



B.A.L.

B.A.L. Holdings Limited

(Continued into Bermuda with limited liability)

(Stock Code : 8079)

THIRD QUARTERLY REPORT

2008

FOR THE NINE MONTHS ENDED 31 JULY 2008

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

HIGHLIGHTS

- Turnover for the nine months ended 31 July 2008 was approximately HK\$223 million (2007: HK\$126 million) representing an increase of approximately 77%, as compared with the corresponding period in 2007.
- Loss for the nine months ended 31 July 2008 was approximately HK\$24 million (2007: profit HK\$19 million).
- The Board of Directors (the “Board”) does not recommend the payment of an interim dividend for the nine months ended 31 July 2008.

THIRD QUARTER RESULTS (UNAUDITED)

The Board is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 31 July 2008, together with the comparative unaudited figures for the corresponding periods in 2007 as follows:-

Condensed Consolidated Income Statement (unaudited)

For the three months and nine months ended 31 July 2008

	Note	For the three months ended 31 July		For the nine months ended 31 July	
		2008 HK\$'000	2007 HK\$'000 (Restated)	2008 HK\$'000	2007 HK\$'000 (Restated)
Revenue	2	41,264	39,662	222,962	125,895
Cost of sales		(5,435)	(6,679)	(114,285)	(16,659)
Gross profit		35,829	32,983	108,677	109,236
Other income and gains		(4,517)	5,628	(2,726)	10,583
Servicing and Selling and distribution costs		(30,617)	(21,308)	(88,153)	(68,657)
Administrative expenses		(15,690)	(10,217)	(42,869)	(28,621)
		(46,307)	(31,525)	(131,022)	(97,278)
Operating (loss)/profit		(14,995)	7,086	(25,071)	22,541
Finance costs		(302)	(1,045)	(1,059)	(2,075)
Share of results of jointly controlled entities		-	(411)	-	(941)
Share of result of an associate		347	-	2,778	-
(Loss)/profit before income tax		(14,950)	5,630	(23,352)	19,525
Income tax expense	3	-	(192)	-	(1,353)
(Loss)/profit for the period		(14,950)	5,438	(23,352)	18,172
Attributable to:					
Equity holders of the Company		(15,119)	6,853	(23,574)	19,106
Minority interests		169	(1,415)	222	(934)
(Loss)/profit for the period		(14,950)	5,438	(23,352)	18,172
(Loss)/earnings per share for profit attributable to the equity holders of the Company during the period			(Restated)		(Restated)
- Basic	5(a)	(11.1) cents	7.4 cents	(17.3) cents	20.7 cents
- Diluted	5(b)	N/A	7.4 cents	N/A	20.6 cents

Notes to the Condensed Consolidated Income Statement

1. Basis of preparation

The Group's unaudited quarterly financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards and Interpretation (collectively "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The accounting policies adopted in preparing the unaudited consolidated financial statements for the nine months ended 31 July 2008 are consistent with those followed in the annual report of the Company for the year ended 31 October 2007.

The condensed consolidated accounts have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

2. Revenue and other income and gains

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

(a) Turnover by business segment

	For the three months ended 31 July 2008		For the nine months ended 31 July 2008	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue				
Beauty services and sale of				
beauty products	28,213	28,395	72,655	79,675
Clinical services	12,829	10,694	39,508	43,698
Tuition fees of beauty courses	37	573	317	2,522
Rental income and property sales	185	-	110,482	-
	<u>41,264</u>	<u>39,662</u>	<u>222,962</u>	<u>125,895</u>
Other income and gains				
Management fee income	-	60	205	140
Franchise fee income	70	50	70	199
Interest income	235	172	1,125	356
Loan interest income	99	-	220	-
Rental income	238	34	702	664
Dividend income from listed investments	279	9	389	10
Fair value gains on investment properties	-	-	388	-
Gain on disposal of interest in subsidiary	-	-	615	-
Loss on sale of financial assets	-	-	-	(109)
(Loss)/gain on disposal of financial assets at fair value through profit or loss	(5,623)	4,419	(7,440)	8,368
Exchange gain	-	-	-	(42)
Others	185	884	1,000	997
	<u>(4,517)</u>	<u>5,628</u>	<u>(2,726)</u>	<u>10,583</u>

(b) *Turnover by geographical segment*

	For the three months ended 31 July 2008		For the nine months ended 31 July 2007	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Hong Kong	28,291	32,214	196,885	105,303
Macau	7,539	2,468	11,231	10,674
China	5,434	4,980	14,846	9,918
	<u>41,264</u>	<u>39,662</u>	<u>222,962</u>	<u>125,895</u>

3. **Taxation**

Profits tax has not been provided as the Group did not generate any assessable profits during the nine months ended 31 July 2008 (2007: approximately HK\$1.4 million).

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 2008 (2007: HK\$Nil).

5. **Earnings Per Share**

(a) *Basic*

The calculation of basic (loss)/earnings per share for the three months and nine months ended 31 July 2008 is based on the loss attributable to shareholders of approximately HK\$15,119,000 and HK\$23,574,000 respectively (profit for the three months and nine months ended 31 July 2007: approximately HK\$6,853,000 and HK\$19,106,000) and the weighted average number of 136,350,677 ordinary shares in issue during the period (three months and nine months ended 31 July 2007: 92,492,204 (restated) shares).

(b) *Diluted*

Diluted (loss)/earnings per share for the quarter ended 31 July 2008 was not presented because the impact of the exercise of the share options was anti-dilutive.

The calculation of diluted earnings per share for the three months and nine months ended 31 July 2007 is based on the profit attributable to shareholders of approximately HK\$6,853,000 and HK\$19,106,000 respectively and the weighted average number of 92,492,204 (restated) shares in issue during the period plus the weighted average number of 208,320 (restated) ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options outstanding during the period.

6. Condensed consolidated statement of changes in equity (unaudited)
For the nine months ended 31 July 2008

	Equity attributable to equity holders of the Company									Minority interests	Total equity	
	Share capital	Share premium	Capital redemption reserve	Exchange reserve	(Accumulated losses)/ retained profits	Investment Capital reserves	Convertible loan note reserve	Share option reserve	Total			
												HK\$'000
At 31 October 2006 and 1 November 2006	46,444	39,996	278	17	(34,449)	28,327	(192)	-	927	81,548	254	81,602
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	11	-	-	11	-	11
Profit for the year	-	-	-	-	15,931	-	-	-	-	15,931	587	16,518
Total recognised income and expense for the year	-	-	-	-	15,931	-	11	-	-	15,942	587	16,529
Realisation of fair value change of available-for-sale financial assets on disposal	-	-	-	-	-	-	192	-	-	192	-	192
Equity-settled share option arrangement	-	-	-	-	-	-	-	646	646	-	-	646
Arising from acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(855)	(855)
Capital contributed by minority shareholders	-	-	-	-	-	-	-	-	-	-	14	14
Proceeds from shares issued	34,740	40,791	-	-	-	-	-	-	-	75,531	-	75,531
Proceeds from exercise of share options	200	546	-	-	-	-	-	-	-	746	-	746
Bonus issue	13,577	(13,577)	-	-	-	-	-	-	-	-	-	-
Share premium cancellation	-	(48,168)	-	-	48,168	-	-	-	-	-	-	-
At 31 October 2007 and 1 November 2007	94,961	19,588	278	17	29,650	28,327	11	-	1,573	174,405	-	174,405
Disposal of interest in subsidiary	-	-	-	-	-	-	-	-	-	-	885	885
Equity-settled share option arrangement	-	-	-	-	-	-	-	1,186	1,186	-	-	1,186
Issue of Convertible loan note	-	-	-	-	-	-	-	1,351	-	1,351	-	1,351
Change in fair value of available for sale financial assets	-	-	-	-	-	-	271	-	-	271	-	271
Rights issue	47,480	(1,447)	-	-	-	-	-	-	-	46,033	-	46,033
Proceeds from shares issued	1,400	4,158	-	-	-	-	-	-	-	5,558	-	5,558
Capital reduction	(135,319)	-	-	-	-	135,319	-	-	-	-	-	-
Profit/(loss) for the period	-	-	-	-	(23,574)	-	-	-	-	(23,574)	222	(23,352)
At 31 July 2008	8,522	22,299	278	17	6,076	163,646	282	1,351	2,759	205,230	1,107	206,337

7. Share option schemes

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

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

Type of grantee	At 1 November 2007			Cancelled/ Lapsed	At 31 July 2008			Date of grant	Exercise period of the share options	Exercise price per share HK\$
	Granted	Exercised								
<i>Employees</i>										
- In aggregate	619,516*	-	-	-	619,516	20-Jun-05	22/6/05-21/12/08	2.7295*		
- In aggregate	379,296*	-	-	-	379,296	27-Feb-07	27/2/07-26/2/09	2.8475*		
- In aggregate	37,929*	-	-	-	37,929	15-Mar-07	15/9/07-14/9/08	4.2710*		
- In aggregate	1,399,180*	-	-	-	1,399,180	27-Sep-07	27/9/07-26/9/09	1.3100*		
- In aggregate	263,400*	-	-	-	263,400	4-Oct-07	17/10/07-16/10/09	1.3290*		
- In aggregate	-	1,424,412	-	-	1,424,412	1-Feb-08	6/2/08-5/2/10	1.0000*		
- In aggregate	-	3,400,000	-	-	3,400,000	5-May-08	5/5/08-4/5/10	0.2830*		
	<u>2,699,321</u>	<u>4,824,412</u>	<u>-</u>	<u>-</u>	<u>7,523,733</u>					
<i>Other eligible persons</i>										
- In aggregate	<u>126,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,432</u>	14-Mar-07	14/3/07-13/3/09	4.3510*		
	<u>2,825,753</u>	<u>4,824,412</u>	<u>-</u>	<u>-</u>	<u>7,650,165</u>					

* *This reflects the adjusted exercise prices and number of share options which have been granted and are outstanding after the completion of share consolidation in November 2007, rights issue in December 2007 and share consolidation in June 2008 respectively.*

3,400,000 options were granted during the period ended 31 July 2008. The fair values of options granted were determined using the Black-Scholes valuation model.

In total, HK\$1,186,195 of employee compensation expense has been included in the consolidated income statement for the period ended 31 July, 2008 (2007: HK\$395,597) which gave rise to additional equity. No liabilities were recognised due to share-based payment transactions.

8. Contingent liabilities

As at 31 July 2008, the Company has given corporate guarantees to third parties for securing mortgage loans, tenancy agreements and an advertising contract of subsidiary companies.

As at 31 July 2008, the Group noted that a Generally Endorsed Writ was issued by one customer against a subsidiary for damages for personal injury, loss and damage arising out of the negligence and/or breach of duty in administering slimming programmes and/or medical treatment during the period from around mid-May 2004 to around mid-June 2004, but the Plaintiff so far has not taken any further action since the issue of the Writ. No claiming amount was stated in the Writ and the claim amount is uncertain. In addition to above, the Group has received a small claim in amount of HK\$50,000 filed at Hong Kong Small Claims Tribunal in respect of matters concerned with the provision of beauty services. The claim was dismissed by the Small Claim Tribunal on 30 April 2008 and the plaintiff Madam Wan lodged an appeal against the decision of the Small Claim Tribunal.

Apart from the above, the Group and the Company had no other material contingent liabilities as at 31 July 2008 and up to the date of approval of the unaudited condensed consolidated results of the Group for the nine months ended 31 July 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group has made a loss of approximately HK\$15 million this quarter after making provision of HK\$3 million for overdue accounts receivables.

The beauty industry is still facing a very tough time due to the keen competition within the industry, the increase in rental and the adverse media pressure. Although in this quarter, the turnover of the beauty/clinical services has increased by 5% over the same period of last year, it is still beyond our satisfaction.

During the last quarter, the Group has attained gross earnings over HK\$9 million through property investments. In this quarter, we have sold two more properties held for sale with completion dates in August/September. Gross earnings of approximately HK\$2.5 million will be recorded in the financial results of the last quarter. The Group will keep on looking for similar investment opportunities in the future if conditions justify. The management anticipates that the income from property investments will continue to make significant contribution to the earnings of the Group. In recognition of the impairment of our quoted investments at 31 July, 2008, we have made a provision of approximately HK\$6 million which has been dealt with in the profit and loss account.

In June, 2008, we have entered into four agreements with independent third parties to sell our entire shares in our associate - First Holdings Consortium Limited at an aggregate consideration of HK\$29 million. The transactions for the shares disposals were completed in August 2008. The Group realized an aggregate income of approximately HK\$4 million as a result of our investment in the associate.

Retail operations

During the period under review, retail operations accounted for approximately 3% of the Group's total turnover and the revenue generated was approximately HK\$6.9 million.

BEAUTY SERVICE OPERATIONS

The Group's beauty service operations declined during the period under review. Turnover from this segment amounted to approximately HK\$66 million for the nine months ended 31 July 2008, representing a decrease of approximately 11% 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\$223 million and HK\$109 million respectively, representing an increase of approximately 77% and -% from those of the same period of the previous year. Loss attributable to shareholders for the nine months ended 31 July 2008 was approximately HK\$24 million, representing a decrease of approximately 220% from that of the corresponding period in 2007.

Future plans and prospects

In view of the decline of the body slimming business, the Group will be seeking new business opportunities when conditions justify.

As at 31 July 2008, the Group has been operating nine beauty services centres/direct sales centres in Hong Kong, Macau and China; five medical clinics and one warehouse in Hong Kong.

Liquidity and financial resources

The Group's cash and bank balances as of 31 July 2008 amounted to approximately HK\$24.7 million (31 October 2007: HK\$16 million).

Aggregate trade payables and other borrowings and liabilities as of 31 July 2008 amounted to approximately HK\$46 million (31 October 2007: HK\$127 million).

Interim dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31 July 2008.

Employees

As at 31 July 2008, the Group employed 377 employees in Hong Kong, Macau and China. The Company's remuneration packages are generally structured with reference to market terms and individual merit.

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 2008, 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) Interest in Shares

Long positions

Name	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Approximate percentage to the issued share capital of the Company as at 31 July 2008	
						Total	
Ms. Siu York Chee	Beneficiary owner and family interests	406,431	1,431	-	17,465,583 <i>(Notes 1 and 2)</i>	17,873,445	10.49%
Mr. Leung Kwok Kui	Beneficiary owner and family interests	1,431	17,872,014 <i>(Note 3)</i>	-	-	17,873,445	10.49%

Notes:

1. Heavenly Blaze Limited is beneficially owned as to (i) 46% by Mr. Shiu Stephen Junior, nephew of Ms. Siu York Chee (being the executive Directors); (ii) 34% by Mr. Shiu Yeuk Yuen, younger brother of Ms. Siu York Chee, and Ms. Siu York Chee together hold on behalf of Ms. Shiu Yo Yo and Ms. Shiu Sound Sound, nieces of Ms. Siu York Chee; (iii) 16% by Ms. Shiu Ting Yan, Denise, niece of Ms. Siu York Chee; (iv) 1% by Mr. Cheng Jut Si; and (v) 3% by One Dollar Productions Limited which is beneficially owned as to 25% by Mr. Shiu Stephen Junior; and 75% by Ms. Hau Lai Mei, the step-mother of Mr. Shiu Stephen Junior.
2. Ms. Siu York Chee and Mr. Shiu Yeuk Yuen are the trustees of Ms. Shiu Yo Yo and Ms. Shiu Sound Sound.
3. Mr. Leung Kwok Kui, the executive Director, is the spouse of Ms. Siu York Chee.

(b) Interests in convertible loan notes

Name	Type of interests	Number of underlying Shares held	Approximate percentage of the underlying Shares to the issued share capital of the Company as at 31 July 2008	
Mr. Ho Wai Sun <i>(Note)</i>	Personal	9,090,909		5.33%

Note: Mr. Ho was issued with convertible loan notes on 18 January 2008 with a principal amount of HK\$10,000,000 at an adjusted conversion price of HK\$1.10 per Share (the "Convertible Notes"). Upon full conversion of the Convertible Notes, a maximum of 9,090,909 Shares will be issued to Mr. Ho subject to the final review and confirmation of the auditors of the Company. The Company has 170,441,281 Shares in issue as at 31 July 2008.

(c) Interests in shares option

Name	Type of interests	Outstanding shares option as at the Latest Practicable Date	Approximate percentage of the underlying Shares to the issued share capital of the Company as at 31 July 2008
Mr. Ho Wai Sun (<i>Note</i>)	Personal	1,424,412	0.83%

Note: Mr. Ho was issued with the shares option on 1 February 2008 at an adjusted subscription price of HK\$1.00 per Share subject to the final review and confirmation of the auditors of the Company.

Save as disclosed above, as at 31 July 2008, none of the Directors or chief executive of the Company had any interests or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he/she was 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 maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(ii) **Interests and short positions of substantial Shareholders in the Shares, underlying shares and debentures of the Company and its associated corporations**

Interests in the Shares and underlying shares

Long positions

Name	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Shares Option/Underlying Shares	Total	Approximate percentage to the issued share capital of the Company as at
								31 July 2008
Heavenly Blaze Limited	Beneficiary owner	-	-	17,465,583 <i>(note 1)</i>	-	-	17,465,583	10.25%
Mr. Shiu Stephen Junior	Beneficiary owner and Interested held by controlled corporation	1,477,000	-	17,465,583 <i>(note 1)</i>	-	-	18,942,583	11.11%
Mr. Shiu Yeuk Yuen	Interested held by controlled corporation and family interests	-	4,375,310 <i>(note 1)</i>	-	17,465,583 <i>(note 2)</i>	-	21,840,893	12.81%
Ms. Hau Lai Mei	Beneficiary owner and family interests	3,596,700	17,465,583 <i>(note 1)</i>	-	-	778,610 <i>(note 4)</i>	21,840,893	12.81%
Everproven Limited	Beneficiary owner	-	-	16,360,000 <i>(note 3)</i>	-	-	16,360,000	9.60%
Chan Boon Ho, Peter	Interested held by controlled corporation	-	-	16,360,000 <i>(note 3)</i>	-	-	16,360,000	9.60%

Notes:

1. Heavenly Blaze Limited is beneficially owned as to (i) 46% by Mr. Shiu Stephen Junior, nephew of Ms. Siu York Chee (being the executive Directors); (ii) 34% by Mr. Shiu Yeuk Yuen, younger brother of Ms. Siu York Chee, and Ms. Siu York Chee together hold on behalf of Ms. Shiu Yo Yo and Ms. Shiu Sound Sound, nieces of Ms. Siu York Chee; (iii) 16% by Ms. Shiu Ting Yan, Denise, niece of Ms. Siu York Chee; (iv) 1% by Mr. Cheng Jut Si; and (v) 3% by One Dollar Productions Limited which is beneficially owned as to 25% by Mr. Shiu Stephen Junior; and 75% by Ms. Hau Lai Mei, the step-mother of Mr. Shiu Stephen Junior.
2. Ms. Siu York Chee and Mr. Shiu Yeuk Yuen are the trustees of Ms. Shiu Yo Yo and Ms. Shiu Sound Sound.
3. Everproven Limited is beneficially owned as to 100% by Mr. Chan Boon Ho, Peter.
4. The number of shares option/underlying shares subject to the final review and confirmation of the auditors of the Company.

Save as disclosed above, as at 31 July 2008, the Directors were not aware of any other person who had an interests or short position in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the nine months ended 31 July 2008, the Company has complied with the code provisions (“Code Provisions”) set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, except for the following deviations:-

1. Code Provision A.2.1

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The positions of Chairman of the Board and Chief Executive Officer (“CEO”) of the Company are both currently carried on by the same person. The Board considers that this structure does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and there is a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors). Given the composition of the Board, the Board believes that its is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

2. Code Provision A.4.1

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

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

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, Dr. Siu Yim Kwan, Sidney and Mr. Tsui Pui Hung Walter. Mr. Hung Anckes Yau Keung is also the chairman of the audit committee of the board of Directors. The primary duties of the Committee are to review the Company's annual report and accounts, half-year report, quarterly reports and monthly reports and to provide advice and comments thereon to the board of Directors. The Committee is also responsible for reviewing and monitoring the Company's internal control procedures. The Committee has reviewed the draft of this report and has provided advice and comments thereon.

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 2007 to 31 July 2008.

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
Ms. Leung Ge Yau	-	Executive Director
Mr. Hung Anckes Yau Keung	-	Independent Non-Executive Director
Dr. Siu Yim Kwan, Sidney	-	Independent Non-Executive Director
Mr. Tsui Pui Hung, Walter	-	Independent Non-Executive Director

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

Hong Kong, 10 September 2008