

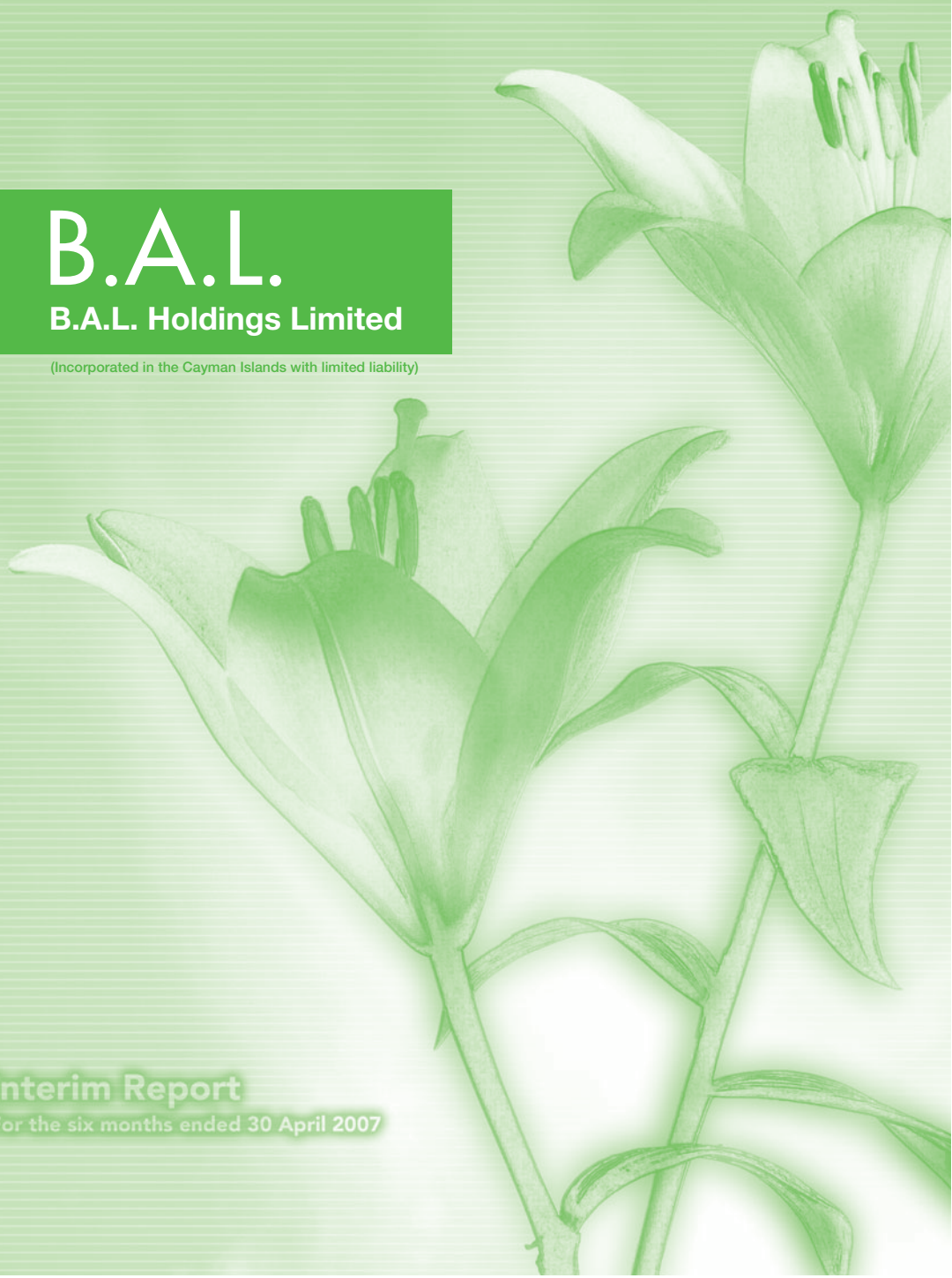
B.A.L.

B.A.L. Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Interim Report

For the six months ended 30 April 2007



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.

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.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2007 was approximately 86.2 million (2006: HK\$65.8 million) representing an increase of approximately 31%, as compared with the corresponding period in 2006.
- A gross profit of HK\$84.1 million (or 97.5% gross profit margin) 2006: HK\$65.1 million (or 99% gross profit margin), excluding the provision for slow-moving and obsolete inventories, was achieved.
- Profit for the six months ended 30 April 2007 was approximately HK\$12.3 million (2006: HK\$11.9 million).
- As at 30 April 2007, B.A.L. Holdings Limited and its subsidiaries had cash and bank balance of approximately HK\$39.7 million (31 October 2006: HK\$20 million).
- The board of Directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 April 2007.

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 2007, together with the comparative unaudited figures for the corresponding period in 2006 as follows:

Condensed consolidated income statement (unaudited)

	Note	For the three months ended 30 April		For the six months ended 30 April	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue	3	38,745	37,350	86,233	65,822
Cost of sales		(1,363)	(476)	(2,177)	(691)
Gross profit		37,382	36,874	84,056	65,131
Other income and gains	3	3,856	1,800	4,955	2,443
Servicing, selling and distribution costs		(23,145)	(22,246)	(54,459)	(42,751)
Administrative expenses		(9,940)	(5,581)	(19,097)	(11,983)
		<u>(33,085)</u>	<u>(27,827)</u>	<u>(73,556)</u>	<u>(54,734)</u>
Operating profit	4	8,153	10,847	15,455	12,840
Finance costs		(616)	(311)	(1,030)	(313)
Share of results of jointly controlled entities		(172)	–	(530)	–
Profit before income tax		7,365	10,536	13,895	12,527
Income tax expense	5	(632)	(845)	(1,161)	(1,579)
Profit for the period		<u>6,733</u>	<u>9,691</u>	<u>12,734</u>	<u>10,948</u>
Attributable to:					
Equity holders of the Company		7,427	9,993	12,253	11,882
Minority interests		(694)	(302)	481	(934)
Profit for the period		<u>6,733</u>	<u>9,691</u>	<u>12,734</u>	<u>10,948</u>
Earnings per share for profit attributable to the equity holders of the Company during the period					
– Basic	7	1.6 cents	2.4 cents	2.6 cents	2.8 cents
– Diluted	7	1.6 cents	2.4 cents	2.6 cents	2.8 cents

Condensed Consolidated Balance Sheet

		Unaudited As at 30 April 2007 HK\$'000	(Audited) As at 31 October 2006 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	37,668	26,735
Goodwill		4,534	3,136
Held-to-maturity securities		–	–
Interests in jointly controlled entities		1,102	1,480
Deposits		5,843	3,459
Deferred tax assets		86	86
		<hr/>	<hr/>
		49,233	34,896
Current assets			
Inventories		2,594	2,348
Trade receivables	10	32,334	23,508
Prepayments, deposits and other receivables		36,013	23,187
Financial assets at fair value through profit or loss		2,805	2,745
Available-for-sale financial assets	8	–	3,753
Amounts due from a related company		227	695
Amounts due from minority interests		–	–
Cash and cash equivalents		39,669	20,052
Tax recoverable		–	12
		<hr/>	<hr/>
		113,642	76,300
Current liabilities			
Trade payables	11	417	417
Other payables, receipts in advance and accruals		23,891	18,337
Amounts due to related companies		–	–
Amounts due to minority interests		5,150	4,647
Borrowings		50	348
Provision for tax		1,914	5,845
		<hr/>	<hr/>
		31,422	29,594
Net current assets			
		<hr/>	<hr/>
		82,220	46,706
Total assets less current liabilities			
		<hr/>	<hr/>
		131,453	81,602
Non-current liabilities			
Loan from minority interests		–	–
Borrowings		–	–
Deferred tax liabilities		–	–
		<hr/>	<hr/>
		–	–
Net assets		<hr/>	<hr/>
		131,453	81,602
EQUITY			
Equity attributable to Company's equity holders			
Share capital	12	57,784	46,444
Reserves		72,927	34,904
		<hr/>	<hr/>
		130,711	81,348
Minority interests			
		<hr/>	<hr/>
		742	254
Total equity			
		<hr/>	<hr/>
		131,453	81,602

Condensed consolidated statement of changes in equity (unaudited)

For the six months ended 30 April 2007

	Equity attributable to equity holders of the Company							Minority interests	Total equity	
	Share capital	Share premium	Capital redemption reserve	Exchange reserve	Accumulated losses	Capital reserves	Investment revaluation reserve			Share option reserve
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 November 2005										
As previously reported	41,946	26,153	-	-	(50,634)	28,327	-	-	734	46,526
Prior year adjustment	-	-	-	-	(589)	-	-	589	-	-
As restated	41,946	26,153	-	-	(51,223)	28,327	-	589	734	46,526
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	(192)	-	-	(192)
Arising from change of exchange rate	-	-	-	17	-	-	-	-	51	68
Profit for the year	-	-	-	-	17,052	-	-	-	(528)	16,524
Total recognised income and expense for the year	-	-	-	17	17,052	-	(192)	-	(477)	16,400
Equity-settled share option arrangement	-	-	-	-	-	-	-	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
Proceeds from exercise of share options	576	1,451	-	-	-	-	-	-	-	2,027
Repurchase of shares	(278)	(1,048)	278	-	(278)	-	-	-	-	(1,326)
At 31 October 2006	<u>46,444</u>	<u>39,996</u>	<u>278</u>	<u>17</u>	<u>(34,449)</u>	<u>28,327</u>	<u>(192)</u>	<u>927</u>	<u>254</u>	<u>81,602</u>
Equity-settled share option arrangement	-	-	-	-	-	-	-	63	-	63
Proceeds from shares issued	11,140	24,969	-	-	-	-	-	-	-	36,109
Proceeds from exercise of share options	200	546	-	-	-	-	-	-	-	746
Transfer upon disposal	-	-	-	-	-	-	192	-	-	192
Profit for the period	-	-	-	-	12,253	-	-	-	488	12,741
At 30 April 2007	<u>57,784</u>	<u>65,511</u>	<u>278</u>	<u>17</u>	<u>(22,196)</u>	<u>28,327</u>	<u>-</u>	<u>990</u>	<u>742</u>	<u>131,453</u>

(Note 31)

Condensed consolidated cash flow statement

	(Unaudited)	
	For the six months	
	ended 30 April	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from/(used in) operating activities	(4,377)	(9,279)
Net cash from/(utilized in) investing activities	(13,514)	(3,864)
Net cash from/ (used) before financing activities	(17,891)	(13,143)
Net cash from/(utilized in) financing activities	37,508	(122)
Net increase/(decrease) in cash and cash equivalent	19,617	(13,265)
Cash and cash equivalents at beginning of period	20,052	22,516
Cash and Cash equivalents at the end of period	<u>39,669</u>	<u>9,251</u>

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 2007 are consistent with those followed in the annual report of the Company for the year ended 31 October 2006.

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 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	
	2007 (unaudited) <i>HK\$’000</i>	2006 (unaudited) <i>HK\$’000</i>	2007 (unaudited) <i>HK\$’000</i>	2006 (unaudited) <i>HK\$’000</i>
Revenue				
Beauty services and				
sale of beauty products	23,250	35,882	51,280	63,417
Clinical services	15,312	–	33,004	–
Tuition fees of beauty courses	183	1,468	1,949	2,405
	<u>38,745</u>	<u>37,350</u>	<u>86,233</u>	<u>65,822</u>
Other income and gains				
Management fee income	40	975	80	985
Franchise fee income	70	–	149	290
Interest income	174	15	184	189
Rental income	315	84	630	186
Dividend income from				
listed investments	–	–	1	2
Loss on sale of financial assets	–	–	(109)	–
Gain on disposal of financial assets				
at fair value through profit or loss	3,083	726	3,949	791
Exchange gain	3	–	(42)	–
Others	171	–	113	–
	<u>3,856</u>	<u>1,800</u>	<u>4,955</u>	<u>2,443</u>

3. Segment Information

(a) *Primary reporting format — business segments*

	(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>	Total <i>HK\$'000</i>
TURNOVER	<u>51,280</u>	<u>33,004</u>	<u>1,949</u>	<u>86,233</u>
PROFIT FROM OPERATION				
Segment results	<u>2,846</u>	<u>7,722</u>	<u>(457)</u>	10,111
Interest income				184
Unallocated income				4,771
Unallocated expenses				(622)
Finance costs				<u>(1,030)</u>
Profit before taxation				13,414
Taxation				<u>(1,161)</u>
Profit after taxation				<u>12,253</u>

(Unaudited)
For the six months ended
30 April 2006

	Beauty services and sale of beauty products <i>HK\$'000</i>	Clinical services <i>HK\$'000</i>	Beauty courses <i>HK\$'000</i>	Total <i>HK\$'000</i>
TURNOVER	63,417	–	2,405	65,822
	<u>63,417</u>	<u>–</u>	<u>2,405</u>	<u>65,822</u>
PROFIT FROM OPERATION				
Segment results	12,042	–	42	12,084
	<u>12,042</u>	<u>–</u>	<u>42</u>	
Interest income				190
Unallocated income				2,253
Unallocated expenses				(753)
Finance costs				(313)
				<u>1,877</u>
Profit before taxation				13,461
Taxation				(1,579)
				<u>11,882</u>
Profit after taxation				<u>11,882</u>

(b) *Secondary reporting format-geographical segment*

(Unaudited)
For the six months ended 30 April
2007

	2007		2006	
	Contribution to operating profit <i>HK\$'000</i>	Contribution to operating profit <i>HK\$'000</i>	Segment Turnover <i>HK\$'000</i>	Contribution to operating profit <i>HK\$'000</i>
Hong Kong	73,089	11,855	55,861	8,765
China	4,938	(913)	2,388	(1,054)
Macau	8,206	4,513	7,573	5,129
	<u>86,233</u>	<u>15,455</u>	<u>65,822</u>	<u>12,840</u>

4. Profit before taxation

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

	For the three months		For the six months	
	ended 30 April		ended 30 April	
	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting:				
Other income	3,856	1,800	4,955	2,443
Charging:				
Cost of inventories sold excluding provision for slowing-moving inventory for the period)	1,363	476	2,177	691
Auditors' remuneration	170	125	290	242
Depreciation				
Owned assets	3,034	1,927	5,761	3,851
Asset held under hire purchase contracts	-	-	-	-
Operating lease rentals in respect of land and buildings	3,568	2,476	7,167	4,890
Exchange Loss	41	48	86	62
Interest expenses on borrowings	616	311	1,030	313
Hire Charge	-	2	-	4
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. Taxation

Hong Kong profits tax has been provided for at the rate of 17.5% (2006: 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.

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 (2006: HK\$Nil).

7. Earnings Per Share

(a) Basic

The calculation of basic 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 (profit for the three months and six months ended 30 April 2006: approximately HK\$9,993,000 and HK\$11,882,000 respectively) and the weighted average number of 477,901,224 ordinary shares in issue during the period (three months and six months ended 30 April 2006: 419,547,098 shares in issue).

(b) *Diluted*

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 (profit for the three months and six months ended 30 April 2006: approximately HK\$9,993,000 and HK\$11,882,000 respectively) and the weighted average number of 477,901,224 (2006: weighted average number of 419,547,098) ordinary shares in issue during the period plus the weighted average number of 1,159,251 (2006: 278,286) ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options outstanding during the period.

8. **Available-for-sale financial assets**

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Held-to-maturity debt security, at amortised cost		
Listed outside Hong Kong	<u> -</u>	<u> 3,753</u>

9. **Fixed assets**

	As at 30 April 2007 (Unaudited) <i>HK\$'000</i>	As at 31 October 2006 (Audited) <i>HK\$'000</i>
At beginning of the period	26,735	21,268
Additions	16,694	15,416
Disposals	-	(1,443)
Depreciation charge	(5,761)	(8,506)
	<u> 37,668</u>	<u> 26,735</u>

10. **Trade Receivables**

The ageing analysis of trade receivables is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within three months	19,400	13,871
Over three months but within six months	8,074	4,307
Over six months	4,860	5,330
	<u> 32,334</u>	<u> 23,508</u>

11. Trade Payables

	As at 30 April 2007 (Unaudited) HK\$'000	As at 31 October 2006 (Audited) HK\$'000
Within three months	–	–
Over three months but within six months	–	–
Over six months	417	417
	<u>417</u>	<u>417</u>

12. Issued capital

	2007		2006	
	No. of shares	HK\$'000	No. of shares	HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.1 each	<u>800,000,000</u>	<u>80,000</u>	<u>800,000,000</u>	<u>80,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.1 each	<u>577,840,451</u>	<u>57,784</u>	<u>464,440,451</u>	<u>46,444</u>

13. 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 2007	Date of grant	Exercise period of the share options	Exercise price per share HK\$
	At 1 November 2006	Granted	Exercised	Cancelled/ Lapsed				
<i>Employees</i>								
- In aggregate	6,000,000	-	(1,100,000)	-	4,900,000	20-Jun-05	22/6/2005	0.345
		3,000,000	-	-	3,000,000	27-Feb-07	- 21/12/2008 27/2/2007	0.360
		300,000	-	-	300,000	15-Mar-07	- 26/2/2009 15/9/2007 - 14/9/2008	0.540
	<u>6,000,000</u>	<u>3,300,000</u>	<u>(1,100,000)</u>	<u>-</u>	<u>8,200,000</u>			
<i>Other eligible persons</i>								
- In aggregate	2,000,000	-	(2,000,000)	-	-	27-Jun-05	6/7/2005	0.373
		1,000,000	-	-	1,000,000	14-Mar-07	- 5/7/2007 14/3/2007 - 13/3/2009	0.550
	<u>8,000,000</u>	<u>4,300,000</u>	<u>(3,100,000)</u>	<u>-</u>	<u>9,200,000</u>			

4,300,000 options were granted during the period ended 30 April 2007. The fair values of options granted were determined using the Black-Scholes valuation model.

In total, HK\$62,898 of employee compensation expense has been included in the consolidated income statement for the period ended 30 April, 2007 (2006: HK\$Nil) which gave rise to additional equity. No liabilities were recognised due to share-based payment transactions.

14. Contingent liabilities

As at 30 April 2007, the Company has given corporate guarantees to third parties for securing a tenancy agreement and an advertising contract of subsidiary companies.

Apart from the above, the Group and the Company had no other material contingent liabilities as at 30 April 2007 and up to the date of approval of the unaudited condensed consolidated results of the Group for the six months ended 30 April 2007.

15. Commitments

(i) Operating lease commitments

As at 30 April 2007, the total future minimum lease payments under non-cancelable operating leases are payable as follows:

	As at 30 April 2007 (Unaudited) HK\$'000	As at 31 October 2006 (Audited) HK\$'000
Within one year	16,164	9,230
In the second to fifth years inclusive	28,550	8,591
Over five years	1,754	1,488
	<u>46,468</u>	<u>19,309</u>

At 30 April 2007, the Group's total future minimum lease receipts under non-cancellable operating leases were receivable as follows:

	As at 30 April 2007 (unaudited) HK\$'000	As at 31 October 2006 (Audited) HK\$'000
Within one year	577	577
In the second to fifth year, inclusive	1,635	2,212
	<u>2,212</u>	<u>2,789</u>

(ii) Capital commitments contracted for

The Group did not have any significant capital commitments at 30 April 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business review

Comparing with last year's first six months, turnover has increased approximately 31% and three months has increased approximately 4%. Meanwhile 3 months net profit has decreased approximately 26% and for the half year the net profit has increased approximately 3%. This is partly due to the fact that the Chinese New Year is late this year. Since the year the Chinese New Year is in the second quarter instead of the first quarter, the sales figure in February was affected. Another influence is due to the weakening of our traditional beauty services. Sales increases were mainly contributed by the increment of medical services. The management is utilizing their best effort on cost reconstruction of the group and is expecting that the profit margin will improve soon.

In the last quarter, we have launched another medical center in Central and will introduce another medical center in Causeway Bay soon. Under strategically reconstruction of the group outlay, the group will down size its beauty center in the coming quarter to cope with the business trend.

An extraordinary general meeting has been called upon for the purpose of approving the proposed capital reduction. Once the proposal has been approved, dividend can be distributed to the shareholders soon.

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 3% of the Group's total turnover. Turnover from these operations was approximately HK\$3 million, for the six months ended 30 April 2007, representing an increase of approximately 76% 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\$48 million for the six months ended 30 April 2007, representing a decrease of approximately 23% 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. During the period under review, the Group's turnover and gross profit amounted to approximately HK\$86 million and HK\$84 million respectively, representing an increase of approximately 31% and 29% from those of the same period of the previous year.

Comparing with the results in the first quarter, the Group's turnover for the second quarter decreased by 18% to approximately HK\$39 million.

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 2007, the Group has been operating nine beauty services centres/direct sales centres in Hong Kong, Macau and China; four medical clinics, one beauty course training centre and one warehouse in Hong Kong.

Liquidity and financial resources

The Group's Cash and bank balances as of 30 April 2007 amounted to approximately HK\$39.7 million (31 October 2006: HK\$20 million). The Aggregate trade payables and other borrowings and liabilities as of 30 April 2007 amounted to approximately HK\$31.4 million (31 October 2006: HK\$29.6 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 2007, the Group's gearing ratio, expressed as a percentage of total borrowings, (comprising hire purchase contracts and amount due to minority interests) over total assets, was approximately 3.2%.

Future plans for material investments or capital assets

As at 30 April 2007, 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 2007.

Contingent liabilities

Details of the contingent liabilities are set out in note 14.

Employees

As at 30 April 2007, the Group employed 472 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 2007, 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

Name	Type of interest	No. of shares	Approximate percentage of interest
Mr. Leung Kwok Kui	Personal	3,427,954	0.59
Ms. Siu York Chee	Personal	43,707,954	7.56

(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:

Name	Number of share options granted	Exercised/ Lapsed	Outstanding at 30 April 2007
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 30 April 2007, 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 30 April 2007, 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

Name	Number of Shares	Percentage of Issued Share Capital
Multi Treasure Ltd <i>(Note 1)</i>	52,180,000	9.03
Everproven Limited <i>(Note 1)</i>	65,230,651	11.29
Deutsche Bank Aktiengesellschaft <i>(Note 2)</i>	36,000,000	6.23
Galaxy China Opportunities Fund <i>(Note 3)</i>	37,880,000	6.56

Notes:

- 1) Everproven Limited and Multi Treasure Ltd are a substantial shareholder of the Company and beneficially owned by Mr. Chan Boon Ho.
- 2) The 36,000,000 Shares were held as security interest by Deutsche Bank Aktiengesellschaft.
- 3) The 37,880,000 Shares were held as security interest by Galaxy China Opportunities Fund.

(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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 30 April 2007, 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.

3. Code B.1.4 and C.3.4

The Company has not yet disclosed the terms of reference of the remuneration committee and audit committee on the website of the Company.

Appropriate actions are being taken to update the website for the Company, whereat the written terms of reference of the audit committee and remuneration committee will be disclosed. These terms of reference was also available from the Company on request.

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 2006 to 30 April 2007.

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 |
| 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, 14 June 2007