



B.A.L.

B.A.L. Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8079)

FIRST QUARTERLY REPORT

2008

FOR THE THREE MONTHS ENDED 31 JANUARY 2008

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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The principal means of information dissemination on GEM is publication on the Internet website operated by the 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.

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

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HIGHLIGHTS

- Turnover of the Group for the three months ended 31 January 2008 amounted to approximately 58 million, representing an increase of approximately 22 per cent as compared with the same period last year.
- Net loss of the Group for the three months ended 31 January 2008 amounted to approximately 3 million, representing a decrease of approximately 170 per cent as compared with the same period last year.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 January 2008.

The board (the “Board”) of directors of B.A.L. Holdings Limited (the “Company”) would like to report the unaudited consolidated results of the Company and its subsidiaries (collectively, “the Group”) for the three months ended 31 January 2008, together with the comparative figures for the corresponding period in 2007 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Three months ended 31 January	
		2008	2007
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	2	58,071	47,488
Cost of sales		(18,927)	(814)
Gross profit		39,144	46,674
Other income and (loss)/gains	2	(9)	1,099
Servicing, selling and distribution costs		(28,935)	(31,314)
Administrative expenses		(14,260)	(9,157)
Operating (loss)/profit		(4,060)	7,302
Finance costs		(311)	(414)
Share of results of jointly controlled entities		-	(358)
Share of result of an associate		1,222	-
(Loss)/profit before income tax		(3,149)	6,530
Income tax expense	4	-	(529)
(Loss)/profit for the period		(3,149)	6,001
Attributable to:			
Equity holders of the Company		(3,335)	4,826
Minority interests		186	1,175
(Loss)/profit for the period		(3,149)	6,001
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period			Restated
- Basic	6	(0.60) cent	1.15 cent
- Diluted		N/A	N/A

Notes:

1. Basis of preparation

The Group's unaudited consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The unaudited consolidated results comply with the applicable disclosure requirements of the Hong Kong Company Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 January 2008 are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 October 2007.

2. Revenue and other income and (loss)/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, clinical services and beauty courses, plus property sales.

	2008	2007
	HK\$'000	HK\$'000
Revenue		
Beauty services and sale of beauty products	24,367	28,030
Clinical services	12,919	17,692
Tuition fees of beauty courses	170	1,766
Sale of properties	20,615	-
	<u>58,071</u>	<u>47,488</u>
Other income and (loss)/gains		
Management fee income	-	80
Franchise fee income	180	79
Interest income	392	10
Rental income	299	315
Dividend income from listed investments	68	-
Loss on sale of financial assets	-	(109)
(Loss)/gain on disposal of financial assets at fair value through profit or loss	(1,230)	866
Exchange loss	(53)	(45)
Others	335	(97)
	<u>(9)</u>	<u>1,099</u>

3. Segment Information

	(Unaudited)	
	Three months	
	ended 31 January	
	2008	2007
	HK\$'000	HK\$'000
(a) Turnover by business segment		
Beauty services and sale of beauty products	24,367	28,030
Clinical services	12,919	17,692
Beauty courses	170	1,766
Sale of properties	20,615	-
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Total:	58,071	47,488
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	(Unaudited)	
	Three months	
	ended 31 January	
	2008	2007
	HK\$'000	HK\$'000
(b) Turnover by geographical segment		
Hong Kong	48,139	38,666
People's Republic of China	6,306	3,386
Macau	3,626	5,436
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Total:	58,071	47,488
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4. Income Tax Expense

Income tax has not been provided as the Group did not generate any assessable profits during the three months ended 31 January 2008 (2007: HK\$529,000).

5. Dividend

The Board does not recommend payment of a dividend for the three months ended 31 January 2008.

6. Earnings Per Share

(a) Basic

The calculation of basic (loss)/earnings per share is based on the loss attributable to shareholders of approximately HK\$3,335,000 (2007 profit: HK\$4,826,000) and the weighted average number of 557,378,926 (2007: 417,996,405 (restated) in issue) ordinary shares during the period.

(b) Diluted

Diluted (loss)/earnings per share for the quarter ended 31 January 2008 and 2007 was not presented because the impact of the exercise of the share options was anti-dilutive.

7. Condensed consolidated statement of changes in equity (unaudited)

	Equity attributable to equity holders of the Company								Minority interests	Total equity	
	(Accumulated)										
	Share capital	Share premium	Capital redemption reserve	Exchange reserve	retained profits	Investment reserves	Share revaluation reserve	Share option reserve			Total
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
Equity-settled share option arrangement	-	-	-	-	-	-	-	349	349	-	349
Capital contributed by minority shareholder	-	-	-	-	-	-	-	-	-	1	1
Rights issue	47,480	(1,447)	-	-	-	-	-	-	46,033	-	46,033
profit/(loss) for the period	-	-	-	-	(3,149)	-	-	-	(3,149)	186	(2,963)
At 31 January 2008	142,441	18,141	278	17	26,501	28,327	11	1,922	217,638	187	217,825

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Traditionally, the business of the first quarter is the worst within the whole fiscal year due to the long intervening Christmas and Chinese New Years holidays. The beauty industry was facing the hardest time in the past few months due to the keen competition within the industry, the increase in rental and the adverse media pressure. The turnover of the beauty centres of the Group declined for these reasons.

The Group has tried to develop its business in plastic surgery and other beauty services in the past year. The Group has recently opened a specialist clinic in Central. The management believes that the opening of the specialist clinic will bring in sizable income to the Group in the future.

The Group has also tried to diversify its business in the last quarter by investing in the property market. The Group has attained earnings over 2 million Hong Kong Dollars through property investments over the period 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 earnings of the Group.

Contingent liabilities

As at 31 January 2008, the Company has given corporate guarantees to third parties for securing a tenancy agreement, mortgage loans, and an advertising contract of subsidiary Companies.

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.

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

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

Type of grantee	Number of options during the period				At 31 January 2008	Date of grant	Exercise period of the share options	Exercise price per share HK\$
	At 31 October 2007	Granted	Exercised [*]	Adjustments [*]				
Employees								
- In aggregate	11,760,000	-	-	(8,662,416)	3,097,584	20 June 2005	22 June 2005 to 21 December 2008	0.5459*
- In aggregate	7,200,000	-	-	(5,303,520)	1,896,480	23 February 2007	27 February 2007 to 26 February 2009	0.5695*
- In aggregate	720,000	-	-	(530,352)	189,648	15 March 2007	15 March 2007 to 14 September 2008	0.8542*
- In aggregate	26,560,000	-	-	(19,564,096)	6,995,904	27 September 2007	27 September 2007 to 26 September 2009	0.2620*
	<u>46,240,000</u>	<u>-</u>	<u>-</u>	<u>(34,060,384)</u>	<u>12,179,616</u>			
Other eligible persons								
- In aggregate	2,400,000	-	-	(1,767,840)	632,160	14 March 2007	14 March 2007 to 13 March 2009	0.8702*
- In aggregate	5,000,000	-	-	(3,683,000)	1,317,000	4 October 2007	17 October 2007 to 16 October 2009	0.2658*
	<u>7,400,000</u>	<u>-</u>	<u>-</u>	<u>(5,450,840)</u>	<u>1,949,160</u>			
	<u><u>53,640,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(39,511,224)</u></u>	<u><u>14,128,776</u></u>			

^{*} *This reflects the adjusted exercise prices and number of share options which have been granted and are outstanding after the completion of share consolidation on 22 November 2007 and rights issue on 31 December 2007.*

The fair values of options granted during the period ended 31 January 2008 were determined using the Black-Scholes valuation model. Significant inputs into the calculation included a weighted average share price of HK\$0.42 and exercise prices as illustrated above. Furthermore, the calculation takes into account volatility rates ranging from 73.29% to 95.46%, based on expected share price. Risk-free interest rates ranging from 3.52% to 2.74% were determined.

In total, HK\$349,000 of employee compensation expense has been included in the consolidated income statement for the period ended 31 January 2008 (2007: HK\$338,000), the corresponding amount of which has been credited to share option reserve. No liabilities were recognised due to share-based payment transactions.

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 January 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 capital of the Company as at the Latest Practicable Date
Ms. Siu York Chee <i>(Notes 1 and 2)</i>	Personal	2,032,158	0.29%
Mr. Leung Kwok Kui <i>(Note 2)</i>	Personal	7,158	0.00%
Mr. Ho Wai Sun <i>(Note 3)</i>	Personal	10,290,000	1.44%

Notes:

- Ms. Siu York Chee also together with Mr. Shiu Yeuk Yuen hold on behalf of Ms. Shiu Yo Yo and Ms. Shiu Sound Sound 34% shareholdings in Heavenly Blaze which in turn holds 104,767,917 Shares.
- Ms. Siu York Chee and Mr. Leung Kwok Kui are wife and husband.
- Mr. Ho Wai Sun ("Mr. Ho") is a director of an indirect wholly-owned subsidiary of the Company.

b) Interest in convertible loan notes

Name	Type of interest	Number of underlying Shares held	Approximate percentage of the underlying Shares to the issued share capital of the Company as at the Latest Practicable Date
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

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

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

Save as disclosed above, as at 31 January 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.

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

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
Heavenly Blaze	Corporate	104,767,917	14.71%
Mr. Cheng Jut Si (<i>Note 1</i>)	Personal	104,767,917	14.71%
Mr. Shiu Stephen Junior (<i>Note 1</i>)	Personal	104,767,917	14.71%
Ms. Shiu Ting Yan, Denise (<i>Note 1</i>)	Personal	104,767,917	14.71%
Mr. Shiu Yeuk Yuen and Ms. Siu York Chee (<i>Note 2</i>)	Personal	104,767,917	14.71%
One Dollar Productions Limited (<i>Note 1</i>)	Corporate	104,767,917	14.71%
Ms. Hau Lai Mei (<i>Note 1</i>)	Personal	104,767,917	14.71%
Everproven Limited (<i>Note 3</i>)	Corporate	81,800,000	11.48%
Mr. Chan Boon Ho, Peter (<i>Note 3</i>)	Personal	81,800,000	11.48%

Notes:

1. Heavenly Blaze is beneficially owned as to (i) 46% by Mr. Shiu Stephen Junior, nephew of Ms. Siu York Chee (being the executive Director); (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 (i) 25% by Mr. Shiu Stephen Junior; and (ii) 75% by Ms. Hau Lai Mei, the step-mother of Shiu Stephen Junior. Mr. Shiu Stephen Junior and Ms. Hau Lai Mei are therefore deemed to be interested in such Shares.
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*

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

Save as disclosed above, as at 31 January 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 is expected, directly or indirectly to be interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of any other member of the Company.

COMPETING INTEREST

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.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Required Standard of Dealings throughout the quarter ended 31 January 2008.

AUDIT COMMITTEE

The Company has formed an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The audit committee (the "Committee") comprises three independent non-executive Directors, namely Mr. Hung Anckes Yau Keung, Dr. Siu Yim Kwan, Sidney and Mr. Tsui Pui Hung, Walter. Mr. Hung Anckes Yau Keung is also the chairman of the audit committee of the board of Directors. The primary duties of the Committee are to review the Company's annual report and accounts, half-year report, quarterly reports and monthly reports and to provide advice and comments thereon to the board of Directors. The Committee is also responsible for reviewing and monitoring the Company's internal control procedures. The Committee has reviewed the draft of this report and has provided advice and comments thereon.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

None of the members of The Group purchased, sold or redeemed any of The Group's listed securities during the period from 1 November 2007 to 31 January 2008.

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
Ms. Tsui Pui Hung, Walter	-	Independent Non-Executive Director

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

Hong Kong, 13 March 2008