



*Third Quarterly Report*

*For the nine months ended 31 July 2006*

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8079)

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

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

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*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 2006 was approximately HK\$111 million (2005: HK\$76.4 million) representing an increase of approximately 45%, as compared with the corresponding period in 2005.
- A gross profit of HK\$109 million (or 98.6% gross profit margin) (2005: HK\$76.2 million (or 99.8% gross profit margin)), excluding the provision for slow-moving and obsolete inventories, was achieved.
- Profit for the nine months ended 31 July 2006 was approximately HK\$23.6 million 2005: HK\$16 million (restated).
- The Board of Directors (the “Board”) does not recommend the payment of an interim dividend for the nine months ended 31 July 2006.

### 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 2006, together with the comparative unaudited figures for the corresponding periods in 2005 as follows:-

#### Condensed Consolidated Income Statement (unaudited)

For the three months and nine months ended 31 July 2006

	Note	(Unaudited) For the three months ended 31 July		(Unaudited) For the nine months ended 31 July	
		2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)
Turnover	3	44,853	37,876	110,675	76,352
Cost of sales		(799)	(65)	(1,490)	(181)
Gross profit		44,054	37,811	109,185	76,171
Other revenue		3,387	437	5,830	581
Selling and distribution costs		(27,359)	(22,704)	(70,110)	(47,628)
Administrative expenses		(7,398)	(4,255)	(19,381)	(10,609)
Other operating expenses		–	(509)	–	(509)
		(34,757)	(27,468)	(89,491)	(58,746)
Profit from operations		12,684	10,780	25,524	18,006
Finance costs		(246)	(17)	(559)	(144)
Profit before income tax		12,438	10,763	24,965	17,862
Income tax expense	4	(921)	(1,250)	(2,500)	(1,900)
Profit for the period		11,517	9,513	22,465	15,962
Attributable to:					
Equity holders of the Company		11,747	9,634	23,629	15,976
Minority interests		(230)	(121)	(1,164)	(14)
Profit for the period		11,517	9,513	22,465	15,962
					(restated)
Earnings per share					
- Basic	6(a)	2.7 cents	3.2 cents	5.5 cents	5.2 cents
Earnings per share					
- Diluted	6(b)	2.7 cents	3.2 cents	5.4 cents	5.2 cents

## Notes to the Condensed Consolidated Income Statement

### 1. Basis of preparation

The Group's unaudited quarterly results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSx") 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 and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

### 2. Principal accounting policies

The accounting policies and basis of presentation used in the preparation of the condensed consolidated quarterly financial statements are consistent with those adopted in the audited financial statements for the year ended 31 October 2005, except that in the Review Period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"). HKASs and Interpretations (hereinafter collectively referred to as "New HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the New HKFRSs has resulted in changes in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the New HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

#### (i) Adoption of HKAS 1

In prior years, minority interests were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Financial results shared by minority interests were separately presented in the consolidated income statement as a deduction before arriving at the profit attributable to shareholders.

In order to comply with HKAS 1 "Presentation of Financial Statements" and HKAS 27 "Consolidated and Separate Financial Statements", minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the ordinary shareholders of the Company, and the results shared by minority interests are presented on the face of the consolidated income statement as an allocation of the attributable profit between the minority interests and the equity holders of the Company.

#### (ii) Adoption of HKFRS 2

The adoption of HKFRS 2 - Share-based Payments requires all share options granted to employees or other parties to be recognized in the financial statements. The fair value of the share options at acceptance date will be amortized over the relevant vesting periods to the consolidated income statement. HKFRS 2 has been applied retrospectively for share options granted to employees after 7 November 2002 and not vested at 1 November 2005. Following the adoption of this accounting policy, the amount of employee share-based expenses of approximately HK\$Nil, and approximately HK\$337,000 were charged to the consolidated income statements for the quarter ended 31 January 2005 and 31 January 2006 respectively. For the quarter ended 31 July 2006 and 2005, HK\$Nil and approximately HK\$126,000 were charged respectively. There were no charges of this nature for the quarter ended 30 April 2005 and 2006. The adoption of HKFRS 2 has resulted in an increase in the balance of accumulated losses at 1 November 2005 of

approximately HK\$0.6 million (1 November 2004: Nil), with a corresponding adjustment to the share-based compensation reserve, representing the cumulated effect of the change in policy on the results for the periods prior to 31 October 2005.

The Group has not early adopted the new accounting standards and interpretations that have been issued but not yet effective.

### 3. Turnover

Turnover represents the invoiced value of services income generated from the provision of beauty services, beauty courses, and beauty products sold less discounts and sale returns.

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>For the three months ended 31 July</b>		<b>For the nine months ended 31 July</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<i>(a) Turnover by business segment</i>				
Medical clinic income	<b>1,438</b>	-	<b>1,438</b>	-
Retails and wholesales of Beauty products	<b>1,506</b>	107	<b>3,197</b>	388
Beauty services	<b>40,744</b>	37,769	<b>102,470</b>	75,964
Tuition fees of beauty courses	<b>1,165</b>	-	<b>3,570</b>	-
	<b><u>44,853</u></b>	<b><u>37,876</u></b>	<b><u>110,675</u></b>	<b><u>76,352</u></b>
<i>(b) Turnover by geographical segment</i>				
Hong Kong	<b>35,344</b>	37,876	<b>91,205</b>	76,352
Macau	<b>7,997</b>	-	<b>15,570</b>	-
China	<b>1,512</b>	-	<b>3,900</b>	-
	<b><u>44,853</u></b>	<b><u>37,876</u></b>	<b><u>110,675</u></b>	<b><u>76,352</u></b>

Other revenue includes incomes of interest, rental, management/franchise fee and dividend from listed investments; gain on disposal of investment in securities and sundry income.

### 4. Taxation

Hong Kong profits tax has been provided for at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries/cities in which the Group operates.

### 5. Dividend

The directors do not recommend the payment of an interim dividend for the nine months ended 31 July 2006 (2005: HK\$Nil).

## 6. Earnings Per Share

### (a) *Basic*

The calculation of basic earnings per share for the three months and nine months ended 31 July 2006 is based on the profit attributable to shareholders of approximately HK\$11,747,000 and HK\$23,629,000 respectively (profit for the three months and nine months ended 31 July 2005: approximately HK\$9,634,000 (restated) and HK\$15,976,000 (restated)) and the weighted average number of 431,478,179 ordinary shares in issue during the period (three months and nine months ended 31 July 2005: 305,270,996 shares).

### (b) *Diluted*

The calculation of diluted earnings per share for the three months and nine months ended 31 July 2006 is based on the profit attributable to shareholders of approximately HK\$11,747,000 and HK\$23,629,000 respectively (profit for the three months and nine months ended 31 July 2005: approximately HK\$9,634,000 (restated) and HK\$15,976,000 (restated)) and the weighted average number of 431,478,179 ordinary shares in issue during the period (2005: 305,270,996 shares) plus the weighted average number of 2,159,578 (2005: 445,593) ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options outstanding during the period.

7. **Condensed consolidated statement of changes in equity (unaudited)**  
*For the nine months ended 31 July 2006*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Employee share-based compensation reserve <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 options	100	98	-	-	-	198
Profit for the year	-	-	13,961	-	-	13,961
At 31.10.2004	24,962	18,816	(68,253)	28,327	-	3,852
Allotment of shares	4,800	5,568	-	-	-	10,368
Exercise of share options	1,497	1,552	-	-	-	3,049
Profit for the period	-	-	6,342	-	-	6,342
At 30.4.2005	31,259	25,936	(61,911)	28,327	-	23,611
			(restated)		(restated)	
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
Share-based expenses	-	-	-	-	589	589
Profit for the year	-	-	17,030	-	-	17,030
At 31.10.2005	41,946	26,153	(51,223)	28,327	589	45,792
Exercise of share options	9	6	-	-	-	15
Share-based expenses	-	-	-	-	337	337
Profit for the period	-	-	11,882	-	-	11,882
At 30.4.2006	41,955	26,159	(39,341)	28,327	926	58,026
Allotment of Shares	4,200	13,440	-	-	-	17,640
Exercise of share options	567	1,445	-	-	-	2,012
Cancellation of repurchased shares	(146)	(575)	-	-	-	(721)
Profit for the period	-	-	11,747	-	-	11,747
At 31.7.2006	<u>46,576</u>	<u>40,469</u>	<u>(27,594)</u>	<u>28,327</u>	<u>926</u>	<u>88,704</u>

## 8. 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, 37,699,325 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 11,900,000 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 31/7/2006	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 31/7/2006	Exercisable Period
Employees	10/8/2004	0.025/0.212*	1,068,000 <sup>9</sup>	(1,068,000)	-	18/2/2005 - 28/2/2006
Employees	14/1/2005	0.0186/0.164*	2,828,000 <sup>9</sup>	(2,828,000)	-	14/1/2005 - 16/6/2006
Directors	14/1/2005	0.1657*	255,908 <sup>9</sup>	(255,908)	-	20/1/2005 - 19/6/2006
Employees	15/2/2005	0.1728*	251,417 <sup>9</sup>	(251,417)	-	18/8/2005 - 7/9/2006
Employees	20/6/2005	0.345	6,000,000	(1,100,000)	4,900,000	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	<u>10,440,000</u>	<u>(5,440,000)</u>	<u>5,000,000</u>	<u>21/7/2005 - 20/7/2007</u>
Sub-total:			22,843,325	(10,943,325)	11,900,000	
Grand Total:			37,699,325	(25,799,325)	11,900,000	

\* 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 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	-
Employees	HK\$0.0194	2,240,000	HK\$0.1728	251,417	-

- (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.

No options were ever 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.

## **9. Contingent liabilities**

As at 31 July 2006, the Company has given corporate guarantees to third parties for securing a tenancy agreement and an advertising contract of subsidiary companies. Three claims were received by the Group of which two are under the Small Claims Tribunal. The total gross amount claimed is approximately HK\$138,000.

Apart from the above, the Group and the Company had no other material contingent liabilities as at 31 July 2006 and up to the date of the approval of the unaudited results of the Group for the nine months ended 31 July 2006.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business review**

For the nine months ended 31 July 2006, turnover of the Group amounted to approximately HK\$111 million, representing an increase of approximately 45% as compared with that of the corresponding period in 2005. Profit attributable to shareholders for the nine months ended 31 July 2006 was approximately HK\$23.6 million, representing an increase of approximately 48% from that of the corresponding period in 2005.

During this quarter, the company was originally growing on the fast lane as expected by the management; however, during early July, there was a misleading accusation made against our company continuously posted on the Apple Daily for two days. The report on the newspaper was totally bias and has no bases, and the management has already taken legal action against the newspaper and its associates. The management considers the effect of this unfortunate event is temporary and the company has nearly successfully overcome the adverse publicity. Despite the mentioned adverse event, the company is still maintaining its business track. A new branch has been opened at Yuen Long Hong Kong, and 2 new branches have been opened in Xian and Chengdu China. The company has also started a beauty medical clinic in Mong Kok, which mainly to perform all non-surgical beauty service needed to be provided by medical professional and has proved to be tremendously successful. Also, during the quarter we have signed an agreement with Town Health International Holdings Limited, to jointly invest and operate another 2 beauty medical clinics in the coming quarter and the company expects this branch of business will contribute significantly to our profit in the future.

### **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\$3.2 million.

## **BEAUTY SERVICE OPERATIONS**

The Group's beauty service operations maintained its growth momentum during the period under review. Turnover from this segment amounted to approximately HK\$102 million for the nine months ended 31 July 2006, representing an increase of 35% 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\$111 million and HK\$109 million respectively, representing an increase of approximately 45% and 43% from those of the same period of the previous year. Profit attributable to shareholders for the nine months ended 31 July 2006 was approximately HK\$23.6 million, representing an increase of approximately 48% from that of the corresponding period in 2005.

Comparing with the results in the second quarter, the Group's turnover for the third quarter increased by 20% to approximately HK\$45 million.

## **Future plans and prospects**

In August, a newly acquired beauty service centre in Tsimshatsui was opened for business. Besides, the beauty service outlet in Macau (operated by the Macau subsidiary) commenced its floor area expansion. It is planned that more beauty service outlets will be opened in Hong Kong and China when conditions justify.

As at 31 July 2006, the Group has been operating eleven (excluding one temporary suspended in China) beauty services centres/direct sales centres in Hong Kong, Macau and China; one nail shop, one beauty course training centre, one clinic, one hair-care centre and one warehouse in Hong Kong.

## **Liquidity and financial resources**

The Group's cash and bank balances as of 31 July 2006 amounted to approximately HK\$27.5 million (31 October 2005: HK\$22.5 million). As of 31 July 2006, the Group had no bank borrowings (31 October 2005: HK\$Nil).

Aggregate trade payables and other borrowings and liabilities as of 31 July 2006 amounted to approximately HK\$18.9 million (31 October 2005: HK\$22.8 million).

## **Interim dividend**

The Board does not recommend the payment of an interim dividend for the nine months ended 31 July 2006.

## **Employees**

As at 31 July 2006, the Group employed 353 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, 2006, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 the Laws of Hong Kong ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the HKSE, were as follows:

**(a) Long positions in the shares of the Company**

<b>Name</b>	<b>Approximate Type of interest</b>	<b>No. of shares</b>	<b>percentage of interest</b>
Mr. Leung Kwok Kui	Personal	3,427,954	0.74
Ms. Siu York Chee	Personal	43,207,954	9.28

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

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

<b>Name</b>	<b>Number of share options granted</b>	<b>Exercised/ Lapsed</b>	<b>Outstanding at 31 July, 2006</b>
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 31 July, 2006, none of the Directors has short positions in shares or underlying shares of equity derivatives.

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

So far as is known to any Director or chief executive of the Company, as at 31 July, 2006, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

### **(a) Long position in the shares of the Company**

<b>Name</b>	<b>Number of Shares</b>	<b>Percentage of Issued Share Capital</b>
Ms. Lam Yin Ming, Amy ( <i>Note 1</i> )	43,300,000	9.30
Everproven Limited ( <i>Note 2</i> )	65,230,651	14.00
Ms. Hau Lai Mei ( <i>Note 3</i> )	37,402,570	8.03

*Notes:*

- 1) 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.
- 2) Everproven Limited, a substantial shareholder of the Company, is beneficially owned by Mr. Chan Boon Ho.
- 3) Ms. Hau Lai Mei, is a substantial shareholder of the Company.

### **(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.

## **CODE ON CORPORATE GOVERNANCE PRACTICE**

The Company has complied with the code provisions of the Code on Corporate Governance Practice (the "CG Code") set out in Appendix 15 of the GEM Listing Rules throughout the Review Period, except for the following deviations.

- (i) The non-executive directors were not appointed for a specific term, subject to re-election;
- (ii) The Company does not have a remuneration committee; and
- (iii) The Company has not yet disclosed the terms of reference of the remuneration committee and audit committee on the website of the Company.

At present, the non-executive directors and independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

## 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. To Chi. 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

During the quarter ended 31 July 2006, the Company repurchased 1,780,000 ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$871,244.53. The repurchases were effected by the Directors for the enhancement of shareholders' value. Details of the repurchases are follows:

Month of the repurchases	Total number of the ordinary shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate consideration <i>HK\$</i>
July 2006	1,780,000	0.51	0.445	871,244.53
	<u>1,780,000</u>			<u>871,244.53</u>

Out of 1,780,000 shares repurchased, 1,460,000 shares were cancelled on delivery of the share certificates in late July while the remaining 320,000 shares repurchased on 26 July 2006 were cancelled on delivery of the share certificates in August 2006.

Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the period from 1 November 2005 to 31 July 2006.

## 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  
Mr. Leung Kwok Kui  
Mr. Hung Anckes Yau Keung  
Dr. Siu Yim Kwan, Sidney  
Mr. To Chi

- Executive Director
- Executive Director
- Independent Non-Executive Director
- Independent Non-Executive Director
- Independent Non-Executive Director

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

Hong Kong, 14 September 2006