



B.A.L.

B.A.L. Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

First Quarterly Report

For the three months ended 31 January 2005

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

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

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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.

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HIGHLIGHTS

- Turnover of the Group for the three months ended 31 January 2005 amounted to approximately HK\$17.2 million, representing an increase of approximately 141 per cent as compared with the same period in the last year.
- Net profit of the Group for the three months ended 31 January 2005 amounted to approximately HK\$0.5 million, representing a decrease of approximately 73 per cent as compared with the same period in the last year.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 January 2005.

FIRST QUARTER RESULTS (UNAUDITED)

The board (the “Board”) of directors of B.A.L. Holdings Limited (the “Company”) would like to report the unaudited consolidated results of the Company and its subsidiaries (together, “the Group”) for the three months ended 31 January 2005, together with the comparative figures for the corresponding period in 2004 as follows:

		Three months ended 31 January	
	<i>Note</i>	2005 HK\$'000	2004 HK\$'000
Turnover	2	17,199	7,123
Cost of sales		<u>(62)</u>	<u>(322)</u>
Gross profit		17,137	6,801
Other revenue	3	<u>16</u>	<u>37</u>
		17,153	6,838
Selling and distribution costs		(13,278)	(3,489)
Administrative expenses		(3,235)	(1,394)
Other operating expenses		-	-
		<u>(16,513)</u>	<u>(4,883)</u>
Profit/(loss) from operations		640	1,955
Finance costs		<u>(63)</u>	<u>(132)</u>
Profit before taxation		577	1,823
Taxation	4	<u>(84)</u>	<u>-</u>
Profit before minority interests		493	1,823
Minority interests		<u>(1)</u>	<u>-</u>
Profit attributable to shareholders		<u>492</u>	<u>1,823</u>
Earnings per share			
– Basic	5(a)	<u><u>0.019 cent</u></u>	<u><u>0.07 cent</u></u>
Earnings per share			
– Diluted	5(b)	<u><u>0.019 cent</u></u>	<u><u>0.07 cent</u></u>

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

	(Unaudited)					
	For the three months ended 31 January					
	Continuing Operations		Discontinuing Operations		Total	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	17,199	6,395	-	728	17,199	7,123
COST OF SALES	(62)	(74)	-	(248)	(62)	(322)
GROSS PROFIT	17,137	6,321	-	480	17,137	6,801
OTHER REVENUE	16	37	-	-	16	37
OTHER EXPENSES						
Selling and distribution costs	(13,278)	(2,984)	-	(505)	(13,278)	(3,489)
Administrative expenses	(3,235)	(1,309)	-	(85)	(3,235)	(1,394)
Other operating expenses	-	-	-	-	-	-
	(16,513)	(4,293)	-	(590)	(16,513)	(4,883)
PROFIT/(LOSS) FROM OPERATIONS	640	2,065	-	(110)	640	1,955
FINANCE COSTS	(63)	(126)	-	(6)	(63)	(132)
PROFIT/(LOSS) BEFORE TAXATION	577	1,939	-	(116)	577	1,823
TAXATION	(84)	-	-	-	(84)	-
PROFIT/BEFORE MINORITY INTEREST	493	1,939	-	(116)	493	1,823
MINORITY INTEREST	(1)	-	-	-	(1)	-
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	492	1,939	-	(116)	492	1,823

Notes:

1. Basis of preparation

The principal accounting policies adopted in preparing the unaudited consolidated results of the Group conform to accounting principles generally accepted in Hong Kong and accounting standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and GEM Listing Rules.

2. Turnover

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

	(Unaudited) Three months ended 31 January	
	2005	2004
	HK\$'000	HK\$'000
(a) Turnover by business segment		
Retails and wholesales of beauty products	159	400
Beauty services	<u>17,040</u>	<u>6,723</u>
Total:	<u><u>17,199</u></u>	<u><u>7,123</u></u>
(b) Turnover by geographical segment		
Hong Kong	17,199	6,395
Macau	<u>-</u>	<u>728</u>
Total:	<u><u>17,199</u></u>	<u><u>7,123</u></u>

3. Other Revenue

Other revenue mainly consists of interest income dividend and sundries income during the period.

4. Taxation

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

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

5. Earnings/(Loss) Per Share

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately HK\$492,000 (2004: HK\$1,823,000) and the weighted average number of 2,591,421,232 (2004: 2,450,000,000) ordinary shares in issue during the period.

(b) Diluted

The calculation of diluted earnings per share is based on the profit attributable to shareholders of approximately HK\$492,000 (2004: HK\$1,823,000) and the weighted average number of 2,591,421,232 (2004: 2,450,000,000) ordinary shares in issue during the year plus the weighted average number of 1,977,374 (2004: 12,250,000) ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options outstanding during the period.

6. Issued capital

	2005		2004	
	No. of shares	HK\$'000	No. of shares	HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each	<u>4,000,000,000</u>	<u>40,000</u>	<u>4,000,000,000</u>	<u>40,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.01 each	<u>2,640,931,884</u>	<u>26,409</u>	<u>2,450,000,000</u>	<u>24,500</u>

7. Reserves

The Group

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1.11.2002				
- as previously reported	19,409	(96,843)	28,327	(49,107)
- prior year adjustment on adoption of SSAP 12 (Revised)	-	125	-	125
	<hr/>	<hr/>	<hr/>	<hr/>
- as restated	19,409	(96,718)	28,327	(48,982)
Premium on issue of rights shares	17,500	-	-	17,500
Share issue expenses	(1,829)	-	-	(1,829)
Capitalisation of share premium	(17,500)	-	-	(17,500)
Profit for the year as restated	-	14,504	-	14,504
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.10.2003	<u>17,580</u>	<u>(82,214)</u>	<u>28,327</u>	<u>(36,307)</u>
At 1.11.2003				
- as previously reported	17,580	(83,034)	28,327	(37,127)
- prior year adjustment on adoption of SSAP 12 (Revised)	-	820	-	820
	<hr/>	<hr/>	<hr/>	<hr/>
- as restated	17,580	(82,214)	28,327	(36,307)
Allotment of shares	1,138	-	-	1,138
Exercise of share option	98	-	-	98
Profit for the year	-	13,961	-	13,961
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.10.2004	<u>18,816</u>	<u>(68,253)</u>	<u>28,327</u>	<u>(21,110)</u>
Exercise of share option	1,509	-	-	1,509
Profit for the period	-	492	-	492
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.1.2005	<u>20,325</u>	<u>(67,761)</u>	<u>28,327</u>	<u>(19,109)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Retail and Direct Sales

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

During the period under review, retail and direct sales operations accounting for approximately 1% of the Group's total turnover. Turnover from these operations was approximately HK\$159,000 for the period, representing a decrease of approximately 60% as compared with the first three months of the previous year.

Beauty Services Operations

Turnover from this segment amounted to approximately HK\$17,040,000 for the first three months ended 31 January 2005, representing approximately 153% increase as compared with the corresponding period in the previous year. The core business of the Group, (beauty services) is still growing and profitable, forming a stable foundation for the business growth in future years.

During the period under review, the Group has been operating five beauty services centers, four direct sales centers and one warehouse in Hong Kong.

Financial Review

Liquidity and financial resources

The Group generally financed its operations with internally generated cash flows. The Group's cash and bank balance as at 31 January 2005 was approximately HK\$1.4 million (2004: HK\$0.73 million). As at 31 January 2005, the Group had outstanding bank loans amounted to approximately HK\$1.1 million (2004: HK\$3.3 million). Aggregate trade payables and other borrowings and liabilities as of 31 January 2005 amounted to approximately HK\$12 million (2004: HK\$15.2 million).

The executive director's (Ms. Siu York Chee) HK\$1 million loan granted to the Company in November 2003, was fully repaid in December 2004.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31 January 2005.

Significant investments

As of 31 January 2005, the Group did not have any significant investments.

Employee

As at the date hereof, the Group employs approximately 159 employees. The Group's remuneration packages are generally structured with reference to market terms and individual merit.

Contingent liabilities

As at 31 January 2005, the Group had no contingent liabilities.

SHARE OPTION SCHEMES

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

During the period, 189,800,000 shares option were granted by the Company under the Scheme and 34,000,000 shares option remain outstanding.

Type of Grantee	Date of grant	Exercise Price per share HK\$	No. of Options granted	Exercise/ Lapsed during the period	Outstanding no. of Options as at 31/1/2005	Exercisable Period
Employees	10/8/2004	0.0250	10,680,000	(1,100,000)	9,580,000	18/2/2005 - 28/2/2006
Employees	08/09/2004	0.0206	73,980,000	(73,980,000)	-	10/9/2004 - 9/3/2006
Directors	08/09/2004	0.0206	49,720,000	(49,720,000)	-	10/9/2004 - 9/3/2006
Employees	12/10/2004	0.0198	24,860,000	(24,860,000)	-	15/10/2004 - 14/4/2006
Employees	14/1/2005	0.0186	28,280,000	(6,140,000)	22,140,000	14/1/2005 - 16/6/2005
Directors	14/1/2005	0.0186	<u>2,280,000</u>	-	2,280,000	20/1/2005 - 19/6/2006
Total :			189,800,000	(155,800,000)	34,000,000	

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

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

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 31st January, 2005, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 the Laws of Hong Kong ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the HKSE, were as follows:

(a) Long positions in the shares of the Company

Name	Type of interest	No. of shares	Approximate percentage of interest
Leung Kwok Kui	Personal	24,860,000	0.94
Ms. Siu York Chee	Personal	224,860,000	8.51
Mr. Lai Tin Ying, Michael (alias Lai Siu Tin)	Personal	7,652,519	0.29

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

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

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

* *Mr. LAI Tin Ying, Michael subsequently agreed to waive and cancel unconditionally and irrevocably the above option in August 2002 given under the Pre-IPO share option scheme on 24 September 2001 before expiration.*

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

Save as disclosed herein above, as at 31st January, 2005, none of the Directors has short positions in shares or underlying shares of equity derivatives.

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

So far as is known to any Director or chief executive of the Company, as at 31st January, 2005, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

(a) Long position in the shares of the Company

Name	Number of Shares	Percentage of Issued Share Capital
Ms. Siu York Chee (<i>Note 1</i>)	224,860,000	8.51
Ms. Lam Yin Ming, Amy (<i>Note 2</i>)	268,974,834	10.18
Mr. Lai Tin Ying, Michael (<i>Note 3</i>)	7,652,519	0.29
Mr. Lam Ying Ming (<i>Note 4</i>)	186,280,000	7.05

Notes:

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

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

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

BOARD PRACTICES AND PROCEDURES

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

AUDIT COMMITTEE

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

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

None of the members of The Group purchased, sold or redeemed any of The Group's listed securities during the period from 1 November 2004 to 31 January 2005.

COMPETING INTERESTS

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

LIST OF DIRECTORS

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

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

Hong Kong, 14 March 2005