



B.A.L.

B.A.L. Holdings Limited

*(Continued into Bermuda with limited liability)*

*(Stock Code : 8079)*

INTERIM REPORT

2008

FOR THE SIX MONTHS ENDED 30 APRIL 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 six months ended 30 April 2008 was approximately HK\$182 million (2007: HK\$86.2 million) representing an increase of approximately 110%, as compared with the corresponding period in 2007.
- Loss for the six months ended 30 April 2008 was approximately HK\$8.5 million (2007: profit HK\$12.3 million).
- As at 30 April 2008, B.A.L. Holdings Limited and its subsidiaries had cash and bank balance of approximately HK\$33 million (31 October 2007: HK\$16 million).
- The board of Directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 April 2008.

## INTERIM 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 six months ended 30 April 2008, together with the comparative unaudited figures for the corresponding period in 2007 as follows:

### CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	For the three months ended 30 April		For the six months ended 30 April	
		2008 HK\$'000	2007 HK\$'000 (Restated)	2008 HK\$'000	2007 HK\$'000 (Restated)
<b>Revenue</b>	3	<b>123,627</b>	38,745	<b>181,698</b>	86,233
<b>Cost of sales</b>		<b>(89,923)</b>	(4,962)	<b>(108,850)</b>	(9,980)
<b>Gross profit</b>		<b>33,704</b>	33,783	<b>72,848</b>	76,253
Other income and gains	3	<b>1,800</b>	3,856	<b>1,791</b>	4,955
Servicing, selling and distribution costs		<b>(28,601)</b>	(19,844)	<b>(57,536)</b>	(47,349)
Administrative expenses		<b>(12,919)</b>	(9,642)	<b>(27,179)</b>	(18,404)
		<b>(41,520)</b>	(29,486)	<b>(84,715)</b>	(65,753)
<b>Operating (loss)/profit</b>	4	<b>(6,016)</b>	8,153	<b>(10,076)</b>	15,455
Finance costs		<b>(446)</b>	(616)	<b>(757)</b>	(1,030)
Share of results of jointly controlled entities		-	(172)	-	(530)
Share of result of an associate		<b>1,209</b>	-	<b>2,431</b>	-
<b>(Loss)/profit before income tax</b>		<b>(5,253)</b>	7,365	<b>(8,402)</b>	13,895
Income tax expense	5	-	(632)	-	(1,161)
<b>(Loss)/profit for the period</b>		<b>(5,253)</b>	6,733	<b>(8,402)</b>	12,734
<b>Attributable to:</b>					
Equity holders of the Company		<b>(5,120)</b>	7,427	<b>(8,455)</b>	12,253
Minority interests		<b>(133)</b>	(694)	<b>53</b>	481
<b>(Loss)/profit for the period</b>		<b>(5,253)</b>	6,733	<b>(8,402)</b>	12,734
<b>(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period</b>			(Restated)		(Restated)
- Basic	7	<b>(0.8) cents</b>	1.7 cents	<b>(1.3) cents</b>	2.8 cents
- Diluted	7	<b>N/A</b>	1.7 cents	<b>N/A</b>	2.8 cents

## CONSOLIDATED BALANCE SHEET

		Unaudited As at <b>30 April 2008</b> <i>HK\$'000</i>	(Audited) As at 31 October 2007 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	34,114	34,365
Investment properties		8,462	1,630
Goodwill		4,819	4,819
Loan to borrowers		6,134	–
Interests in associates		34,782	26,351
Held-to-maturity investments		70	70
Available-for-sale financial assets		7,567	2,352
Derivative financial instruments		9,876	5,187
Deposits		3,653	3,653
Deferred tax assets		547	547
		<b>110,024</b>	78,974
<b>Current assets</b>			
Inventories		3,388	5,117
Trade receivables	9	32,064	42,614
Prepayments, deposits and other receivables		53,604	139,739
Financial assets at fair value through profit or loss		19,995	12,263
Properties held for sale, at net realisable value		11,887	–
Derivative financial instruments		972	2,353
Amounts due from related companies		1,230	4,154
Cash and cash equivalents		33,177	15,873
Tax recoverable		143	148
		<b>156,460</b>	222,261
<b>Current liabilities</b>			
Trade payables	10	545	577
Accruals, receipts in advance and other payables		23,016	21,190
Amount due to associate		22	30
Amounts due to minority interests		1,077	1,291
Borrowings – due within one year		1,070	98,768
Provision for tax		4,742	4,755
		<b>30,472</b>	126,611
<b>Net current assets</b>		<b>125,988</b>	95,650

		<b>Unaudited</b>	(Audited)
		<b>As at</b>	As at
		<b>30 April</b>	31 October
		<b>2008</b>	2007
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Total assets less current liabilities</b>		<b>236,012</b>	174,624
<b>Non-current liabilities</b>			
Convertible loan note	15	<b>8,847</b>	–
Deposits		<b>219</b>	219
Borrowings – due after one year		<b>11,688</b>	–
		<hr/>	<hr/>
<b>Net assets</b>		<b>215,258</b>	174,405
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to			
Company's equity holders			
Share capital		<b>142,441</b>	94,961
Reserves		<b>71,879</b>	79,444
		<hr/>	<hr/>
		<b>214,320</b>	174,405
<b>Minority interests</b>		<b>938</b>	–
		<hr/>	<hr/>
<b>Total equity</b>		<b>215,258</b>	174,405
		<hr/> <hr/>	<hr/> <hr/>

**Condensed consolidated statement of changes in equity (unaudited)**  
*For the six months ended 30 April 2008*

	Equity attributable to equity holders of the Company									Minority interests	Total equity	
	Share capital	Share premium	Capital redemption reserve	Exchange reserve	(Accumulated	Capital reserves	Investment revaluation reserve	Convertible loan note reserve	Share option reserve			Total
					losses)/retained profits							
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 2005	41,946	26,153	-	-	(51,223)	28,327	-	-	589	45,792	734	46,526
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	(192)	-	-	(192)	-	(192)
Arising from change of exchange rate	-	-	-	17	-	-	-	-	-	17	51	68
Profit for the year	-	-	-	-	17,052	-	-	-	-	17,052	(528)	16,524
Total recognised income and expense for the year	-	-	-	17	17,052	-	(192)	-	-	16,877	(477)	16,400
Equity-settled share option arrangement	-	-	-	-	-	-	-	-	338	338	-	338
Capital contribution by minority equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	7	7
Arising from acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	-	-	-	(10)	(10)
Proceeds from shares issued	4,200	13,440	-	-	-	-	-	-	-	17,640	-	17,640
Proceeds from exercise of share options	576	1,451	-	-	-	-	-	-	-	2,027	-	2,027
Repurchase of shares	(278)	(1,048)	278	-	(278)	-	-	-	-	(1,326)	-	(1,326)
At 31 October 2006 and 1 November 2006	46,444	39,996	278	17	(34,449)	28,327	(192)	-	927	81,348	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	-	-	-	-	-	-	-	-	715	715	-	715
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
profit/(loss) for the period	-	-	-	-	(8,455)	-	-	-	-	(8,455)	53	(8,402)
At 30 April 2008	142,441	18,141	278	17	21,195	28,327	282	1,351	2,288	214,320	938	215,258

**Condensed consolidated cash flow statement**

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 April</b>	
	<b>2008</b>	<b>2007</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Net cash from/(used in) operating activities	<b>(18,016)</b>	(4,377)
Net cash from/(utilized in) investing activities	<b>(23,636)</b>	(13,514)
Net cash from/ (used) before financing activities	<b>(41,652)</b>	(17,891)
Net cash from/(utilized in) financing activities	<b>58,956</b>	37,508
Net increase/(decrease) in cash and cash equivalent	<b>17,304</b>	19,617
Cash and cash equivalents at beginning of period	<b>15,873</b>	20,052
Cash and Cash equivalents at the end of period	<b><u>33,177</u></b>	<b><u>39,669</u></b>



## Notes to the condensed consolidated interim accounts

### 1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements as set out in Chapter 18 of the GEM Listing Rules.

The accounting policies adopted in preparing the unaudited consolidated financial statements for the six months ended 30 April 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.

	For the three months ended 30 April		For the six months ended 30 April	
	2008 (unaudited) HK\$’000	2007 (unaudited) HK\$’000	2008 (unaudited) HK\$’000	2007 (unaudited) HK\$’000
<b>Revenue</b>				
Beauty services and sale of				
beauty products	20,075	23,250	44,442	51,280
Clinical services	13,760	15,312	26,679	33,004
Tuition fees of beauty courses	110	183	280	1,949
Rental income and property sales	89,682	–	110,297	–
	<u>123,627</u>	<u>38,745</u>	<u>181,698</u>	<u>86,233</u>
<b>Other income and gains</b>				
Management fee income	25	40	205	80
Franchise fee income	–	70	–	149
Interest income	498	174	890	184
Loan interest income	121	–	121	–
Rental income from sublet of office premises	165	315	464	630
Dividend income from listed investments	42	–	110	1
Loss on sale of financial assets	–	–	–	(109)
Gain on disposal of interest in subsidiary	615	–	615	–
Fair value gains on investment properties	388	–	388	–
Fair value gains on financial assets at fair value through profit or loss	(587)	3,083	(1,817)	3,949
Exchange gain	53	3	–	(42)
Others	480	171	815	113
	<u>1,800</u>	<u>3,856</u>	<u>1,791</u>	<u>4,955</u>

### 3. Segment Information

(a) Primary reporting format — business segments

	(Unaudited)				
	For the six months ended				
	30 April 2008				
	Beauty services and sale of beauty products <i>HK\$'000</i>	Clinical services <i>HK\$'000</i>	Beauty courses <i>HK\$'000</i>	Rental income and property sales <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>TURNOVER</b>	<u>44,442</u>	<u>26,679</u>	<u>280</u>	<u>110,297</u>	<u>181,698</u>
<b>PROFIT/(LOSS) FROM OPERATION</b>					
Segment results	<u>(3,359)</u>	<u>(1,503)</u>	<u>(717)</u>	<u>5</u>	(5,574)
Interest income					890
Unallocated income					901
Unallocated expenses					(3,862)
Finance costs					(757)
Loss before taxation					<u>(8,402)</u>
Taxation					-
Loss after taxation					<u>(8,402)</u>

	(Unaudited)				
	For the six months ended				
	30 April 2007				
	Beauty services and sale of beauty products <i>HK\$'000</i>	Clinical services <i>HK\$'000</i>	Beauty courses <i>HK\$'000</i>	Rental income and property sales <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>TURNOVER</b>	<u>51,280</u>	<u>33,004</u>	<u>1,949</u>	<u>-</u>	<u>86,233</u>
<b>PROFIT FROM OPERATION</b>					
Segment results	<u>2,846</u>	<u>7,722</u>	<u>(457)</u>	<u>-</u>	10,111
Interest income					184
Unallocated income					4,771
Unallocated expenses					(622)
Finance costs					(1,030)
Profit before taxation					<u>13,414</u>
Taxation					(1,161)
Profit after taxation					<u>12,253</u>

(b) *Secondary reporting format-geographical segment*

	<b>(Unaudited)</b>			
	<b>For the six months ended 30 April</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Segment Turnover HK\$'000</b>	<b>Contribution to operating profit HK\$'000</b>	<b>Segment Turnover HK\$'000</b>	<b>Contribution to operating profit HK\$'000</b>
Hong Kong	168,594	(10,121)	73,089	11,855
China	9,412	28	4,938	(913)
Macau	3,692	17	8,206	4,513
	<b>181,698</b>	<b>(10,076)</b>	<b>86,233</b>	<b>15,455</b>

**4. Profit before taxation**

Profit before taxation is stated after crediting and charging the following:

	<b>For the three months ended 30 April</b>		<b>For the six months ended 30 April</b>	
	<b>2008 (unaudited) HK\$'000</b>	<b>2007 (unaudited) HK\$'000</b>	<b>2008 (unaudited) HK\$'000</b>	<b>2007 (unaudited) HK\$'000</b>
Crediting:				
Other income	<b>1,800</b>	3,856	<b>1,791</b>	4,955
Charging:				
Cost of inventories sold excluding provision for slowing-moving inventory for the period)	<b>639</b>	1,363	<b>1,755</b>	2,177
Auditors' remuneration	<b>233</b>	170	<b>465</b>	290
Depreciation				
Owned assets	<b>3,399</b>	3,034	<b>6,559</b>	5,761
Asset held under hire purchase contracts	-	-	-	-
Operating lease rentals in respect of land and buildings	<b>4,193</b>	3,568	<b>8,285</b>	7,167
Exchange Loss	<b>65</b>	41	<b>135</b>	86
Interest expenses on borrowings	<b>446</b>	616	<b>757</b>	1,030

## 5. Taxation

Profits tax has not been provided as the Group did not generate any assessable profits during the six months ended 30 April 2008 (2007: approximately HK\$1.2 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.

## 6. Interim dividend

The directors do not recommend the payment of an interim dividend for the period (2007: HK\$ Nil).

## 7. Earnings Per Share

### (a) Basic

The calculation of basic (loss)/earnings per share for the three months and six months ended 30 April 2008 is based on the loss attributable to shareholders of approximately HK\$5,120,000 and HK\$8,455,000 respectively (profit for the three months and six months ended 30 April 2007: approximately HK\$7,427,000 and HK\$12,253,000 respectively) and the weighted average number of 633,941,965 ordinary shares in issue during the period (three months and six months ended 30 April 2007: 430,111,102 (restated) shares in issue).

### (b) Diluted

Diluted (loss)/earnings per share for the quarter ended 30 April 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 six months ended 30 April 2007 is based on the profit attributable to shareholders of approximately HK\$7,427,000 and HK\$12,253,000 respectively) and the weighted average number of 430,111,102 (restated) shares in issue during the period plus the weighted average number of 1,043,326 (restated) ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options outstanding during the period.

## 8. Fixed assets

	<b>As at 30 April 2008 (Unaudited) HK\$'000</b>	<b>As at 31 October 2007 (Audited) HK\$'000</b>
At beginning of the period	34,365	26,735
Additions	6,626	21,672
Disposals	(318)	(2,252)
Depreciation charge	(6,559)	(11,790)
	<u>34,114</u>	<u>34,365</u>

## 9. Trade Receivables

The ageing analysis of trade receivables is as follows:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within three months	<b>14,360</b>	19,400
Over three months but within six months	<b>10,124</b>	8,074
Over six months	<b>7,580</b>	4,860
	<u><b>32,064</b></u>	<u>32,334</u>

## 10. Trade Payables

	<b>As at 31 October 2008 (Unaudited)</b> <i>HK\$'000</i>	As at 30 April 2007 (Audited) <i>HK\$'000</i>
Within three months	<b>128</b>	-
Over three months but within six months	-	-
Over six months	<b>417</b>	417
	<u><b>545</b></u>	<u>417</u>

## 11. Issued capital

	2008		2007	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i> (Restated)	<i>HK\$'000</i>
<i>Authorised:</i>				
Ordinary shares of HK\$0.2 each	<u><b>1,500,000,000</b></u>	<u><b>300,000</b></u>	<u>400,000,000</u>	<u>80,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.2 each	<u><b>712,206,405</b></u>	<u><b>142,441</b></u>	<u>288,920,226</u>	<u>57,784</u>

## 12. 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	Number of options during the period				At 30 April 2008	Date of grant	Exercise period of the share options	Exercise price per share HK\$
	At 1 November 2007	Granted	Exercised	Cancelled Lapsed <sup>a</sup>				
<i>Employees</i>								
- In aggregate	3,097,584 <sup>a</sup>	-	-	-	3,097,584	20-Jun-05	22/6/05-21/12/08	0.5459 <sup>a</sup>
- In aggregate	1,896,480 <sup>a</sup>	-	-	-	1,896,480	27-Feb-07	27/2/07-26/2/09	0.5695 <sup>a</sup>
- In aggregate	189,648 <sup>a</sup>	-	-	-	189,648	15-Mar-07	15/9/07-14/9/08	0.8542 <sup>a</sup>
- In aggregate	6,995,904 <sup>a</sup>	-	-	-	6,995,904	27-Sep-07	27/9/07-26/9/09	0.2620 <sup>a</sup>
- In aggregate	1,317,000 <sup>a</sup>	-	-	-	1,317,000	4-Oct-07	17/10/07-16/10/09	0.2658 <sup>a</sup>
- In aggregate	-	7,122,064	-	-	7,122,064	1-Feb-08	6/2/08-5/2/10	0.2000
	13,496,616	7,122,064	-	-	20,618,680			
<i>Other eligible persons</i>								
- In aggregate	632,160	-	-	-	632,160	14-Mar-07	14/3/07 - 13/3/09	0.8702 <sup>a</sup>
	14,128,776	7,122,064	-	-	21,250,840			

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

7,122,064 options were granted during the period ended 30 April 2008. The fair values of options granted were determined using the Black-Scholes valuation model.

In total, HK\$714,967 of employee compensation expense has been included in the consolidated income statement for the period ended 30 April, 2008 (2007: HK\$62,898) which gave rise to additional equity. No liabilities were recognised due to share-based payment transactions.

### 13. Contingent liabilities

As at 30 April 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 30 April 2008, the Group noted that a General 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.

Apart from the above, the Group and the Company had no other material contingent liabilities as at 30 April 2008 and up to the date of approval of the unaudited condensed consolidated results of the Group for the six months ended 30 April 2008.

### 14. Commitments

#### (i) Operating lease commitments

As at 30 April 2008, the total future minimum lease payments under non-cancelable operating leases are payable as follows:

	<b>As at 31 October 2008 (Unaudited) HK\$'000</b>	As at 30 April 2007 (Audited) HK\$'000
Within one year	18,097	16,164
In the second to fifth years inclusive	11,334	28,550
Over five years	-	1,754
	<u>29,431</u>	<u>46,468</u>

At 30 April 2008, the Group's total future minimum lease receipts under non-cancellable operating leases were receivable as follows:

	<b>As at 31 October 2008 (unaudited) HK\$'000</b>	As at 30 April 2007 (Audited) HK\$'000
Within one year	577	577
In the second to fifth year, inclusive	1,058	1,635
	<u>1,635</u>	<u>2,212</u>

#### (ii) Capital commitments contracted for

The Group did not have any significant capital commitments at 30 April 2008.

## **15. Convertible Loan Note**

On 18 January 2008, the Company issued an aggregate of HK\$10,000,000 two-year zero coupon convertible loan notes due in January 2010 to Dr. Ho Wai Sun in consideration of his agreement to cease practicing on his own account at his own clinic and to provide service for a subsidiary of the Group. The holder of the note has the right to convert the notes into new shares of HK\$0.22 each of the Company, during a period commencing from the end of the 12th month from the date of issue of the note to the date of maturity. On the Maturity Date, the total outstanding principal amount of the Note shall be repaid to the Noteholder in accordance with the specified conditions. The liability component represents the present value of interest payable under the convertible notes using the discount rate of 7.99%.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Business review**

The Group has made a loss of approximately HK\$5 million this quarter after making provision of HK\$5 million for overdue accounts receivables.

The beauty industry is still facing a very difficult time due to the keen competition within the industry, the increase in rental and the adverse media pressure. For this quarter, the turnover of the beauty centres of the Group has decreased by approximately 14%. However, the Group expects that the business would improve during the summer peak seasons.

During the second quarter, the Group has attained gross earnings over \$9 million through property investments and the Group will keep on looking for similar investment opportunities in the future. The management anticipates that the income from property investments will continue to make significant contribution to the gross earnings of the Group.

### **Retail operations**

In retail operations, the Group is engaged in the sale of various branded beauty products and body slimming products.

During the period under review, retail operations accounted for approximately 2% of the Group's total turnover. Turnover from these operations was approximately HK\$3.3 million, for the six months ended 30 April 2008, representing an increase of approximately 10% as compared with last year.

## **BEAUTY SERVICES OPERATIONS**

The Group's beauty services operations had declined during the period under review. Turnover from this segment amounted to approximately HK\$41 million for the six months ended 30 April 2008, representing a decrease of approximately 15% comparing with the same period of last year.

### **Financial review**

The Group is principally engaged in the sale and distribution of beauty, body slimming and personal care products and in the provision of beauty services, clinical services and beauty courses, plus property investments. During the period under review, the Group's turnover and gross profit amounted to approximately HK\$182 million and HK\$73 million respectively, representing an increase of approximately 110% and a decrease 5% from those of the same period of the previous year.



### **Future plans and prospects**

The Group will be seeking new business opportunities to broaden our business scope in the coming year.

As at 30 April 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 30 April 2008 amounted to approximately HK\$33 million (31 October 2007: HK\$16 million). The Aggregate trade payables and other borrowings and liabilities as of 30 April 2008 amounted to approximately HK\$51 million (31 October 2007: HK\$127 million).

### **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.

### **Gearing ratio**

As at 30 April 2008, the Group's gearing ratio, expressed as a percentage of total borrowings, (comprising Bank loans and amount due to minority interests) over total assets, was approximately 5%.

### **Future plans for material investments or capital assets**

As at 30 April 2008, the Group had no future plans for material investments or capital assets.

### **Interim dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 April 2008.

### **Contingent liabilities**

Details of the contingent liabilities are set out in note 13.

### **Employees**

As at 30 April 2008, the Group employed 383 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 30 April 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	Type of interest	No. of Shares	Approximate percentage to the issued share capital of the Company as at the Latest Practicable Date
Ms. Siu York Chee (Notes 1 and 2)	Personal	46,867,233	6.58%
Mr. Leung Kwok Kui (Note 3)	Personal	46,867,233	6.58%
Mr. Ho Wai Sun (Note 4)	Personal	10,290,000	1.44%

#### *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 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.
4. Mr. Ho Wai Sun (“Mr. Ho”) is a director of an indirect wholly-owned subsidiary of the Company.

**(b) Interest in convertible loan notes**

<b>Name</b>	<b>Type of interest</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 the Latest Practicable Date</b>
Mr. Ho Wai Sun ( <i>Note</i> )	Personal	45,454,545	6.38%

*Note:* Mr. Ho was issued with convertible loan notes on 18 January 2008 with a principal amount of HK\$10,000,000 at a conversion price of HK\$0.22 per Share (the "Convertible Notes"). Upon full conversion of the Convertible Notes, a maximum of 45,454,545 Shares will be issued to Mr. Ho. The Company had 712,206,405 Shares in issue as at the Latest Practicable Date.

**(c) Interest in share options**

<b>Name</b>	<b>Type of interest</b>	<b>Outstanding share options as at the Latest Practicable Date</b>	<b>Approximate percentage of the underlying Shares to the issued share capital of the Company as at the Latest Practicable Date</b>
Mr. Ho Wai Sun ( <i>Note</i> )	Personal	7,122,064	1.00%

*Note:* Mr. Ho was issued with the share options on 1 February 2008 at a subscription price of HK\$0.20 per Share.

Save as disclosed above, as at 30 April 2008, none of the Directors or chief executive of the Company had any interest 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 (a) 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 they were taken or deemed to have under such provisions of the SFO) or (b) are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (c) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

**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 30 April 2008, 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) Interest in the Shares**

*Long positions*

Name	Type of interest	No. of Shares	Approximate percentage to the issued share capital of the Company as at the Latest Practicable Date
Heavenly Blaze Limited ( <i>note 1</i> )	Corporate	44,827,917	6.29%
Mr. Shiu Stephen Junior ( <i>note 1</i> )	Personal	45,512,917	6.39%
Mr. Shiu Yeuk Yuen ( <i>notes 1 &amp; 2</i> )	Personal	54,164,469	7.61%
Ms. Hau Lai Mei ( <i>note 1</i> )	Personal	54,164,469	7.61%
Everproven Limited ( <i>note 3</i> )	Corporate	81,800,000	11.48%
Chan Boon Ho, Peter ( <i>note 3</i> )	Personal	81,800,000	11.48%

*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 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.

**(b) Interest in share options**

<b>Name</b>	<b>Type of interest</b>	<b>Outstanding share options as at the Latest Practicable Date</b>	<b>Approximate percentage of the underlying Shares to the issued share capital of the Company as at the Latest Practicable Date</b>
Ms. Hau Lai Mei	Personal	3,893,052	0.55%

Save as disclosed above, as at 30 April 2008, the Directors were not aware of any other person who had an interest 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 six months ended 30 April 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 articles of association, 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 established 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 30 April 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, 12 June 2008