



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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

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## **HIGHLIGHTS**

- Turnover for the nine months ended 31 July 2009 was approximately HK\$99 million (2008: HK\$223 million) representing a decrease of approximately 56%, as compared with the corresponding period in 2008.
- Loss for the nine months ended 31 July 2009 was approximately HK\$25 million (2008: loss HK\$24 million).
- The Board of Directors (the “Board”) does not recommend the payment of an interim dividend for the nine months ended 31 July 2009.

### THIRD QUARTERLY 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 2009, together with the comparative unaudited figures for the corresponding periods in 2008 as follows:–

#### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months and nine months ended 31 July 2009

	Note	For the three months ended 31 July		For the nine months ended 31 July	
		2009 HK\$'000	2008 HK\$'000 (Restated)	2009 HK\$'000	2008 HK\$'000 (Restated)
<b>Revenue</b>	2	<b>34,438</b>	41,264	<b>98,626</b>	222,962
Cost of sales		<b>(6,210)</b>	(5,435)	<b>(17,609)</b>	(114,285)
<b>Gross profit</b>		<b>28,228</b>	35,829	<b>81,017</b>	108,677
Other revenue and gains		<b>8,696</b>	1,106	<b>13,275</b>	4,326
Servicing, selling and distribution costs		<b>(24,845)</b>	(30,617)	<b>(74,228)</b>	(88,153)
Administrative expenses		<b>(9,116)</b>	(15,191)	<b>(28,640)</b>	(42,370)
Other operating expenses		<b>(10,978)</b>	(6,122)	<b>(16,322)</b>	(7,551)
		<b>(44,939)</b>	(51,930)	<b>(119,190)</b>	(138,074)
<b>Operating loss</b>		<b>(8,015)</b>	(14,995)	<b>(24,898)</b>	(25,071)
Finance costs		<b>(171)</b>	(302)	<b>(323)</b>	(1,059)
Share of result of an associate		<b>(4)</b>	347	<b>(4)</b>	2,778
<b>Loss before income tax</b>		<b>(8,190)</b>	(14,950)	<b>(25,225)</b>	(23,352)
Income tax expense	3	-	-	-	-
<b>Loss for the period</b>		<b>(8,190)</b>	(14,950)	<b>(25,225)</b>	(23,352)
<b>Attributable to:</b>					
Equity holders of the Company		<b>(8,190)</b>	(15,119)	<b>(25,225)</b>	(23,574)
Minority interests		-	169	-	222
<b>Loss for the period</b>		<b>(8,190)</b>	(14,950)	<b>(25,225)</b>	(23,352)
<b>Loss per share for loss attributable to the equity holders of the Company during the period</b>			(Restated)		(Restated)
- Basic	5(a)	<b>15.6 cents</b>	55.4 cents	<b>48.1 cents</b>	86.4 cents
- Diluted	5(b)	<b>N/A</b>	N/A	<b>N/A</b>	N/A

## 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 2009 are consistent with those followed in the annual report of the Company for the year ended 31 October 2008.

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 revenue and gains

Revenue, which is also the Group's turnover, represents total invoiced value of beauty products and properties held for resale sold, net of discounts and sales returns, the appropriate proportion of contract revenue generated from the provision of beauty and clinical services and beauty courses, and the appropriate proportion of rental income based on the terms of the lease of investment properties.

	For the three months ended 31 July		For the nine months ended 31 July	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000 (Restated)	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000 (Restated)
<i>(a) Turnover by business segment</i>				
<b>Revenue</b>				
Beauty services and sale of				
beauty products	20,324	28,213	58,487	72,655
Clinical services	13,972	12,829	39,730	39,508
Tuition fees of beauty courses	-	37	-	317
Rental income from investment properties	142	185	409	405
Sale of properties held for resale	-	-	-	110,077
<b>Total</b>	<b>34,438</b>	<b>41,264</b>	<b>98,626</b>	<b>222,962</b>
		(Restated)	(Restated)	(Restated)
<b>Other revenue and gains</b>				
Franchise fee income	-	70	140	275
Interest income	93	235	370	1,125
Loan interest income	248	99	929	220
Rental income from sublet of office premises	270	238	768	702
Dividend income from listed investments	302	279	687	389
Gain on disposal of interest in subsidiary	-	-	-	615
Gain on securities investment	7,783	-	9,825	-
Others	-	185	556	1,000
	<b>8,696</b>	<b>1,106</b>	<b>13,275</b>	<b>4,326</b>

(b) *Turnover by geographical segment*

	For the three months ended 31 July		For the nine months ended 31 July	
	2009 (Unaudited) <i>HK\$'000</i>	2008 (Unaudited) <i>HK\$'000</i>	2009 (Unaudited) <i>HK\$'000</i>	2008 (Unaudited) <i>HK\$'000</i>
Hong Kong	24,920	28,291	72,810	196,885
Macau	4,052	7,539	10,887	11,231
China	5,466	5,434	14,929	14,846
	<u>34,438</u>	<u>41,264</u>	<u>98,626</u>	<u>222,962</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 2009 (2008: HK\$Nil).

4. **Dividend**

The directors do not recommend the payment of a dividend for the nine months ended 31 July 2009 (2008: HK\$Nil).

5. **Loss Per Share**

(a) *Basic*

The calculation of basic loss per share for the three months and nine months ended 31 July 2009 is based on the loss attributable to shareholders of approximately HK\$8,190,000 and HK\$25,225,000 respectively (loss for the three months and nine months ended 31 July 2008: approximately HK\$15,119,000 and HK\$23,574,000) and the weighted average number of 52,476,538 ordinary shares in issue during the period (three months and nine months ended 31 July 2008: 27,270,135 (restated) shares).

(b) *Diluted*

Diluted loss per share for the quarter ended 31 July 2009 was not presented because the impact of the exercise of the share options was anti-dilutive.

**6. Condensed consolidated statement of changes in equity (unaudited)**  
*For the nine months ended 31 July 2009*

	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	Capital reserves	Investment revaluation reserve	Share option reserve	Contributed surplus			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 November 2006	46,444	39,996	278	17	(34,449)	28,327	(192)	927	-	81,548	254	81,802
Changes 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 changes of available-for-sale financial assets on disposals	-	-	-	-	-	-	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	-	174,465	-	174,465
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	-	(2,179)	-	-	(2,179)	-	(2,179)
Loss for the year	-	-	-	-	(77,371)	-	-	-	-	(77,371)	(350)	(77,721)
Total recognised income and expense for the year	-	-	-	-	(77,371)	-	(2,179)	-	-	(79,550)	(350)	(79,900)
Arising from partial disposals of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	817	817
Realisation of fair value changes of available-for-sale financial assets on disposals	-	-	-	-	-	-	(11)	-	-	(11)	-	(11)
Equity-settled share option arrangement	-	-	-	-	-	-	-	1,655	-	1,655	-	1,655
Rights issue	47,480	(1,447)	-	-	-	-	-	-	-	46,033	-	46,033
Allotment of shares	1,400	4,159	-	-	-	-	-	-	-	5,559	-	5,559
Capital reduction	(135,319)	-	-	-	-	-	-	-	135,319	-	-	-
At 31 October 2008	8,522	22,300	278	17	(47,721)	28,327	(2,179)	3,228	135,319	148,091	467	148,558
Equity-settled share option arrangement	-	-	-	-	-	-	-	998	-	998	-	998
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	801	-	-	801	-	801
Allotment of shares	1,400	11,848	-	-	-	-	-	-	-	13,248	-	13,248
Capital reorganization	(8,181)	-	-	-	-	-	-	-	8,181	-	-	-
Loss for the period	-	-	-	-	(25,221)	-	-	-	-	(25,221)	-	(25,221)
At 31 July 2009	1,741	34,148	278	17	(72,942)	28,327	(1,378)	4,226	143,500	137,917	467	138,384

## 7. Share option schemes

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.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

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

Type of grantee	At 31 October 2008	Granted	Adjustments*	Exercised/ Cancelled/ Lapsed	At 31 July 2009	Date of grant	Exercise period of the share options	Exercise price per share HK\$
<b>Employees</b>								
- In aggregate	619,516	-	-	(619,516)	-	20-Jun-05	22/6/05 - 21/12/08	2.7295
- In aggregate	379,296	-	(303,437)	(75,859)	-	27-Feb-07	27/2/07 - 26/2/09	14.2375*
- In aggregate	1,399,180	-	(1,119,344)	(105,149)	174,687	27-Sep-07	27/9/07 - 26/9/09	6.5500*
- In aggregate	1,424,412	-	(1,139,530)	-	284,882	1-Feb-08	6/2/2008 - 5/2/2010	5.0000*
- In aggregate	3,400,000	-	(2,719,985)	(200,019)	479,996	5-May-08	5/5/2008 - 4/5/2010	1.4150*
	<u>7,222,404</u>	<u>-</u>	<u>(5,282,296)</u>	<u>(1,000,543)</u>	<u>939,565</u>			
<b>Other eligible person</b>								
- In aggregate	126,432	-	(101,146)	(25,286)	-	14-Mar-07	14/3/07 - 13/3/09	21.7550*
- In aggregate	263,400	-	(210,720)	-	52,680	4-Oct-07	17/10/07 - 16/10/09	6.6450*
	<u>7,612,236</u>	<u>-</u>	<u>(5,594,162)</u>	<u>(1,025,829)</u>	<u>992,245</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 on 15 January 2009

No option was granted during the period ended 31 July 2009. 19 options were exercised and 1,025,810 options lapsed during the period ended 31 July 2009.

The fair values of options granted were determined using the Black-Scholes valuation model.

In total, HK\$998,000 of employee compensation expense has been included in the consolidated income statement for the period ended 31 July 2009 (2008: HK\$1,186,000), the corresponding amount of which has been credited to share option reserve. No liabilities were recognised due to share-based payment transactions.

#### **8. Contingent liabilities**

As at 31 July 2009, 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 2009, 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. Besides, the Group has received from a resigned staff a claim filed at the Labour Tribunal in respect of matters relating to the calculation of salary, commission and leave pay.

Apart from the above, the Group and the Company had no other material contingent liabilities as at 31 July 2009 and up to the date of approval of the unaudited condensed consolidated results of the Group for the nine months ended 31 July 2009.

#### **9. Comparative Figures**

Certain comparative figures have been re-classified to conform with this year's presentation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

Turnover for the nine months ended 31 July 2009 was approximately HK\$99 million, representing a decrease of approximately 56% when compared with the same period last year. Loss attributable to equity holders of the Company for the period was approximately HK\$25 million. However, the Group did not sell any properties during the period and therefore recorded a significant drop in turnover.

### **Beauty Services and Sale of Beauty Products**

Turnover for beauty services and sale of beauty products for the period was approximately HK\$58 million, representing a decrease of approximately 20% when compared with the same period last year.

Competitions within the industry are very keen and the spending mode of customers is still conservative.

### **Clinical Services**

Turnover from this segment during the period was approximately HK\$40 million, which was similar to the figure achieved last year.

### **Beauty Courses**

There was no turnover recorded for this segment during the period under review.

### **Sale of properties held for resale**

No turnover for this segment was recorded for the three months ended 31 July, 2009.

Our investment properties are still providing steady rental income to the Group.

### **Investment in financial instruments and quoted shares**

As a result of the recovery of the stock market, this segment generated gross profits of approximately HK\$8 million (including positive adjustments of the market price of financial instruments and securities on hand) during the three months ended 31 July, 2009.

### **Outlook**

Although Hong Kong is still under the influence of the financial turmoil, the Group is strong financially. We are confident that the Group's performance would improve when the global economy gradually recovers.

### **Future plans and prospects**

The Group will look for new business opportunities to broaden its business scope whenever conditions justify.

As at 31 July, 2009, the Group is operating nine beauty services centres, eight medical centres in Macau, China, Hong Kong and one local warehouse.

### **Liquidity and financial resources**

The Group's cash and cash equivalents as of 31 July 2009 amounted to approximately HK\$43 million (31 October 2008: HK\$46 million).

Aggregate trade payables and other borrowings and liabilities as of 31 July 2009 amounted to approximately HK\$33 million (31 October 2008: HK\$43 million).

### **Dividend**

The Board does not recommend the payment of a dividend for the nine months ended 31 July 2009.

### **Employees**

As at 31 July 2009, the Group employed 347 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 2009, 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 of 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 Stock Exchange, were as follows:

### (a) *Interests in Shares*

#### Long positions

Name	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate percentage to the issued share capital of the Company as at 31 July 2009
Ms. Siu York Chee	Beneficiary owner and family interests	81,286	286	-	1,541,116 <i>(Notes 1 and 2)</i>	1,622,688	0.93%
Mr. Leung Kwok Kui	Beneficiary owner and family interests	286	1,622,402 <i>(Note 3)</i>	-	-	1,622,688	0.93%

#### *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*

<b>Name</b>	<b>Type of interests</b>	<b>Number of underlying Shares held</b>	<b>Approximate percentage of the underlying Shares to the issued share capital of the Company as at 31 July 2009</b>
Mr. Ho Wai Sun ( <i>Note</i> )	Personal	909,090	0.52%

*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\$5.50 per Share (the "Convertible Notes"). On 18 December 2008, the Company has requested for early redemption of half of the convertible notes of the Company, representing principal amount of HK\$5,000,000, for a consideration of HK\$5,000,000 from the noteholder and the noteholder has agreed for the early redemption. The redemption process was completed on 19 January 2009. As at 31 July 2009, HK\$5,000,000 of the Convertible Notes remain outstanding. Upon full conversion of the Convertible Notes, a maximum of 909,090 Shares will be issued to Mr. Ho. The Company has 174,088,260 Shares in issue as at 31 July 2009.

(c) *Interests in shares option*

<b>Name</b>	<b>Type of interests</b>	<b>Outstanding shares option as at 31 July 2009</b>	<b>Approximate percentage of the underlying Shares to the issued share capital of the Company as at 31 July 2009</b>
Mr. Ho Wai Sun ( <i>Note</i> )	Personal	284,882	0.16%

*Note:* Mr. Ho was issued with the shares option on 1 February 2008 at an adjusted subscription price of HK\$5.00 per Share.

Save as disclosed above, as at 31 July 2009, 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.

## **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*

#### Long positions

Name	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate percentage to the issued share capital of the Company as at 31 July 2009
Heavenly Blaze Limited	Beneficiary owner	-	-	1,541,116 (Note 1)	-	1,541,116	0.88%
Mr. Shiu Stephen Junior	Beneficiary owner and Interested held by controlled corporation	3,400	-	1,541,116 (Note 1)	-	1,544,516	0.88%
Mr. Shiu Yeuk Yuen	Beneficiary owner, Interested held by controlled corporation and family interests	20,000	2,135,340 (Note 1)	-	1,541,116 (Note 2)	3,696,456	2.12%
Ms. Hau Lai Mei	Beneficiary owner and family interests	2,135,340	1,561,116 (Note 1)	-	-	3,696,456	2.12%
Ms. Chan Shuk King	Beneficiary owner	16,000,000 (Note 3)	-	-	-	16,000,000	9.19%

#### *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. Ms. Chan Shuk King is independent of the Company and its connected persons.

Save as disclosed above, as at 31 July 2009, 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 5% 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 2009, 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.

## **COMPLIANCE ADVISER**

Following the directions of the Stock Exchange as stated in the press release published by the GEM Listing Committee of the Stock Exchange on 19 January 2009 regarding the breaches of the GEM Listing Rules by the Company, the Board appointed Guangdong Securities Limited ("Guangdong Securities") to be its professional adviser and compliance adviser (the "Compliance Adviser") for a term of two years with effect from 16 February 2009 to 15 February 2011.

As updated and notified by the Company's compliance adviser, Guangdong Securities Limited (the "Compliance Adviser"), none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 July 2009 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement dated 10 February 2009 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Company's compliance adviser for the period from 16 February 2009 to 15 February 2011 or until the agreement is terminated in accordance with the terms and conditions set out therein.

## **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 2008 to 31 July 2009.

## **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, 9 September 2009