cents	(0.21) cents

## Consolidated balance sheet

		(Unaudited) As at <b>30 April</b> 2004 <i>HK\$'000</i>	(Audited) As at 31 October 2003 <i>HK\$'000</i>
<b>ASSETS</b>			
Non-current assets			
Fixed assets	7	5,155	4,462
Current assets			
Prepayments, deposits and other receivables		2,042	1,135
Inventories		449	616
Trade receivables	9	5,011	55
Cash and bank balances		2,380	1,175
		<u>9,882</u>	<u>2,981</u>
<b>LIABILITIES</b>			
Current liabilities			
Due to a director	8	1,078	78
Current portion of interest-bearing borrowings		1,682	1,835
Current portion of obligation under hire purchase contracts		857	859
Trade payables	10	470	455
Other payables and accruals		13,280	12,274
Taxation payable		523	523
		<u>17,890</u>	<u>16,024</u>
Net current liabilities		<u>(8,008)</u>	<u>(13,043)</u>
Total assets less current liabilities		<u>(2,853)</u>	<u>(8,581)</u>
Non-current liabilities			
Bank loans		1,257	2,038
Other loans		1,500	1,500
Obligation under hire purchase contracts		797	508
		<u>3,554</u>	<u>4,046</u>
Total assets less liabilities		<u>(6,407)</u>	<u>(12,627)</u>
Minority Interests		<u>6</u>	<u>-</u>
<b>NET (LIABILITIES)/ASSETS</b>		<u><b>(6,401)</b></u>	<u><b>(12,627)</b></u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	11	24,500	24,500
Reserves	12	(30,901)	(37,127)
		<u><b>(6,401)</b></u>	<u><b>(12,627)</b></u>

## Condensed consolidated cash flow statement

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 April</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash from/(used) in operating activities	<b>3,350</b>	(9,228)
Net cash from/(utilized in) investing activities	<b>(1,498)</b>	2,199
Net cash from/ (used) before financing activities	<b>1,852</b>	(7,029)
Net cash from/(utilized in) financing activities	<b>(647)</b>	9,267
Net increase/(decrease) in cash and cash equivalent	<b>1,205</b>	2,238
Cash and cash equivalents at beginning of period	<b>1,175</b>	(461)
Cash and Cash equivalents at the end of period	<b>2,380</b>	1,777

## Condensed consolidated statement of changes in equity

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 April</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At beginning of the period	<b>(12,627)</b>	(45,607)
Profit/(Loss) for the period	<b>6,226</b>	(4,878)
Issuance of shares, net of issuing expenses	<b>—</b>	19,164
At end of the period	<b>(6,401)</b>	(31,321)

## Notes to the condensed interim accounts

### 1. Basis of preparation

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

The condensed interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The condensed interim accounts should be read in conjunction with the 2003 annual accounts.

The principal accounting policies adopted in the condensed interim financial statements are consistent with those followed in the 2003 annual accounts, except for the following revised SSAP which is effective and has been adopted for the first time in preparation of the current period’s condensed consolidated financial statements:

SSAP 12 (Revised) : “Income taxes”

On the adoption of the SSAP 12 (Revised) “Income taxes”, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In previous years, deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future. Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt. The adoption of the SSAP 12 (Revised) represents a change in accounting policy, which has been applied retrospectively. During the current and prior periods, the Group recognised deferred tax assets to the extent of its deferred tax liabilities arising from any taxable temporary differences in the same period. Accordingly, there is no deferred taxation effect on the results of the Group.

## 2. Turnover

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

(a)

	For the three months ended 30 April		For the six months ended 30 April	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover				
Retails and wholesales of beauty products	403	1,209	803	2,505
Beauty services	<u>12,146</u>	<u>1,033</u>	<u>18,869</u>	<u>3,047</u>
	12,549	2,242	19,672	5,552
Other revenue				
Other	<u>4</u>	<u>1</u>	<u>41</u>	<u>90</u>
Total revenue	<u><u>12,553</u></u>	<u><u>2,243</u></u>	<u><u>19,713</u></u>	<u><u>5,642</u></u>

(b) *Primary reporting format — business segments*

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

	(Unaudited)		
	For the six months ended		
	30 April 2003		
	Retail and wholesales of beauty products <i>HK\$'000</i>	Beauty services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>TURNOVER</b>			
Sales to external customers	<u>2,505</u>	<u>3,047</u>	<u>5,552</u>
<b>LOSS FROM OPERATION</b>			
Segment results	<u>(1,022)</u>	<u>(939)</u>	(1,961)
Unallocated income			90
Unallocated expenses			(2,489)
Interest income			-
Finance costs			<u>(518)</u>
Loss before taxation			(4,878)
Taxation			<u>-</u>
Loss after taxation			<u>(4,878)</u>

(c) *Secondary reporting format-geographical segment*

	(Unaudited)			
	For the six months ended 30 April			
	2004		2003	
	Segment Turnover <i>HK\$'000</i>	Contribution to operating profit <i>HK\$'000</i>	Segment Turnover <i>HK\$'000</i>	Contribution to operating loss <i>HK\$'000</i>
Hong Kong	17,905	6,073	4,163	(4,270)
Macau	1,767	402	1,389	(90)
	<u>19,672</u>	<u>6,475</u>	<u>5,552</u>	<u>(4,360)</u>

### 3. Profit before taxation

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

	For the three months ended 30 April		For the six months ended 30 April	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Crediting:				
Other income	4	1	41	90
Charging:				
Cost of inventories sold excluding provision for slowing-moving inventory for the period)	–	312	–	1,213
Auditors' remuneration Current period	–	–	70	100
Over provision in the previous year	–	–	–	(125)
Depreciation Owned assets	295	230	577	405
Asset held under hire purchase contracts	114	21	228	42
Operating lease rentals in respect of land and buildings	539	554	987	1,129
Exchange Loss	2.1	5	5	70
Interest expenses on borrowings	93	100	193	455
Hire Charge	3	8	8	13
	<u>3</u>	<u>8</u>	<u>8</u>	<u>13</u>

### 4. Taxation

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

### 5. Interim dividend

The directors do not recommend the payment of an interim dividend for the period (2003: HK\$Nil).

## 6. Earnings/(Loss) Per Share

### (a) Basic

The calculation of basic earnings per share for the three months and six months ended 30 April 2004 is based on the profit attributable to shareholders of approximately HK\$4,403,000 and HK\$6,226,000 respectively (loss for the three months and six months ended 30 April 2003: approximately HK\$2,539,000 and HK\$4,878,000 respectively) and on 2,450,000,000 ordinary shares in issue during the period (three months and six months ended 30 April 2003: weighted average number of 2,328,174,765 shares.)

### (b) Diluted

The calculation of diluted earnings/(loss) per share for the three months and six months ended 30 April 2004 is based on the profit attributable to shareholders of approximately HK\$4,403,000 and HK\$6,226,000 respectively (loss for the three months and six months ended 30 April 2003: approximately HK\$2,539,000 and HK\$4,878,000 respectively) and the 2,450,000,000 (2003: 2,336,924,765) ordinary shares in issue during the period plus 12,250,000 (2003: 3,500,000) dilutive shares deemed to have been issued for no consideration under the Pre-IPO share Option Scheme based on the subscription price per share at 50 per cent of the offer price (i.e. HK\$0.044).

## 7. Fixed assets

	As at 30 April 2004 (Unaudited) HK\$'000	As at 31 October 2003 (Audited) HK\$'000
At beginning of the period	4,462	1,496
Additions	1,498	4,204
Disposals	–	(122)
Depreciation charge	(805)	(1,116)
	<u>5,155</u>	<u>4,462</u>

## 8. Due to director

The amount due to a director is unsecured, interest bearing and repayable after May 2005.

## 9. Trade Receivables

Majority of the Group's turnover are cash or credit card sales. The entire balance of trade receivables of the Group was aged within three months as at 30 April 2004 and 31 October 2003.

## 10. Trade Payables

	As at 30 April 2004 (Unaudited) HK\$'000	As at 31 October 2003 (Audited) HK\$'000
Within three months	9	11
Over three months but within six months	44	27
Over six months	417	417
	<u>470</u>	<u>455</u>

## 11. Issued capital

	(Unaudited) As at 30 April 2004		(Audited) As at 31 October 2003	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01	<u>4,000,000,000</u>	<u>40,000</u>	<u>4,000,000,000</u>	<u>40,000</u>

Issue and fully paid (ordinary shares of HK\$0.01 each):

Beginning of the year	2,450,000,000	24,500	350,000,000	3,500
Rights issue	–	–	350,000,000	3,500
Bonus issue	–	–	1,750,000,000	17,500
End of second quarter	<u>2,450,000,000</u>	<u>24,500</u>	<u>2,450,000,000</u>	<u>24,500</u>

## 12. Reserves

*The Group*

	Share Accumulated premium	losses	Capital reserves	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1/11/2003	17,580	(83,034)	28,327	(37,127)
Profit for the half year	–	6,226	–	6,226
At 30/4/2004	<u>17,580</u>	<u>(76,808)</u>	<u>28,327</u>	<u>(30,901)</u>

## 13. Share option schemes

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

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

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

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

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

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

- (c) During the period, 24,500,000 options granted to ICN were under dispute in relation to its validity. In addition, 191,100,000 options have lapsed in accordance with the terms of the Pre-IPO Share Option Scheme and the remaining balance of 29,400,000 options (the holders of which have given irrevocable undertakings not to exercise the options within 10 years from their respective date of grant) have been regarded as unexercisable as at 30 April 2004.

#### 14. Contingent liabilities

Subsequent to the disposal of the two insolvent subsidiaries, Newide International Limited and Jet Legend Limited on 4th May, 2004, the group has only one writ and one claim outstanding totalling HK\$0.03 million.

Apart from the above, the Group and the Company had no other material litigation or contingent liabilities as at 30 April 2004 and up to the date of the approval of the unaudited results of the Group for the six months ended 30 April 2004.

#### 15. Commitments

As at 30 April 2004, the total future minimum lease payments under non-cancelable operating leases are payable as follows:

	<b>As at 30 April 2004 (Unaudited) HK\$'000</b>	<b>As at 31 October 2003 (Audited) HK\$'000</b>
Within one year	2,110	2,371
In the second to fifth years inclusive	2,021	1,188
	<b>4,131</b>	<b>3,559</b>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Business review**

For the six months ended 30 April 2004, turnover of the Group amounted to approximately HK\$19.7 million, representing an increase of approximately 255% as compared with that of the corresponding period in 2003. Profit attributable to shareholders for the six months ended 30 April 2004 was approximately HK\$6.2 million, representing an increase of approximately 227% from that of the corresponding period in 2003.

The Group is principally engaged in direct sales of branded beauty products in Hong Kong and retail sales in Macau of branded products and in the provision of beauty services in Hong Kong and Macau. The beauty products sold by the Group may be broadly divided into three main categories, namely (i) skin-care products; (ii) fragrances and cosmetics; and (iii) hair-care and personal care products and accessories.

At the early months of 2004, we are beginning to see signs of recovery of the global economy as well as the expenditure mode of Hong Kong people. For the half year ended 30 April 2004, the Group has recorded a tremendous growth both in turnover and profit. The Group is still committed to maintaining a high quality of the products and beauty services provided.

### **Retail operations**

In retail operations, the Group is engaged in the sale of various branded beauty and personal care products and in the exclusive distribution of some distinguished product lines for skin care.

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

During the period under review, retail operations accounted for approximately 4% of the Group's total turnover. Turnover from these operations was HK\$803,000 for the same period, representing a decline of approximately 68% from that of last year due to the unfavourable retail market environment.

## **BEAUTY SERVICES OPERATIONS**

The Group's beauty services operations maintained its growth momentum during the period under review. Turnover from this segment amounted to approximately HK\$18.9 million for the six months ended 30 April 2004, a great increase of 519% from that of the same period of last year.

### **Financial review**

The Group is principally engaged in the sale and distribution of beauty and personal care products and in the provision of beauty services. During the period under review, the Group's turnover and gross profit amounted to approximately HK\$19.7 million and HK\$19.3 million respectively, representing an increase of approximately 255% and 346% from those of the same period of the previous year. The substantial increase in turnover was mainly attributed to recovery of the Hong Kong economy.

Comparing with the results in the first quarter, the Group's turnover for the second quarter increased by 76% to approximately HK\$12.5 million.

### **Future plans and prospects**

It is the Group's intention to expand operations both in terms of scale and scope of business in order to achieve a rapid growth. Moreover, the Group aims to become a leading beauty services provider in Hong Kong.

The Board will continue to pursue the business objectives of the Group as stated in the IPO Prospectus. The Group is prepared to advertise more frequently in major newspapers, articles and magazines in relation to the beauty services rendered to customers. The Board of Directors is also considering various methods to attract new customers, including the possibility in engaging celebrity in the media to be the Group's ambassador. The Board believes that the Group will be well poised to benefit from the recovery of Hong Kong economy in both our revenue and profitability. In April 2004, one beauty service centre was set up in Tsimshatsui to attract more customers from the commercial areas. It is expected that a new beauty service centre (mainly serving the males) will be opened before the end of June 2004.

As at 30 April 2004, the Group has been operating four beauty services centers, four retail direct sales centers in Hong Kong and one retail outlet carrying on retail and provision of beauty services business in Macau.

The Group's retail outlet in Macau was closed down on 1 June 2004 due to the murky retail trading environment in Macau.

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

## **Liquidity and financial resources**

As a result of business growth, cash position of the Group has greatly improved. Cash and bank balances as of 30 April 2004 amounted to approximately HK\$2.4 million (31 October 2003: HK\$1.2 million). As of 30 April 2004, the Group had an aggregate amount of outstanding bank loan of approximately HK\$2.9 million (31 October 2003: HK\$3.9 million). The Aggregate trade payables and other borrowings and liabilities as of 30 April 2004 amounted to approximately HK\$18.5 million (31 October 2003: HK\$16.2 million).

The Group's borrowing carry interest rate calculated mainly with reference to being higher of Hong Kong Dollar Prime Rate or Hong Kong Inter-Bank Offered Rate plus 2% per annum to minus 2% per annum of Hong Kong Dollar Prime Rate.

## **Hedging**

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

## **Gearing ratio**

As at 30 April 2004, the directors consider that it is not meaningful to publish a gearing ratio for the Group until such time as the Group is in a positive shareholders' equity position.

## **Future plans for material investments or capital assets**

As at 30 April 2004, the Group had no future plans for material investments or capital assets other than those stated in the "Future plans and prospects" of the previous page.

## **Interim dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 April 2004.

## **Contingent liabilities**

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

## **Employees**

As at 30 April 2004, the Group employs approximately 80 employees in Hong Kong and Macau of which 17 employees for head office, 54 employees for beauty services centers in Hong Kong and 9 employees for retail outlet and beauty services center in Macau. The Company's remuneration packages are generally structured with reference to market terms and individual merit.

## Share option scheme

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

Details of the Scheme of the Company are set out in note 13 to the financial statements.

## Valuation of share option

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

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

As at 30 April 2004, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 the Laws of Hong Kong (“SFO”) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the HKSE, were as follows:

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

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

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

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

<b>Name</b>	<b>Number of adjusted share options granted on 24 September 2001</b>	<b>Cancelled/ Lapsed</b>	<b>Outstanding at 30 April 2004</b>
Ms. Lai Ting Ying, Michael (alias Lai Siu Tin)	24,500,000	24,500,000	-
Mr. Liang Kwong Lim*	24,500,000	24,500,000	-
Ms. Li Ngar Kwan, Aldy*	24,500,000	24,500,000	-

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

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

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

Save as disclosed herein above, as at 30 April 2004, none of the Directors has short positions in shares or underlying shares of equity derivatives.

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

So far as is known to any Director or chief executive of the Company, as at 30 April 2004, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

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

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

*Notes:*

- 1) Ms. Siu York Chee was appointed as an executive Director on 16 June 2003 and then appointed as the chairperson of the Company on 17 September 2003.
- 2) Ms. Lam Yin Ming, Amy acquired these shares of the Company through the Rights Issue which was completed in January 2003. Presently Ms. Lam Yin Ming, Amy does not have management role nor board representation in the Group.
- 3) Best Time Investments Limited is a wholly-owned subsidiary of Wonderful World Holdings Limited, a company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange. Pursuant to Part XV of the SFO, Wonderful World Holdings Limited is taken to be interested in the shares held by Best Time Investments Limited in approximately 26.02% of the Company.
- 4) Mr. Lai Tin Ying, Michael is a non-executive Director of the Company.
- 5) Long River Investments Holdings Limited (formerly known as E-Teck Business Limited) disposed 34,703,773 shares of the Company on 18 November 2003. The remaining number of shares held is 238,494,005 shares representing 9.73% of share holding. The 238,494,005 shares are beneficially owned by and registered in the name of Long River Investments Holdings Limited. All the issued share capital of Long River Investments Holdings Limited is beneficially owned by Ever-Long Asset Management Limited, which is a wholly-owned subsidiary of Ever-Long Holdings Limited. Ever-Long Holdings Limited is a wholly-owned subsidiary of Styland Holding Limited which is a limited liability company incorporated in Bermuda whose shares are listed on the Main Board. Ever-Long Asset Management

Limited, Ever-Long Holdings Limited and Styland Holdings Limited are all taken to be interested in the shares held by Long River Investments Holdings Limited pursuant to Part XV of the SFO.

- 6) Ever-Long Holdings Limited is a wholly owned subsidiary of Styland Holdings Limited. Pursuant to Part XV of the SFO, Styland Holdings Limited is taken to be interest in the shares held by Long River Investments Holdings Limited in aggregate of approximately 9.73% of the Company.

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

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

**AUDIT COMMITTEE**

The Company has formed an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Society of Accountants. The audit committee comprises two independent non-executive Directors, namely Mr. Ko Sin Ming and Mr. Hung Anckes Yau Keung who is also the Chairman of the audit committee of the board of Directors. The Group's unaudited results for the three months ended 30 April 2004 and six months ended 30 April 2004 have been reviewed and duly approved by the audit committee of the Board.

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

None of the members of the Group purchased, sold or redeemed any of the Group's listed securities during the period from 1 November 2003 to 30 April 2004.

**COMPETING INTERESTS**

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

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

Hong Kong, 14 June 2004