



B.A.L.

B.A.L. Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Third Quarterly Report

For the nine months ended 31 July 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.

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 Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

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

HIGHLIGHTS

- Turnover for the nine months ended 31 July 2005 was approximately HK\$76.4 million (2004: HK\$41.4 million) representing an increase of approximately 84.5%, as compared with the corresponding period in 2004.
- A gross profit of HK\$76.2 million (or 99.8% gross profit margin) (2004: HK\$41 million (or 99% gross profit margin)), excluding the provision for slow-moving and obsolete inventories, was achieved.
- Profit for the nine months ended 31 July 2005 was approximately HK\$16.1 million (2004: HK\$11.23 million).
- The Board of Directors (the “Board”) does not recommend the payment of an interim dividend for the nine months ended 31 July 2005.

THIRD QUARTER UNAUDITED RESULTS

The Board of Directors (the "Board") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and nine months ended 31 July 2005, together with the comparative unaudited figures for the corresponding periods in 2004 as follows:-

Consolidated profit and loss account

For the three months and nine months ended 31 July 2005

	Note	(Unaudited) For the three months ended 31 July		(Unaudited) For the nine months ended 31 July	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
TURNOVER	2	37,876	21,767	76,352	41,439
COST OF SALES		(65)	(39)	(181)	(380)
GROSS PROFIT		37,811	21,728	76,171	41,059
OTHER REVENUE		437	-	581	41
OTHER EXPENSES					
Selling and distribution costs		(22,704)	(13,196)	(47,628)	(22,769)
Administrative expenses		(4,129)	(3,153)	(10,483)	(6,477)
Other operating expenses		(509)	(99)	(509)	(99)
		(27,342)	(16,448)	(58,620)	(29,345)
PROFIT FROM OPERATIONS		10,906	5,280	18,132	11,755
FINANCE COSTS		(17)	(120)	(144)	(375)
PROFIT BEFORE TAXATION		10,889	5,160	17,988	11,380
TAXATION	3	(1,250)	-	(1,900)	-
PROFIT AFTER TAXATION		9,639	5,160	16,088	11,380
MINORITY INTERESTS		121	(155)	14	(149)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>9,760</u>	<u>5,005</u>	<u>16,102</u>	<u>11,231</u>
EARNINGS PER SHARE			(Restated)		(Restated)
- BASIC	5(a)	3.2 cents	2.0 cents	5.3 cents	4.6 cents
EARNINGS PER SHARE			(Restated)		(Restated)
- DILUTED	5(b)	<u>3.2 cents</u>	<u>2.0 cents</u>	<u>5.3 cents</u>	<u>4.6 cents</u>

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

	(Unaudited)					
	For the three months ended 31 July					
	Continuing Operations		Discontinuing Operations		Total	
	2005	2004	2005	2004	2005	2004
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
TURNOVER	37,876	21,138	-	629	37,876	21,767
COST OF SALES	(65)	(39)	-	-	(65)	(39)
GROSS PROFIT	37,811	21,099	-	629	37,811	21,728
OTHER REVENUE	437	-	-	-	437	-
OTHER EXPENSES						
Selling and distribution costs	(22,704)	(12,759)	-	(437)	(22,704)	(13,196)
Administrative expenses	(4,120)	(2,621)	(9)	(532)	(4,129)	(3,153)
Other operating expenses	(509)	(44)	-	(55)	(509)	(99)
	(27,333)	(15,424)	(9)	(1,024)	(27,342)	(16,448)
PROFIT/(LOSS) FROM OPERATIONS	10,915	5,675	(9)	(395)	10,906	5,280
FINANCE COSTS	(17)	(109)	-	(11)	(17)	(120)
PROFIT/(LOSS) BEFORE TAXATION	10,898	5,566	(9)	(406)	10,889	5,160
TAXATION	(1,250)	-	-	-	(1,250)	-
PROFIT/(LOSS) AFTER TAXATION	9,648	5,566	(9)	(406)	9,639	5,160

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

	(Unaudited)					
	For the nine months ended 31 July					
	Continuing Operations		Discontinuing Operations		Total	
	2005	2004	2005	2004	2005	2004
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
TURNOVER	76,352	39,043	-	2,396	76,352	41,439
COST OF SALES	(181)	(162)	-	(218)	(181)	(380)
GROSS PROFIT	76,171	38,881	-	2,178	76,171	41,059
OTHER REVENUE	492	41	89	-	581	41
OTHER EXPENSES						
Selling and distribution costs	(47,628)	(21,383)	-	(1,386)	(47,628)	(22,769)
Administrative expenses	(10,463)	(5,746)	(20)	(731)	(10,483)	(6,477)
Other operating expenses	(509)	(44)	-	(55)	(509)	(99)
	(58,600)	(27,173)	(20)	(2,172)	(58,620)	(29,345)
PROFIT/(LOSS) FROM OPERATIONS	18,063	11,749	69	6	18,132	11,755
FINANCE COSTS	(144)	(354)	-	(21)	(144)	(375)
PROFIT/(LOSS) BEFORE TAXATION	17,919	11,395	69	(15)	17,988	11,380
TAXATION	(1,900)	-	-	-	(1,900)	-
PROFIT/(LOSS) AFTER TAXATION	16,019	11,395	69	(15)	16,088	11,380

Notes:

1. Basis of preparation

The principal accounting policies adopted in preparing the unaudited consolidated results conform with accounting principles generally accepted in Hong Kong and accounting standards issued by the Hong Kong Institute of Certified Public Accountants.

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.

(Unaudited)		(Unaudited)	
For the three months ended 31 July		For the nine months ended 31 July	
2005	2004	2005	2004
HK\$'000	HK\$'000	HK\$'000	HK\$'000

(a) Turnover by business segment

Retails and wholesales of				
Beauty products	107	1,149	388	1,952
Beauty services	37,769	20,618	75,964	39,487
	<u>37,876</u>	<u>21,767</u>	<u>76,352</u>	<u>41,439</u>

(b) Turnover by geographical segment

Hong Kong	37,876	21,138	76,352	39,043
Macau	–	629	–	2,396
	<u>37,876</u>	<u>21,767</u>	<u>76,352</u>	<u>41,439</u>

3. 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.

4. Dividend

The directors do not recommend the payment of an interim dividend for the nine months ended 31 July 2005 (2004: HK\$Nil).

5. Earnings Per Share

(a) Basic

The calculation of basic earnings per share for the three months and nine months ended 31 July 2005 is based on the profit attributable to shareholders of approximately HK\$9,760,000 and HK\$16,102,000 respectively (profit for the three months and nine months ended 31 July 2004: approximately HK\$5,005,000 and HK\$11,231,000 respectively) and the weighted average number of 305,270,996 ordinary shares in issue during the period (three months and nine months ended 31 July 2004: 245,019,853 restated shares).

(b) Diluted

The calculation of diluted earnings per share for the three months and nine months ended 31 July 2005 is based on the profit attributable to shareholders of approximately HK\$9,760,000 and HK\$16,102,000 respectively (profit for the three months and nine months ended 31 July 2004: approximately HK\$5,005,000 and HK\$11,231,000 respectively) and the weighted average number of 305,270,996 ordinary shares in issue during the period (2004: 245,019,853 restated shares) plus the weighted average number of 445,593 2004: 1,225,000 (restated) 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

	(Unaudited)		(Audited)	
	As at 31 July 2005		As at 31 October 2004	
	No. of shares	HK\$'000	No. of shares (Restated)	HK\$'000 (Restated)
<i>Authorised:</i>				
Ordinary shares of HK\$0.1	<u>800,000,000</u>	<u>80,000</u>	<u>400,000,000</u>	<u>40,000</u>
<i>Issued and fully paid (ordinary shares of HK\$0.1 each):</i>				
			(Restated)	
Beginning of the year	249,623,188	24,962	245,000,000	24,500
Allotment	48,000,000	4,800	-	-
New issue	104,197,730	10,420	3,623,188	362
Exercise of share option	17,642,000	1,764	1,000,000	100
End of third quarter	<u>419,462,918</u>	<u>41,946</u>	<u>249,623,188</u>	<u>24,962</u>

The following changes in the share capital of the Company took place during the period:

- (1) "With effect from 3 May 2005, every ten (10) ordinary shares of HK\$0.01 each in the issued and unissued share capital of the Company will be consolidated into one (1) share of HK\$0.10 ("the Consolidated Share") and the Consolidated Shares resulting from such share consolidation will rank pari passu in all respects with each other"
- (2) Subsequent to the Company's proposal in April to issue Offer Shares at HK\$0.1 each by way of open offer, payable in full on application, on the basis of one Offer Share for every three shares held on the Record Date, the Company had successfully raised additional capital of HK\$10,419,773 in June by issuing 104,197,730 shares of HK\$0.1 each.

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 1/11/2004	18,816	(68,253)	28,327	(21,110)
Allotment of shares	5,568	-	-	5,568
Exercise of share option	1,769	-	-	1,769
Profit for the period	-	16,102	-	16,102
	<u>26,153</u>	<u>(52,151)</u>	<u>28,327</u>	<u>2,329</u>
At 31/7/2005	<u>26,153</u>	<u>(52,151)</u>	<u>28,327</u>	<u>2,329</u>

8. Discontinuing operations

Although the Group's Macau outlet (operated by the Macau subsidiary) was closed on June 1, 2004 due to the sustained loss and murky market situations, a new Macau outlet, major in body slimming business, was opened in late August 2005 subsequent to the improved business environment in Macau. The Group is confident that the switch of business focus from retailing to body slimming will generate favorable return on the capital employed.

9. Share option schemes

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

During the period, 37,644,000 share options (after share consolidation of every ten (10) ordinary of HK\$0.01 each into one (1) share of HK\$0.10 on 3 May 2005) were granted by the Company under the Scheme and 18,092,000 share options remain outstanding.

Details of share options before the share consolidation:

Type of Grantee	Date of grant	Exercise Price per share <i>HK\$</i>	No. of Options granted	Exercise/ Lapsed during the period	Outstanding no. of Options as at 31/7/2005	Exercisable Period
Employees	8/9/2004	0.0206	73,980,000	(73,980,000)	-	10/9/2004 - 9/3/2006
Directors	8/9/2004	0.0206	49,720,000	(49,720,000)	-	10/9/2004 - 9/3/2006
Employees	12/10/2004	0.0198	<u>24,860,000</u>	<u>(24,860,000)</u>	-	15/10/2004 - 14/4/2006
Total:			148,560,000	(148,560,000)	-	
Sub-total (After share consolidation):			14,856,000	(14,856,000)		

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

Type of Grantee	Date of grant	Exercise Price per share HK\$	No. of Options granted	Exercise/ Lapsed during the period	Outstanding no. of Options as at 31/7/2005	Exercisable Period
Employees	10/8/2004	0.212*	1,068,000*	(1,068,000)	-	18/2/2005 - 28/2/2006
Employees	14/1/2005	0.164*	2,828,000*	(2,828,000)	-	14/1/2005 - 16/6/2006
Directors	14/1/2005	0.164*	228,000*	-	228,000	20/1/2005 - 19/6/2006
Employees	15/2/2005	0.170*	224,000*	-	224,000	18/8/2005 - 7/9/2006
Employees	20/6/2005	0.345	6,000,000	-	6,000,000	22/6/2005 - 21/12/2006
Consultant	27/6/2005	0.373	2,000,000	-	2,000,000	6/7/2005 - 5/7/2007
Employees	5/7/2005	0.372	10,440,000	(800,000)	9,640,000	21/7/2005 - 20/7/2007
Sub-total:			22,788,000	(4,696,000)	18,092,000	
Grand Total:			37,644,000	(19,552,000)	18,092,000	

* After the completion of share consolidation on 3 May 2005 and acceptance of open offer on 21 June 2005, the summary of adjusted exercise price and number of share options are as follows:

Type of Grantee	Original Exercise Price	Original number of share option	Adjusted Exercise Price	Adjusted number of share option
Employees	HK\$0.0250	10,680,000	HK\$0.212	1,068,000
Employees	HK\$0.0186	28,280,000	HK\$0.164	2,828,000
Directors	HK\$0.0186	2,280,000	HK\$0.164	228,000
Employees	HK\$0.0194	2,240,000	HK\$0.170	224,000

- (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 lapsed upon the expiry of the exercise period of a duration of three years from the commencement of the trading of the shares on the GEM.

10. Contingent liabilities

As at 31 July 2005, 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 July 2005 and up to the date of the approval of the unaudited results of the Group for the nine months ended 31 July 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the nine months ended 31 July 2005, turnover of the Group amounted to approximately HK\$76.4 million, representing an increase of approximately 84.5% as compared with that of the corresponding period in 2004. Profit attributable to shareholders for the nine months ended 31 July 2005 was approximately HK\$16.1 million, representing an increase of approximately 43.4% from that of the corresponding period in 2004.

Since Hong Kong has achieved a promising economic growth in 2005, the Group is benefited from carrying out its expansion plans. During the period under review, one beauty service outlet was opened in Whampoa Garden, one nail shop in Causeway Bay, and one beauty professional training centre in Mongkok.

Retail operations

During the period under review, retail operations accounted for approximately 0.5% of the Group's total turnover and the revenue generated was approximately HK\$0.4 million.

BEAUTY SERVICE OPERATIONS

The Group's beauty service operations maintained its growth momentum during the period under review. Turnover from this segment amounted to approximately HK\$76 million for the nine months ended 31 July 2005, representing an increase of 92.4% as compared with the corresponding period last year.

Financial review

During the period under review, the Group's turnover and gross profit amounted to approximately HK\$76.4 million and HK\$76.2 million respectively, representing an increase of approximately 84.5% and 85.5% from those of the same period of the previous year. Profit attributable to shareholders for the nine months ended 31 July 2005 was approximately HK\$16.1 million, representing an increase of approximately 43.4% from that of the corresponding period in 2004.

Comparing with the results in the second quarter, the Group's turnover for the third quarter increased by 78% to approximately HK\$37.9 million.

Future plans and prospects

The Group is aiming at becoming a leading beauty service provider not only in Hong Kong but also in China. In late August, new slimming centres in Shenzhen and Guanzhou were opened for business. At the same time, a new beauty service outlet in Macau (operated by the Macau subsidiary) also commenced its business activities. It is planned that one beauty service outlet will be opened in Wanchai during September and that some other slimming centres will be opened in Shanghai, Beijing and Xian soon.

As at 31 July 2005, the Group has been operating six beauty services and retail direct sales centres, one nail shop, one beauty professional training centre, and one warehouse in Hong Kong.

Liquidity and financial resources

The Group's cash and bank balances as of 31 July 2005 amounted to approximately HK\$30 million (31 October 2004: HK\$4.6 million). As of 31 July 2005, the Group had no more bank loans outstanding (31 October 2004: HK\$1.9 million).

Aggregate trade payables and other borrowings and liabilities as of 31 July 2005 amounted to approximately HK\$18.4 million (31 October 2004: HK\$17.6 million).

Interim dividend

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

Employees

As at 31 July 2005, the Group employed 250 employees in Hong Kong of which 39 employees are for head office. 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.

Details of the Scheme of the Company are set out in note 9 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 31 July, 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	3,300,000	0.79
Ms. Siu York Chee	Personal	36,320,000	8.66
Mr. Lai Tin Ying, Michael (alias Lai Siu Tin)	Personal	765,251	0.18

(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 are as follows:

Name	Number of share options granted (Restated)	Cancelled/ Lapsed	Outstanding at 31st July, 2005
Ms. Siu York Chee	114,000	-	114,000
Mr. Leung Kwok Kui	114,000	-	114,000

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

Save as disclosed herein above, as at 31st July, 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 July, 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>)	36,320,000	8.66
Ms. Lam Yin Ming, Amy (<i>Note 2</i>)	52,480,000	12.51
Mr. Lai Tin Ying, Michael (<i>Note 3</i>)	765,251	0.18
Everproven Limited (<i>Note 4</i>)	64,090,651	15.28

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) Everproven Limited, a substantial shareholder of the Company, is beneficially owned by Mr. Chan Boon Ho.

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

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

COMPLIANCE WITH RULE 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures during the nine months ended 31 July 2005.

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 July 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 September 2005