

*Annual Report*  
**2005**



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

(Incorporated in the Cayman Islands with limited liability)

## **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 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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# Financial Highlights

Quarter results for the year ended 31st October, 2005

	(Unaudited)			
	31 Oct. 05	For the quarter ended		31 Jan. 05
	<i>HK\$'000</i>	31 July 05	30 April 05	<i>HK\$'000</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	25,312	37,876	21,277	17,199
Cost of Sales	(41)	(65)	(54)	(62)
Gross Profit/(loss)	25,271	37,811	21,223	17,137
Other revenue	11,252	437	128	16
	36,523	38,248	21,351	17,153
Operating expenditures	(33,858)	(27,342)	(14,765)	(16,513)
Profit/(loss) from operations	2,665	10,906	6,586	640

	(Unaudited)		(Audited)	
	Three months ended 31 Oct.		Twelve months ended 31 Oct.	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover analysis</b>				
Retails and wholesales of Beauty products	160	914	548	2,866
Beauty service	24,085	24,945	100,049	64,432
Tuition fees of beauty courses	1,067	-	1,067	-
Total turnover	25,312	25,859	101,664	67,298

**Financial summary**

	Results for the year ended		
	31 Oct. 2005 HK\$'000	31 Oct. 2004 HK\$'000	31 Oct. 2003 HK\$'000
Turnover	101,664	67,298	14,640
Profit/(Loss) from operations	20,797	9,642	(6,022)
Net profit for the year	17,619	13,961	14,504
	As at 31 Oct.		
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000
Total assets	71,339	23,379	8,263
Total liabilities	(25,547)	(19,527)	(20,070)
	45,792	3,852	(11,807)

**Notes:**

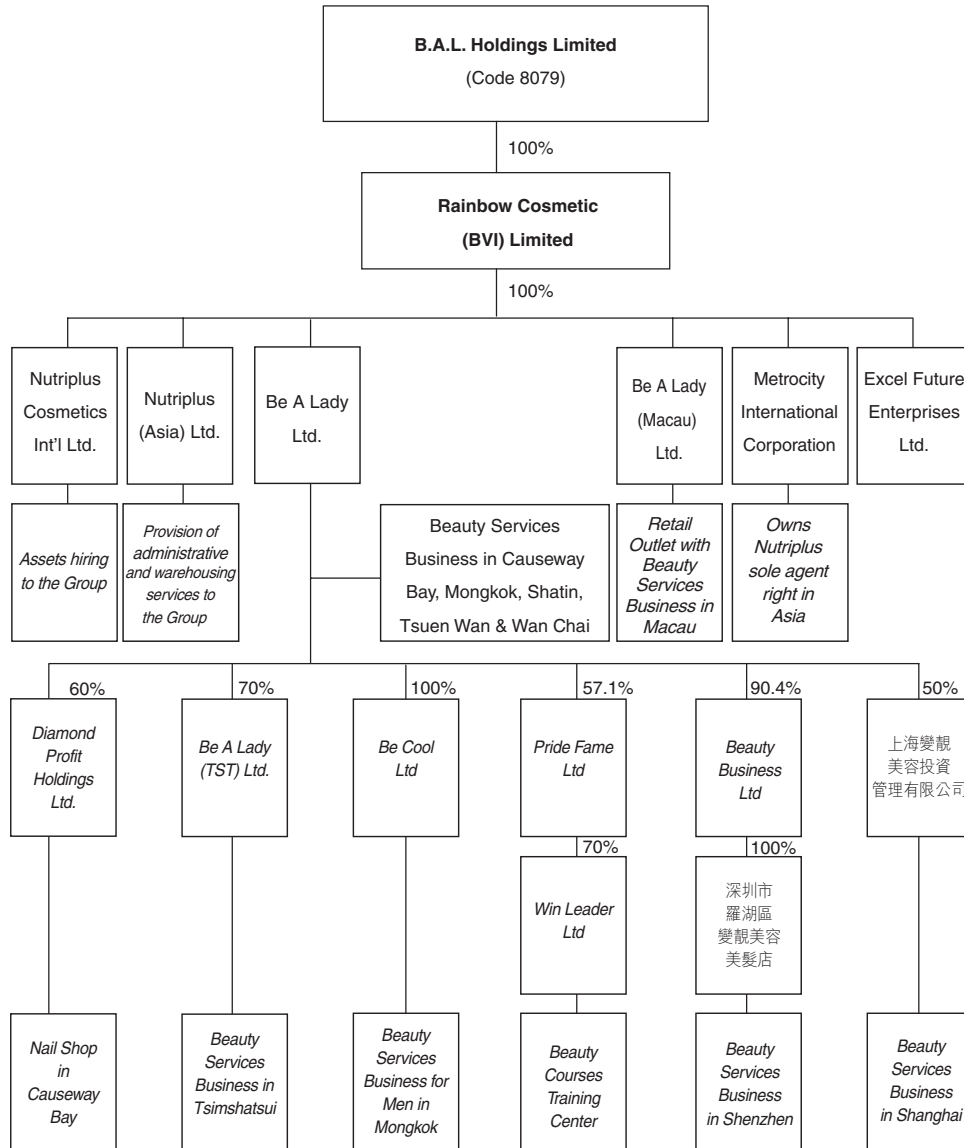
- (1) The Company was incorporated in the Cayman Islands on 6th March, 2001 and became the holding company of the Group with effect from 21st September, 2001.
- (2) The results for the year ended 31st October, 2005 have been extracted from the consolidated income statement as set out on page 21.
- (3) 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 retail direct sales of branded beauty products in Hong Kong and also in the provision of beauty services in Hong Kong, Macau and China.

Currently, the Group has been operating ten beauty services centers/direct sales centers in Hong Kong, Macau and China, one nail shop, one beauty course training centre and one warehouse in Hong Kong.

As at the date hereof, the organization chart of the Group including the operating subsidiaries and non-operating subsidiaries is set out below:—



# Corporate Information

## Directors

### **Executive Directors**

SIU York Chee, Doreen – Chairperson  
LEUNG Kwok Kui

### **Non-executive Director**

LAI Tin Ying, Michael (alias LAI Siu Tin)

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

HUNG Anckes Yau Keung  
KO Sin Ming  
SIU Yim Kwan, Sidney *S.B.St.J.*

### **Company Secretary**

LO Gun Yuen, Raymond, *CPA*

### **Compliance Officer**

SIU York Chee, Doreen

### **Qualified Accountant**

LO Gun Yuen, Raymond, *CPA*

### **Legal Advisers on the Cayman Islands Law**

Maples and Calder Asia

### **Auditors**

Chang Leung Hui & Li C.P.A. Ltd  
Certified Public Accountants  
12th Floor  
3 Lockhart Road, Wanchai  
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**

23rd Floor  
Cigna Tower  
482 Jaffe Road  
Causeway Bay  
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

## 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 31st October, 2005

### REVIEW OF OPERATIONS

In the year 2005, although Hong Kong was benefiting from the global economic recovery, competition on the body slimming business has been keen. Some competitors initiated a price war which subsequently accounted for the heavy trading losses of certain forerunners. Under this adverse trading condition, the Group was still upholding the belief of "Quality service at reasonable price" and achieved significant progress in the operating results. During the financial year, two new beauty service centres in China, two in Hong Kong; one nail shop and one beauty course training centre were established consecutively. Besides, one new beauty service centre in Hunghom was opened under franchised terms with a third party while the other one in Guangzhou, China was opened under the Group's management and brand name for an outsider. Turnover from the provision of beauty service had been increased by approximately 55% to HK\$100 million.

During the period under review, well-designed multi-media advertising and the engagement of artists as the Group's ambassador were proved to be effective in capturing more new customers. I believe this approach will be continued in the coming year.

The Group recorded a consolidated profit of approximately HK\$18 million (an increase of approximately 137% as compared with last year).

### DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the financial year ended 31st October, 2005 (2004: Nil)

### PROSPECTS

Looking forward, the management expects that keen competition will persist for some time until the inferior competitors are finally eliminated. The Group is confident that 2006 will be a prosperous year of good business growth. The planned expansion program in China and Hong Kong will be carried on as scheduled.

### 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, 27th January, 2006



# 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 accounted for approximately 0.5% of the Group's total turnover. Turnover from these operations was approximately HK\$0.5 million for the period, representing a decrease of approximately 81% as compared with the previous financial year.

### *Beauty Services Operations*

The Group's beauty services operations recorded an excellent growth rate during the period under review. Turnover from this segment amounted to approximately HK\$100 million for the year ended 31st October, 2005 representing approximately 55% increase as compared with the previous financial year.

The Macau subsidiary's business, closed on 1st June, 2004, had re-commenced again in September 2005 under the new name of "Be A Lady (Macau) Limited" with emphasis on the provision of beauty service. According to the expansion program of the group, some more new beauty service centres will be opened in both China and Hong Kong during the year 2006.

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 rapid expansion, the Group had invested approximately HK\$9 million on the acquisition of new beauty service equipments during the year.

As at 31st October, 2005, the Group has been operating ten beauty services centers/direct sales centers in Hong Kong, Macau, China; one nail shop, one beauty Course training Centre 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) Ltd.	N/A	Administrative Services to the Group	23rd Floor, Cigna Tower, 482 Jaffe Road, Causeway Bay, Hong Kong	39
2. Be A Lady Ltd.	Mongkok Beauty Services Center with Direct Sales Centre	Beauty Services & Direct Sales	23rd & 25th Floor, Wu Sang House, 655 Nathan Road, Kowloon	32
3. Be A Lady Ltd.	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	30
4. Be A Lady Ltd.	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.	32
5. Be A Lady (TST) Ltd.	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.	24
6. Be Cool Ltd.	Mongkok Beauty Services Centre (Male)	Beauty Services	26/F., Wu Sang House, 655 Nathan Road, Hong Kong	10
7. B.A.L. Holdings Ltd.	N/A	Head office	23rd Floor, Cigna Tower, 482 Jaffe Road, Causeway Bay, Hong Kong	N/A
8. Nutriplus (Asia) Ltd.	Chai Wan Warehouse	Warehouse	Unit 8, 17/F., Chai Wan Industrial City, Phase 1, No. 60, Wing Tai Road, H.K.	N/A
9. Metrocity International Corporation	N/A	Holding of agency right	P.O. Box 3152, Road Town, Tortola, British Virgin Islands	N/A
10. Nutriplus Cosmetics Int'l Ltd.	N/A	Assets hiring to the Group	23rd Floor, Cigna Tower, 482 Jaffe Road, Causeway Bay, Hong Kong	N/A

Operated by	Name	Principal Activities	Location	No. of Employees
11. Be A Lady Ltd.	Tsuen Wan Beauty Services Centre	Beauty Services & Direct Sales	(a) Units 1701-04 & 1707-08, City Landmark 1, Office Tower, 68 Chung On Street, Tseung Wan, N.T. (b) Shop No. 232, City Landmark 1, Office Tower, 68 Chung On Street, Tseung Wan, N.T.	39
12. Be A Lady Ltd.	Wanchai Beauty Services Centre	Beauty Services & Direct Sales	14/F., China Underwriters Centre, 88 Gloucester Road, Wanchai, Hong Kong	15
13. Win Leader Limited	Professional Management Training Centre	Beauty Course Training Centre	4/F., Fee Tat Commercial Ctr, 613 Nathan Road, Kln.	12
14. Diamond Profit Holdings Ltd.	Pretty Nail	Nail Shop	Flat A, 1/F., Prospect Mansion, 66-72 Paterson Street, Causeway Bay, H.K.	14
15. Be A Lady (Macau) Ltd.	Macau Beauty Services Centre	Beauty Services & Direct Sales	10A Nam Fung Commercial Building, Avenida da Praia Grande, No. 517, Macau	21
16. 深圳市羅湖區變靚美容美髮店	Shenzhen Beauty Services Centre	Beauty Services	深圳市羅湖區寶安南路寶豐大廈四樓全層	26
17. 上海變靚美容投資管理有限公司	Shanghai Beauty Services Centre	Beauty Services	上海徐匯區華山路 2018 號 (廣元西路口) 匯銀廣場北樓 8 層	22
Total employees of the Group as at 31st October, 2005				316

## Financial Review

For the year ended 31st October, 2005, the Group's consolidated turnover amounted to approximately HK\$101.7 million, representing an increase of approximately 51%, as compared with the previous financial year.

The Group recorded profit for the financial year ended 31st October, 2005 amounted to approximately HK\$18 million.

The Group's cash, bank balance and time deposits as at 31st October, 2005 was approximately HK\$22.5 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 31st October, 2005, the Group had cash and cash equivalents of approximately HK\$30 million as compared to approximately HK\$10.1 million as at 31st October, 2004.

As at 31st October, 2005 the Group had minority shareholders' loans amounted to approximately HK\$0.8 million. The Group repaid all bank loans during the year.

## Gearing Ratio

As at 31st October, 2005, the Group's gearing ratio, expressed as a percentage of total borrowings, (Comprising amounts due to related companies, minority shareholders' loan, hire purchase contracts) over total assets, was approximately 2%.

## 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 31st October, 2005, the Group did not have any significant investments.

## Future plans for material investments or capital assets

As at 31st October, 2005, the Group had future plans for investments in China.

## Capital Structure

- (1) In April 2005, the authorized share capital of the Company has been increased from HK\$40,000,000.00 to HK\$80,000,000.00 by the creation of 4,000,000,000 new shares of HK\$0.01 each ranking pari passu in all respects with the existing shares of the Company.
- (2) 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".
- (3) 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.

As at 31st October, 2005, share options to subscribe for 17,642,000 shares of the Company were exercised by employees of the Group.

## **Contingent Liabilities**

As at 31st October 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 31st October 2005 and up to the date of the approval of the audited results of the Group for the year ended 31st October 2005.

## **Employees**

As at 31st October, 2005, the Group had 316 (2004: 150 ) full-time employees. The total of employee remuneration, including that of the Directors, for the year ended 31st October, 2005 amounted to HK\$32.50 million (2004: 17.6 million). The Group remunerates its employees based on their performance, experience and the prevailing commercial practice.

## **Share Option Scheme**

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 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 23 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 Senior Management of the Group

### DIRECTORS

#### Executive Directors

**Ms. SIU York Chee, Doreen**, is the executive director since 16th June, 2003 and being the chairperson of the Group since 17th September, 2003. With extensive professional knowledge and many years of experience in the commercial field, Ms. Siu plays a positive role in the re-organizing and development of the Group. Prior to joining the Group, Ms. Siu was one of the founders of Companion Building Material International Holdings Ltd. (Currently known as Dong Fang Gas Holdings Ltd, 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 Ltd on January 2002. Ms. Siu is the wife of Mr. Leung Kwok Kui.

**Mr. LEUNG Kwok Kui**, is the executive director of the Group since 5th 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 Ltd (Currently known as Dong Fang Gas Holdings Ltd, 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 31st January, 2002.

#### Non-executive Director

**Mr. LAI Tin Ying, Michael (alias LAI Siu Tin)**, is a non-executive Director responsible for public relations of the Group and other promotion and marketing activities of the Group. Prior to joining the Group in June 2001, Mr. Lai has approximately 20 years of experience in the public relation and media industry.

#### Independent non-executive Directors

**Mr. HUNG Anckes Yau Keung**, MBA, is a Certified Public Accountant, was appointed as an independent non-executive Director in October 2003. He 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 partner of the Certified Public Accountants firm of KND & Co. He is the Honorary Treasurer of The Overseas CICPA Members Association since the incorporation of the Association, and the committee member of the Institute of Certified Fraud Examiners in Hong Kong. He is also the Visiting Associate Professor of the Research Institute of Economics of the Shenzhen University in China.

**Mr. KO Sin Ming, Sammy**, was appointed as an independent non-executive Director in February 2003. Mr. Ko had been a professional director and producer of television and movie programmes in Asia Television Limited and Television Broadcasts Limited during the period from 1980 to 1992. From 1992, Mr. Ko acted as a producer of various television programmes for media in different countries such as Taiwan, Malaysia and China. Mr. Ko also acted as a consultant of 中體影視製作公司 (Zhong Ti Video Production Company) which is under the control of 中國國家體育總局 (State General Administration of Sport of the PRC).

**Dr. SIU Yim Kwan, Sidney**, is the non-executive director of Wang On Group Ltd, a listed company in Hong Kong since November 1993. He holds a doctorate degree in Management from Pacific Southern University in the United States. Dr. Siu is a director of The Association of The Directors & Former Directors of Pok Oi Hospital Ltd, Bright China Foundation Ltd and Chiu Yang Residents Association of Hong Kong Ltd, those companies are non-profitable association and providing community services in Hong Kong. He is also a director of The Hong Kong Tae Kwon Do Association Ltd, a sport association in Hong Kong. Dr. Siu is also an executive member of a number of charitable organization 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.

## 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 31st October, 2005.

### 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 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 31st October, 2005 is set out in note 4 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 31st October, 2005.

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 31st October, 2005.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st October, 2005 are set out in the consolidated income statement on page 21 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 3.

### FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 11 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 21 and 23, 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 note 22 to the financial statements.



## DONATIONS

During the year, charitable donation of HK\$6,000 was made (2004: Nil).

## 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)  
HUNG Anckes Yau Keung \*\*  
KO Sin Ming \*\*  
SIU Yim Kwan, Sidney\*\* S.B.St.J.

\*\* *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.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting of the Company has entered into any service arrangements with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation other than statutory compensation).

## 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 18,108,041 share options remain outstanding.

Details of share options before the share consolidation:

Type of Grantee	Date of grant	Exercise Price per share HK\$	No. of Options granted	Exercise/ Lapsed during the period	Outstanding no. of Options as at 31/10/2005	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	24,860,000	(24,860,000)	–	15/10/2004 – 14/4/2006
Total:			148,560,000	(148,560,000)	–	
Sub-total (After share consolidation):			14,856,000	(14,856,000)		

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

Type of Grantee	Date of grant	Exercise Price per share HK\$	No. of Options granted	Exercise/ Lapsed during the period	Outstanding no. of Options as at 31/10/2005	Exercisable Period
Employees	10/8/2004	0.025/0.212*	1,068,000*	(1,068,000)	–	18/2/2005 – 28/2/2006
Employees	14/1/2005	0.0186/0.164*	2,828,000*	(2,828,000)	–	14/1/2005 – 16/6/2006
Directors	14/1/2005	0.1657*	228,000*	–	255,908	20/1/2005 – 19/6/2006
Employees	15/2/2005	0.1728*	224,000*	(39,284)	212,133	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	(4,735,284)	18,108,041	
Grand Total:			37,644,000	(19,591,284)	18,108,041	

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

Type of Grantee	Original Exercise Price	Original number of share option	Adjusted Exercise Price	Adjusted number of share option	Outstanding number of share option
Employees	HK\$0.0250	10,680,000	HK\$0.212	1,068,000	–
Employees	HK\$0.0186	28,280,000	HK\$0.164	2,828,000	–
Directors	HK\$0.0186	2,280,000	HK\$0.1657	255,908	255,908
Employees	HK\$0.0194	2,240,000	HK\$0.1728	251,417	212,133

- (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.

## 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, 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 of Hong Kong Limited 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 Stock Exchange of Hong Kong Limited, 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 October, 2005
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 31st October, 2005, none of the Directors has short positions in shares or underlying shares of equity derivatives.

**SUBSTANTIALS SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY**

As at 31 October 2005, so far as is known to any Director or chief executive of the Company, the interest and short position of the persons or corporations in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO 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)	52,680,000	12.56
Everproven Limited (Note 2)	64,090,651	15.28

Notes:

- 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.
- 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.

## 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

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

## SPONSOR'S INTEREST

The Company had no sponsors as at 31st October, 2005.

## 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.

## 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 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 chairman of the audit committee of the board of Directors.

During the financial year ended 31st October, 2005, 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 3 times during the financial year for reviewing the Company's financial reports and monitoring the Company's internal control procedures.

## COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures during the year.

## AUDITORS

During the financial year ended 31st October, 2005, the auditor of the Company was Chang Leung Hui & Li C.P.A. Ltd. who audited the financial statements of the Group for the year ended 31st October, 2005.

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

Hong Kong, 27 January, 2006

# Auditors' Report

CHANG LEUNG HUI & LI C.P.A. LIMITED  
Certified Public Accountants  
12th Floor, No. 3 Lockhart Road  
Wanchai, Hong Kong

## TO THE SHAREHOLDERS OF B.A.L. HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 21 to 52 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group and the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31st October, 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**CHANG LEUNG HUI & LI C.P.A. LIMITED**

*Certified Public Accountants*

**Luk, Sai Yan**

*Practising Certificate Number P01963*

HONG KONG, 27th January, 2006

## CONSOLIDATED INCOME STATEMENT

For the year ended 31st October, 2005

	Note	2005 HK\$'000	2004 HK\$'000
Turnover	4(a)	101,664	67,298
Cost of sales of beauty products		(222)	(384)
		101,442	66,914
Other revenue	4(a)	11,833	477
Servicing, selling and distribution costs		74,534	45,680
Administrative expenses		17,929	11,242
Other operating expenses		15	827
		(92,478)	(57,749)
Profit from operations		20,797	9,642
Gain arising on disposal of subsidiaries	5	–	6,518
Finance costs		(142)	(458)
Profit before taxation	6	20,655	15,702
Taxation	7	(3,696)	(1,669)
Profit before minority interests		16,959	14,033
Minority interests		660	(72)
Profit attributable to shareholders	8	17,619	13,961
Accumulated (losses) brought forward		(68,253)	(82,214)
Accumulated (losses) carried forward		(50,634)	(68,253)
Earnings per share – Basic	9(a)	5.25cents	(restated) 5.67cents
Earnings per share – Diluted	9(b)	5.25cents	(restated) 5.67cents

The notes on pages 26 to 52 form an integral part of these financial statements.

## CONSOLIDATED BALANCE SHEET

As at 31st October, 2005

	Note	2005 HK\$'000	2004 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	11	21,268	8,075
Held-to-maturity investment, listed	12	3,945	–
		25,213	8,075
<b>Current assets</b>			
Investment in securities	14	702	1,386
Prepayments, deposits and other receivables		14,672	3,454
Inventories	15	772	356
Trade receivables	16	7,464	5,477
Cash, bank balances and time deposits	17	22,516	4,631
		46,126	15,304
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Temporary bank overdraft		6	–
Due to a director		–	1,000
Due to related companies		40	1,126
Current portion of bank loans		–	1,416
Current portion of obligations under hire purchase contracts	18	280	1,689
Trade payables	19	417	417
Other payables, receipts in advance and accruals		18,458	11,896
Taxation payable		3,806	728
		(23,007)	(18,272)
<b>Net current assets/(liabilities)</b>		<b>23,119</b>	<b>(2,968)</b>
<b>Total assets less current liabilities</b>		<b>48,332</b>	<b>5,107</b>
<b>Non-current liabilities</b>			
Bank loans		–	466
Loans from minority shareholders		780	–
Obligations under hire purchase contracts	18	197	559
Deferred tax liabilities	20	829	211
		(1,806)	(1,236)
<b>Net assets</b>		<b>46,526</b>	<b>3,871</b>
<b>Minority interests</b>		<b>(734)</b>	<b>(19)</b>
		<b>45,792</b>	<b>3,852</b>
<b>Capital and reserves</b>			
Issued capital	21	41,946	24,962
Reserves	22	3,846	(21,110)
		<b>45,792</b>	<b>3,852</b>

Approved and authorised for issue by the board of directors on 27th January, 2006.

Siu York Chee  
Director

Leung Kwok Kui  
Director

The notes on pages 26 to 52 form an integral part of these financial statements.



# Balance Sheet

As at 31st October, 2005

	Note	2005 HK\$'000	2004 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	13	13,787	(761)
<b>Current assets</b>			
Sundry receivables		3	50
Time deposit and bank balances		7,195	178
		7,198	228
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Due to a director		–	1,000
Current portion of bank loans		–	1,416
Provision for taxation		28	–
Accruals and other payables		267	533
		(295)	(2,949)
<b>Net current assets/(liabilities)</b>		<b>6,903</b>	<b>(2,721)</b>
<b>Non-current liabilities</b>			
Long term portion of bank loans		–	(466)
<b>Net assets/(liabilities)</b>		<b>20,690</b>	<b>(3,948)</b>
<b>Capital and reserves</b>			
Issued capital	21	41,946	24,962
Reserves	22	(21,256)	(28,910)
		20,690	(3,948)

Approved and authorised for issue by the board of directors on 27th January, 2006.

**Siu York Chee**  
Director

**Leung Kwok Kui**  
Director

The notes on pages 26 to 52 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31st October, 2005

## The Group

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1.11.2003	24,500	17,580	(82,214)	28,327	(11,807)
Allotment of shares	362	1,138	–	–	1,500
Exercise of share option	100	98	–	–	198
Profit for the year	–	–	13,961	–	13,961
<b>At 31.10.2004</b>	<b>24,962</b>	<b>18,816</b>	<b>(68,253)</b>	<b>28,327</b>	<b>3,852</b>
At 1.11.2004	24,962	18,816	(68,253)	28,327	3,852
Allotment of shares	15,220	5,568	–	–	20,788
Exercise of share options	1,764	1,769	–	–	3,533
Profit for the year	–	–	17,619	–	17,619
<b>At 31.10.2005</b>	<b>41,946</b>	<b>26,153</b>	<b>(50,634)</b>	<b>28,327</b>	<b>45,792</b>

# Consolidated Cash Flow Statement

For the year ended 31st October, 2005

	2005 HK\$'000	2004 HK\$'000
<b>Operating activities</b>		
Profit before taxation	20,655	15,702
Depreciation	4,296	2,318
Loss on disposal of fixed assets	–	195
Fixed assets written off	–	506
Dividend received	(10)	(3)
Loss/(gain) on disposal of securities	11	(33)
Holding loss/(gain) on listed investments	70	(57)
Interest received	(287)	–
Interest expenses	142	337
Allowances for bad debts	–	97
Gain arising on disposal of subsidiaries	–	(6,518)
Recognition of negative goodwill arising from acquisition of a subsidiary	(483)	–
<b>Operating cash flow before movements in working capital</b>	<b>24,394</b>	<b>12,544</b>
<b>(Increase)/decrease in:</b>		
Prepayments, deposits and other receivables	(11,218)	(2,319)
Inventories	(416)	260
Trade receivables	(1,987)	(5,519)
<b>Increase/(decrease) in:</b>		
Trade payables	–	(38)
Due to related companies	(1,086)	1,126
Other payables, receipts in advance and accruals	6,562	5,711
Due to a director	(1,000)	922
<b>Cash generated from operations</b>	<b>15,249</b>	<b>12,687</b>
Interest paid	(142)	(337)
Interest received	287	–
<b>Net cash generated from operating activities</b>	<b>15,394</b>	<b>12,350</b>
<b>Investing activities</b>		
Investment in securities	(9,479)	(1,329)
Disposal of subsidiaries ( <i>note 5</i> )	–	(4)
Dividend received	10	3
Dividend paid to minority shareholder	(75)	(53)
Payments for purchase of fixed assets	(17,491)	(6,758)
Proceeds from sales of fixed assets	2	126
Proceeds from disposal of securities	6,137	33
Negative goodwill arising from acquisition of a subsidiary	483	–
<b>Net cash (used in) investing activities</b>	<b>(20,413)</b>	<b>(7,982)</b>
<b>Financing</b>		
Proceeds from issue of shares, net of expenses	24,321	1,698
Capital contributed by minority shareholders	1,450	–
Loans from minority shareholders	780	–
Repayment of short term loans	–	(1,500)
Repayment of bank loans	(1,882)	(1,991)
Capital element of hire purchase contracts paid	(2,346)	(1,520)
Hire purchase loans obtained	575	2,401
<b>Net cash generated from/(used in) financing</b>	<b>22,898</b>	<b>(912)</b>
<b>Increase in cash and cash equivalents</b>	<b>17,879</b>	<b>3,456</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>4,631</b>	<b>1,175</b>
<b>Cash and cash equivalents at end of year</b>	<b>22,510</b>	<b>4,631</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash, bank balances and time deposits	22,516	4,631
Temporary bank overdraft	(6)	–
	<b>22,510</b>	<b>4,631</b>

# Notes to the Financial Statements

For the year ended 31st October, 2005

## 1. General

The Company was incorporated in the Cayman Islands on 6th March, 2001 as an exempted company with limited liabilities under the Companies Law (Revised) of the Cayman Islands.

During the year, the Group was engaged in provision of beauty services, beauty courses, retailing and wholesaling of beauty products and investment holding.

The Group financial statements include the financial statements of the Company and its subsidiaries made up to 31st October. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

## 2. Potential impact arising from the recently issued accounting standards

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005.

The Group has not early adopted the new HKFRSs in the financial statements for the year ended 31st October, 2005, except as disclosed below, and is in the process of assessing the impact of these HKFRSs on future accounting periods.

As permitted under the new HKFRSs, the Group has chosen to adopt HKFRS No. 3 Business Combinations as of 1st November, 2004. Its impact on the Group has been dealt with in the respective accounting policy below.

## 3. Principal accounting policies

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong issued by HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM. The financial statements are prepared under the historical cost convention. Principal accounting policies adopted are summarised below:

### (a) Revenue recognition

- i) Revenue from operation of beauty centres is recognised when services are rendered. Payments received that are related to services not yet rendered are deferred and shown as receipts in advance.
- ii) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.
- iii) Dividend income from investment is recognised upon the receipt of such dividend.
- iv) Rental income is recognised in the period during which the properties are let out.
- v) Tuition fee income is recognised when beauty courses are provided.
- vi) Management/franchisee fee income is recognised when services are rendered.

### 3. Principal accounting policies (Continued)

#### (b) Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowings of funds. All borrowing costs are charged to the income statement in the year in which they are incurred.

#### (c) Goodwill

Positive goodwill arising on acquisition of subsidiary companies, jointly controlled entities and associated companies represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

- for acquisitions before 1st January, 2001, positive goodwill is recognised as a deduction from equity in the year of acquisition or amortised over a period no longer than its useful life to the Group.
- for acquisitions on or after 1st January, 2001, positive goodwill is amortised on a straight line basis over its estimated useful life not exceeding 20 years.
- since 1st January, 2004, amortisation of positive goodwill has been discontinued and the positive goodwill previously recognised as a deduction from equity will not be recognised in income statement when all or part of the business to which the positive goodwill relates is disposed or when a cash-generating unit to which the positive goodwill relates becomes impaired. Positive goodwill will be stated in the consolidated balance sheet as a separate asset or included within jointly controlled entities and associated companies at cost less accumulated impairment losses and subject to impairment testing at least annually.

Negative goodwill arising on acquisition of subsidiary companies, jointly controlled entities and associated companies represents the excess of the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired over the cost of the acquisition.

- for acquisitions before 1st January, 2001, negative goodwill is credited to the capital reserve.
- for acquisitions on or after 1st January, 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable or amortisable except that negative goodwill representing discount on acquisition of investment properties is carried in the consolidated balance sheet for setting off valuation deficit in future. Negative goodwill in excess of the fair value of the non-monetary assets acquired is recognised immediately in the consolidated income statement.
- for acquisitions after 1st January, 2004, negative goodwill is recognised in income statement immediately on acquisition.

### 3. Principal accounting policies *(Continued)*

#### (d) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after furniture and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally recognised in the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed assets, the expenditure is capitalised as an additional cost of the fixed assets.

Depreciation is provided on the straight-line basis to write off the cost of each asset over its expected useful life. The annual rates of depreciation are as follows:

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

The depreciation method and useful life are reviewed periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of economic benefits from the fixed assets.

When assets are sold or retired, their cost and accumulated depreciation and accumulated impairment losses are eliminated from the financial statements and any gain or loss resulting from their disposals is included in the income statement.

#### (e) Assets under leases

Leases that substantially transfer to the company all the rewards and risks of ownership of assets are accounted for as hire purchase contracts. At the inception of a hire purchase contract, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the income statement over the periods of the leases so as to produce an approximately constant periodic rate of charge on the remaining balances of the obligation for each accounting period.

Assets held under hire purchase contracts are depreciated over the shorter of the lease terms and their estimated useful life on the same basis as owned assets.

### 3. Principal accounting policies *(Continued)*

#### (f) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised of an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation or amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for the revalued asset.

#### (g) Leases

##### (i) *Finance leases*

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance leases, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful life of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful life.

##### (ii) *Operating leases*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

### 3. Principal accounting policies (Continued)

#### (h) Employee benefits

##### *Retirement benefits scheme*

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. The MPF Scheme has operated since 1st December, 2000. 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 Schemes. 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.

Contributions made are based on a percentage of the eligible employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the scheme. The Group's employer contributions vest fully once made.

##### *Share option scheme*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

#### (i) Subsidiaries

A subsidiary is a company in which the company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board.

Investments in subsidiaries in the balance sheet are stated at cost less provision, if necessary, for any impairment loss. The results of subsidiaries are accounted to the extent of dividends received and receivable.



### 3. Principal accounting policies (Continued)

#### (j) Investments in securities

Investments in securities are classified as follows:

##### (i) *Held-to-maturity investments*

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.

##### (ii) *Short term investments*

Short term investments are investments 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.

#### (k) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

#### (l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on a first-in, first-out basis, comprises all costs of purchases, costs of conversion and the other costs incurred in bringing the inventories to their present location of condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### (m) Trade receivables

Provision is made against trade receivables to the extent that they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

#### (n) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which are within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfil the above criteria.

### 3. Principal accounting policies *(Continued)*

#### (o) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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 the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. 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.

#### (p) Translation of foreign currencies

Transactions in foreign currencies during the year are converted at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

The balance sheet of subsidiary expressed in foreign currencies is translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

#### (q) Segment reporting

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

Segment assets consist primarily of fixed assets, inventories, receivables, deposits, prepayments and operating cash and mainly exclude investments. Segment liabilities comprise operating and exclude items such as taxation and certain borrowings. Capital expenditure comprises additions to fixed assets.

#### 4. Turnover, revenue and segment information

- (a) Turnover represents the invoiced value of services income generated from the provision of beauty services, beauty courses and beauty products sold less discounts and sales returns.

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
<b>Turnover</b>		
Beauty services	100,049	64,432
Tuition fees of beauty courses	1,067	–
Retails and wholesales of beauty products	548	2,866
	<b>101,664</b>	<b>67,298</b>
<b>Other revenue</b>		
Management/franchisee fee income	1,098	–
Refund of commission expenses	7,679	–
Interest income	287	–
Rental income	557	270
Amounts due to related companies written back	1,086	–
Recognition of negative goodwill arising from acquisition of a subsidiary	483	–
Dividend income from listed investments	10	3
Holding (loss)/gain of investment in securities	(70)	58
(Loss)/gain on disposal of investment in securities	(11)	33
Sundry income	714	113
	<b>11,833</b>	<b>477</b>
<b>Total revenue</b>	<b>113,497</b>	<b>67,775</b>

#### 4. Turnover, revenue and segment information (Continued)

##### (b) Primary reporting format – business segments

	Beauty services HK\$'000	Retail and wholesales of beauty products HK\$'000	Beauty courses HK\$'000	2005 Total HK\$'000
<b>Turnover</b>	100,049	548	1,067	101,664
<b>Profit from operations</b>				
Segment results	17,230	60	(315)	16,975
Unallocated income				3,867
Unallocated expenses				(332)
Interest income				287
				3,822
				20,797
Finance costs				(142)
Profit before taxation				20,655
Taxation				(3,696)
Profit after taxation				16,959
<b>Other information</b>				
Segment assets	69,917	384	1,038	71,339
Segment liabilities	22,502	134	1,527	24,163
Unallocated liabilities				650
Total liabilities				24,813
Capital expenditure	17,152	94	245	17,491
Depreciation	4,239	22	35	4,296

#### 4. Turnover, revenue and segment information (Continued)

##### (b) Primary reporting format – business segments (Continued)

	Continuing operations		Discontinued operation		2004 Total HK\$'000
	Beauty services HK\$'000	Retail and wholesales of beauty products HK\$'000	Sub-total HK\$'000	Retail and wholesales of beauty products HK\$'000	
<b>Turnover</b>	64,432	373	64,805	2,493	67,298
<b>Profit from operations</b>					
Segment results	9,561	54	9,615	573	10,188
Unallocated income			424	53	477
Unallocated expenses			(462)	(561)	(1,023)
			(38)	(508)	(546)
			9,577	65	9,642
Gain arising on disposal of subsidiaries			6,518	–	6,518
Finance costs			(437)	(21)	(458)
Profit before taxation			15,658	44	15,702
Taxation			(1,669)	–	(1,669)
Profit before minority interests			13,989	44	14,033
<b>Other information</b>					
Segment assets	23,175	137	23,312	67	23,379
Segment liabilities	18,410	101	18,511	686	19,197
Unallocated liabilities			311	–	311
Total liabilities			18,822	686	19,508
Capital expenditure	6,681	40	6,721	37	6,758
Depreciation	2,164	12	2,176	142	2,318

#### 4. Turnover, revenue and segment information (Continued)

##### (c) Secondary reporting format – geographical segment

	Year ended 31st October,			
	2005		2004	
	Segment revenue HK\$'000	Contribution to operating profit/(loss) HK\$'000	Segment revenue HK\$'000	Contribution to operating profit/(loss) HK\$'000
<b>Continuing operations</b>				
Hong Kong	99,711	18,119	64,805	9,615
China	472	(1,428)	–	–
Macau	1,481	284	–	–
Unallocated	–	3,822	–	(546)
	<b>101,664</b>	<b>20,797</b>	<b>64,805</b>	<b>9,069</b>
<b>Discontinued operation</b>				
Macau	–	–	2,493	573
	<b>101,664</b>	<b>20,797</b>	<b>67,298</b>	<b>9,642</b>

An analysis of the carrying amount of segment assets and additions to fixed assets by geographical area is as follows:

	Year ended 31st October,			
	2005		2004	
	Carrying amount of segment assets HK\$'000	Capital expenditure HK\$'000	Carrying amount of segment assets HK\$'000	Capital expenditure HK\$'000
<b>Continuing operations</b>				
Hong Kong	63,329	11,341	23,312	6,721
China	5,397	4,260	–	–
Macau	2,613	1,890	–	–
	<b>71,339</b>	<b>17,491</b>	<b>23,312</b>	<b>6,721</b>
<b>Discontinued operation</b>				
Macau	–	–	67	37
	<b>71,339</b>	<b>17,491</b>	<b>23,379</b>	<b>6,758</b>

## 5. Gain arising on disposal of subsidiaries

The net assets/(liabilities) of the subsidiaries at the date of disposal were as follows:

	<b>Newide International Limited</b> <i>HK\$'000</i>	<b>Jet Legend Limited</b> <i>HK\$'000</i>	<b>2004 Total</b> <i>HK\$'000</i>
<b>Net assets/(liabilities) disposed of</b>			
Current account with group companies	134	992	1,126
Cash and bank balances	–	4	4
Tax payable	–	(433)	(433)
Creditors and accruals	(5,785)	(1,430)	(7,215)
	(5,651)	(867)	(6,518)
Resulting gain	5,651	867	6,518
	–	–	–
<b>Net cash outflow arising on disposal</b>			
Cash and bank balances	–	(4)	(4)

## 6. Profit before taxation

	2005 HK\$'000	2004 HK\$'000
Group profit before taxation is stated after crediting and charging the following:		
Crediting:		
Dividend income from listed investments	10	3
Gain arising on disposal of subsidiaries ( <i>note 5</i> )	–	6,518
Rental income	557	270
Management/franchisee fee income	1,098	–
Refund of commission expenses	7,679	–
Charging:		
Auditors' remuneration		
Current year	225	321
Less: Overprovision in prior year	13	–
	212	321
Cost of inventories sold (excluding written back/provision for slow-moving inventory for the year)	222	384
Staff costs (excluding directors' remuneration)		
– Basic salaries and allowances	30,489	15,829
– Pension scheme contribution	1,235	1,085
Borrowing costs		
– Interest on bank advances and other borrowings wholly repayable within five years	142	458
Depreciation		
– Owned assets	4,296	1,725
– Assets held under hire purchase contracts	–	593
Operating lease rentals in respect of land and buildings	6,869	2,700
Loss on disposal of fixed assets	–	195
Fixed assets written off	–	506
Commissions paid	9,238	9,767



## 7. Taxation

### The Group

Hong Kong profits tax has been provided for at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries/cities in which the Group operates.

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Hong Kong profits tax		
– current	3,164	638
Overseas taxation		
– current	3	–
– over-provision in prior years	(89)	–
	3,078	638
Deferred taxation		
– current	498	1,031
– under-provision in prior years	120	–
	618	1,031
<b>Total income tax expenses</b>	<b>3,696</b>	<b>1,669</b>

Reconciliation between tax expenses and accounting profit at applicable tax rate is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>20,655</b>	<b>15,702</b>
Tax calculated at 17.5% (2004 – 17.5%), the standard profits tax rate in Hong Kong	3,615	2,748
Effect of different tax rates in other cities	93	–
Tax effect of non-taxable income	(267)	(1,149)
Tax effect of non-deductible expenses	60	70
Tax effect of prior years' tax losses utilised in current year	(20)	–
Tax effect of tax loss unrecognised for the year	183	–
Tax effect of unrecognised deferred tax items	1	–
Underprovision in prior years	31	–
<b>Actual tax expenses</b>	<b>3,696</b>	<b>1,669</b>

## 8. Profit attributable to shareholders

The profit attributable to shareholders includes a profit of approximately HK\$317,000 (2004: HK\$1,223,000) which has been dealt with in the financial statements of the holding company.

## 9. Earnings per share

### (a) Basic

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately HK\$17,619,000 (2004: HK\$13,961,000) and the weighted average number of 335,473,730 (2004: 246,052,427 (restated)) ordinary shares in issue during the year.

### (b) Diluted

The calculation of diluted earnings per share is based on the profit attributable to shareholders of approximately HK\$17,619,000 (2004: HK\$13,961,000) and the weighted average number of 335,473,730 (2004: 246,052,427 (restated)) ordinary shares in issue during the year plus the weighted average number of 125,308 (2004: 225,158 (restated)) ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options outstanding during the year.

## 10. Directors' and senior management's emoluments

(a) The emoluments of the Company directors disclosed pursuant to Section 161 of the Companies Ordinance are as follows:

	2005 HK\$'000	2004 HK\$'000
Fees	100	20
Other emoluments		
– Basic salaries, allowances and benefits in kind	1,252	937
– Pension scheme contribution	24	21
	<b>1,376</b>	<b>978</b>

The number of directors whose emoluments fell within the following bands:

	2005	2004
Executive directors		
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	–	–
Non-executive and independent non-executive directors		
Nil to HK\$1,000,000	4	3

During the year ended 31st October, 2005, the two executive directors received individual emoluments of approximately HK\$650,000 and HK\$390,000 respectively. Two of the independent non-executive directors received directors' fees of HK\$50,000 each.

During the year ended 31st October, 2004, the two executive directors received individual emoluments of approximately HK\$707,000 and HK\$230,000 respectively. One of the independent non-executive directors received director's fee of HK\$20,000.

No directors have waived any emoluments during the year. No payment as inducement to join or upon joining the Group or as compensation for loss of office was paid or is payable to any directors.

## 10. Directors' and senior management's emoluments (Continued)

(b) Details of emoluments paid to the five highest paid individuals (including directors and other employees) are as follows:

	2005 HK\$'000	2004 HK\$'000
Basic salaries, allowances and benefits in kind	2,199	1,164
Pension scheme contribution	60	47
	<b>2,259</b>	<b>1,211</b>

Of the five highest paid individuals, two (2004: two) are directors whose emoluments are disclosed in note 10(a) above.

The number of the five highest paid individuals (including directors and other employees) whose emoluments fall within the following bands are:

	2005	2004
<i>Directors</i>		
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	-	-
<i>Other employees</i>		
Nil to HK\$1,000,000	3	3

## 11. Fixed assets

### The Group

	Leasehold improvements <i>HK\$'000</i>	Equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>					
At 1.11.2004	3,815	7,346	283	–	11,444
Additions	7,652	9,160	365	314	17,491
Disposals	–	(2)	–	–	(2)
<b>At 31.10.2005</b>	<b>11,467</b>	<b>16,504</b>	<b>648</b>	<b>314</b>	<b>28,933</b>
<b>Accumulated depreciation</b>					
At 1.11.2004	1,606	1,651	112	–	3,369
Charge for the year	2,113	2,038	87	58	4,296
<b>At 31.10.2005</b>	<b>3,719</b>	<b>3,689</b>	<b>199</b>	<b>58</b>	<b>7,665</b>
<b>Net book value</b>					
<b>At 31.10.2005</b>	<b>7,748</b>	<b>12,815</b>	<b>449</b>	<b>256</b>	<b>21,268</b>
At 31.10.2004	2,209	5,695	171	–	8,075

*Note:* The net book value of assets held for use under hire purchase contracts as at the balance sheet date and the related depreciation charge for the year are nil (2004: HK\$3,617,000 and HK\$593,000 respectively).

## 12. Held-to-maturity investment, listed

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
<b>The Group</b>		
Held-to-maturity debt security, at amortised cost		
Listed outside Hong Kong	3,945	–

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

### 13. Investment in subsidiaries

#### The Company

	2005 HK\$'000	2004 HK\$'000
Investments at costs:		
– Unlisted shares	1,097	1,097
Due from subsidiaries	20,114	6,087
Provision for doubtful debts	(4,386)	(4,386)
Due to subsidiaries	(3,038)	(3,559)
	<b>13,787</b>	<b>(761)</b>

Notes:

- (a) The amounts due from/(to) subsidiaries are unsecured and interest free.
- (b) The following is a list of the subsidiaries as at 31st October, 2005:

Name of subsidiaries	Place of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Rainbow Cosmetic (BVI) Limited	British Virgin Islands	US\$50,000	100%	–	Investment holding
Nutriplus Cosmetics International Limited	Hong Kong	HK\$100	–	100%	Leasing of fixed assets
Be A Lady Limited	Hong Kong	HK\$10,000	–	100%	Operation of beauty centres
Be A Lady (Macau) Limited (formerly Rainbow HK Cosmetic Company 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	–	70%	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
Metrocity International Corporation	British Virgin Islands	US\$50,000	–	100%	Own Nutriplus sole agent right in Asia

### 13. Investment in subsidiaries (Continued)

(b) The following is a list of the subsidiaries as at 31st October, 2005: (Continued)

Name of subsidiaries	Place of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Excel Future Enterprises Limited	Hong Kong	HK\$2	–	100%	Dormant
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 Island	US\$100	–	60%	Operation of a beauty centre
上海變靚美容投資管理有限公司	China	RMB3,000,000	–	50%	Operation of a beauty centre
深圳市羅湖區變靚美容美髮店	China	– (#)	–	90.4%	Operation of a beauty centre

# During the year, the Company's subsidiary, Beauty Business Limited, has entered into an agreement to acquire the operation of a beauty centre in Shenzhen, China. On acquisition of the operation, the Group has appointed an "operator" (經營者) to set up an "individually owned store" (個體工商戶), 深圳市羅湖區變靚美容美髮店, to hold and operate the beauty centre of the same name. Such individually owned store does not have a share capital. The Group is planning to incorporate a limited company in replacement of this individually owned store.

### 14. Investment in securities

#### The Group

	2005 HK\$'000	2004 HK\$'000
Shares listed in Hong Kong, at market value	702	1,386

### 15. Inventories

#### The Group

	2005 HK\$'000	2004 HK\$'000
Merchandise for sale	293	356
Consumable store	479	–
	772	356

## 16. Trade receivables

The ageing analysis of trade receivables is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
<b>The Group</b>		
Within three months	5,849	5,070
Over three months but within six months	567	395
Over six months	1,048	12
	<hr/> 7,464	<hr/> 5,477

## 17. Cash, bank balances and time deposits

### The Group

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Time deposits	13,901	–
Cash and bank balances	8,615	4,631
	<hr/> 22,516	<hr/> 4,631

### The Company

Time deposit	7,088	–
Bank balances	107	178
	<hr/> 7,195	<hr/> 178

## 18. Obligations under hire purchase contracts

### The Group

At 31st October, 2005, the Group's obligations under hire purchase contracts were as follows:

	Minimum hire purchase payments		Present value of minimum hire purchase payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Amount repayable				
– within one year	304	1,769	280	1,689
– in the second year	203	594	197	559
– in the third to fifth year inclusive	–	–	–	–
Total minimum hire purchase payments	507	2,363	477	2,248
Less: Future hire purchase charges	(30)	(115)		
Total net future hire purchase payables	477	2,248		
Less: Portion classified as current liabilities	(280)	(1,689)		
Long term portion	197	559		

## 19. Trade payables

The ageing analysis of trade payables is as follows:

	2005 HK\$'000	2004 HK\$'000
<b>The Group</b>		
Within three months	–	–
Over three months but within six months	–	–
Over six months	417	417
	417	417



## 20. Deferred tax liabilities

### The Group

The movements in deferred tax (liabilities)/assets during the year are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>	Losses available for offset against future taxable profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Deferred tax (liabilities)/assets arising from:			
At 1st November, 2003	(118)	938	820
Charged to income statement (note 7)	(156)	(875)	(1,031)
At 31st October, 2004	(274)	63	(211)
At 1st November, 2004	(274)	63	(211)
Charged to income statement (note 7)	(569)	(49)	(618)
<b>At 31st October, 2005</b>	<b>(843)</b>	<b>14</b>	<b>(829)</b>

The Group had tax losses and deductible temporary difference arising from excess of depreciation over tax allowances in Hong Kong of approximately HK\$1,236,000 (2004: HK\$50,000) and HK\$629,000 (2004: nil) respectively as at 31st October, 2005 that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets of approximately HK\$216,000 (2004: HK\$9,000) and HK\$110,000 (2004: nil) respectively have not been recognised in respect of these losses and temporary difference as they have arisen in subsidiaries that have been loss-making for some time.

## 21. Issued capital

	2005		2004	
	No. of shares	<i>HK\$'000</i>	No. of shares (restated)	<i>HK\$'000</i>
<b>Authorised:</b>				
Ordinary shares of HK\$0.1 each	800,000,000	80,000	400,000,000	40,000
<b>Issued and fully paid (ordinary shares of HK\$0.1 each):</b>				
			(restated)	
Beginning of the year	249,623,188	24,962	245,000,000	24,500
Allotment	152,197,730	15,220	3,623,188	362
Exercise of share options	17,642,000	1,764	1,000,000	100
End of the year	419,462,918	41,946	249,623,188	24,962

Changes in the issued share capital of the Company during the year were as follows:

In January 2005, the Company entered into a conditional subscription agreement supplemented by a supplemental agreement with Everproven Limited. Pursuant to the agreements, 480,000,000 shares were issued in February 2005 at a price of HK\$0.0216 per share to Everproven Limited.

With effect from 3rd May, 2005, every ten (10) ordinary shares of HK\$0.01 each in the issued and unissued share capital of the Company have been consolidated into one (1) share of HK\$0.10 ("the Consolidated Share") and the Consolidated Shares resulting from such share consolidation rank pari passu in all respects with the other shares.

## 21. Issued capital (Continued)

Subsequent to the Company's proposal in April 2005 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, the Company has raised additional capital of HK\$10,419,773 in June by the issue of 104,197,730 shares of HK\$0.1 each.

During the year, share options were exercised to subscribe for 17,642,000 shares for total cash consideration of approximately HK\$3,533,000.

The premium totalling approximately HK\$7,337,000 arising from the above subscription and exercise of share options has been credited directly to the share premium account.

## 22. 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 1.11.2003	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
<b>At 31.10.2004</b>	<b>18,816</b>	<b>(68,253)</b>	<b>28,327</b>	<b>(21,110)</b>
At 1.11.2004	18,816	(68,253)	28,327	(21,110)
Allotment of shares	5,568	–	–	5,568
Exercise of share options	1,769	–	–	1,769
Profit for the year	–	17,619	–	17,619
<b>At 31.10.2005</b>	<b>26,153</b>	<b>(50,634)</b>	<b>28,327</b>	<b>3,846</b>

### The Company

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1.11.2003	17,580	(48,949)	(31,369)
Allotment of shares	1,138	–	1,138
Exercise of share option	98	–	98
Profit for the year	–	1,223	1,223
<b>At 31.10.2004</b>	<b>18,816</b>	<b>(47,726)</b>	<b>(28,910)</b>
At 1.11.2004	18,816	(47,726)	(28,910)
Allotment of shares	5,568	–	5,568
Exercise of share options	1,769	–	1,769
Profit for the year	–	317	317
<b>At 31.10.2005</b>	<b>26,153</b>	<b>(47,409)</b>	<b>(21,256)</b>

Subject to the Cayman Islands Companies Law and Articles of Association, and provided that immediately following the distribution or payment of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business; no dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

## 23. Share options

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 from August 2004 to October 2005, 37,644,000 share options were granted by the Company under the Scheme and 18,108,041 share options remained outstanding as at the balance sheet date as below:

## 23. Share options (Continued)

Details of share options:

Type of grantee	Date of offer	Date of acceptance	Original/adjusted exercise price per share HK\$	Original No. of options granted	Exercised/lapsed during the period	No. of outstanding options as at 31/10/2005	Adjusted no. of outstanding options as at 31/10/2005	Exercisable period commenced on date of acceptance
Employees	10/8/2004	18/8/2004, 21/8/2004 & 1/9/2004	0.025	10,680,000	(10,680,000)	–	–	1 year (#)
Employees	8/9/2004	10/9/2004	0.0206	73,980,000	(73,980,000)	–	–	18 months
Directors	8/9/2004	10/9/2004	0.0206	49,720,000	(49,720,000)	–	–	18 months
Employees	12/10/2004	15/10/2004	0.0198	24,860,000	(24,860,000)	–	–	18 months
Employees	14/1/2005	14/1/2005, 17/1/2005 & 20/1/2005	0.0186	28,280,000	(28,280,000)	–	–	17 months
Directors	14/1/2005	20/1/2005	0.0186/ 0.1657(*)	2,280,000	–	2,280,000	2,559,080	17 months
Employees	15/2/2005	18/2/2005, 19/2/2005, 21/2/2005 & 8/3/2005	0.0194/ 0.1728(*)	2,240,000	(350,000)	1,890,000	2,121,330	1 year (#)
Sub-total (before share consolidation)				192,040,000	(187,870,000)	4,170,000	4,680,410	
Sub-total (adjusted for share consolidation)				19,204,000	(18,787,000)	417,000	468,041(*)	
Employees	20/6/2005	22/6/2005	0.345	6,000,000	–	6,000,000	6,000,000	18 months
Consultant	27/6/2005	6/7/2005	0.373	2,000,000	–	2,000,000	2,000,000	2 years
Employees	5/7/2005	7/7/2005	0.372	5,440,000	(800,000)	4,640,000	4,640,000	1 year
Employee	5/7/2005	21/7/2005	0.372	5,000,000	–	5,000,000	5,000,000	2 years
Sub-total (after share consolidation)				18,440,000	(800,000)	17,640,000	17,640,000	
Grand-total:				37,644,000	(19,587,000)	18,057,000	18,108,041	

# Exercisable period – between 7th and 18th month inclusive from date of acceptance.

\* Adjusted upon the completion of share consolidation on 3rd May, 2005 and acceptance of open offer on 21st June, 2005 in accordance with the supplementary guidance of the GEM Listing Rules.

### 23. Share options (Continued)

The summary of adjusted exercise price and number of share options which had been granted before the share consolidation and the open offer and remained outstanding as at the balance sheet date are as follows:

Type of grantee	Original exercise price	Original number of outstanding share options	Adjusted exercise price	Adjusted number of outstanding share options
Directors	HK\$0.0186	2,280,000	HK\$0.1657	255,908
Employees	HK\$0.0194	1,890,000	HK\$0.1728	212,133
		4,170,000		468,041

### 24. Related party transactions

Particulars of significant transactions between the Group and related parties during the year covered by this report are summarised below:

	2005 HK\$'000	2004 HK\$'000
Amounts due to related companies written back	1,086	–
Rental income	72	66

During the year, the Group has written back amounts totalling approximately HK\$1,086,000 payable to certain related companies controlled by Madam Siu York Chee, Doreen.

The group also received rental income for use of office space from a company controlled by Madam Siu York Chee, Doreen.

## 25. Commitments

At 31st October, 2005, the Group's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	10,415	3,671
In the second to fifth year, inclusive	6,202	3,028
Over five years	2,102	–
	<b>18,719</b>	<b>6,699</b>

At 31st October, 2005, the Group's total future minimum lease receipts under non-cancellable operating leases were receivable as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	38	216
In the second to fifth year, inclusive	–	18
	<b>38</b>	<b>234</b>

## 26. Staff retirement scheme

The Group has implemented a provident fund scheme for its staff in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance effective from 1st December, 2000. The retirement scheme contributions charged to the income statement represent contributions payable (i.e. 5% of staff's relevant income with upper monthly limit of HK\$1,000) by the Group to the specified retirement fund of the individual employees. During the year ended 31st October, 2005, the aggregate amount of employer's contribution made by the Group to the retirement scheme was approximately HK\$1,259,000 (2004: HK\$1,132,000).

## 27. Post balance sheet events

Subsequent to the balance sheet date, a subsidiary, Be A Lady Limited, has entered into an agreement to invest a sum of HK\$1.5 million to acquire a 15% interest in a company which carries on media and entertainment business.