



First Quarterly Report  
**2009**

**B.A.L.**

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

*(Continued into Bermuda with limited liability)*  
*(Stock Code: 8079)*

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

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

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

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

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## **HIGHLIGHTS**

- Turnover of the Group for the three months ended 31 January 2009 amounted to approximately HK\$35 million, representing a decrease of approximately 40 per cent as compared with the same period last year.
- Net loss of the Group for the three months ended 31 January 2009 amounted to approximately HK\$8.4 million, representing an increase of approximately 150 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 2009.

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 2009, together with the comparative figures for the corresponding period in 2008 as follows:

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended 31 January	
		2009	2008
	Notes	HK\$'000	HK\$'000 (Restated)
<b>Revenue</b>	2	34,594	58,071
<b>Cost of sales</b>		<u>(5,390)</u>	<u>(27,138)</u>
<b>Gross profit</b>		29,204	30,933
Other revenue and gains	2	1,433	1,274
Servicing, selling and distribution costs		(25,703)	(23,811)
Administrative expenses		(10,094)	(11,173)
Other operating expenses		<u>(3,161)</u>	<u>(1,283)</u>
<b>Operating loss</b>		(8,321)	(4,060)
Finance costs		(80)	(311)
Share of result of an associate		-	1,222
<b>Loss before income tax</b>		(8,401)	(3,149)
Income tax expense	4	-	-
<b>Loss for the period</b>		<u>(8,401)</u>	<u>(3,149)</u>
<b>Attributable to:</b>			
<b>Equity holders of the Company</b>		(8,434)	(3,335)
<b>Minority interests</b>		<u>33</u>	<u>186</u>
<b>Loss for the period</b>		<u>(8,401)</u>	<u>(3,149)</u>
<b>Loss per share for loss attributable to the equity holders of the Company during the period</b>			(Restated)
- Basic	6	<u>(24.7) cents</u>	<u>(15) cents</u>
- Diluted		<u>N/A</u>	<u>N/A</u>

## 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 financial statements have been prepared on the historical cost basis except for the investment properties, certain financial instruments classified as available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial instruments which are stated at fair values. The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 January 2009 are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 October 2008. The accounts are unaudited but have been reviewed by the Company's audit committee.

### 2. Revenue and other revenue and gains

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Revenue</b>		
Beauty services and sale of beauty products	20,945	24,367
Clinical services	13,515	12,919
Tuition fees of beauty courses	-	170
Rental income from investment properties	134	-
Sale of properties held for resale	-	20,615
	<u>34,594</u>	<u>58,071</u>
		(Restated)
<b>Other revenue and gains</b>		
Franchise fee income	-	180
Interest income	401	392
Rental income from sublet of office premises	235	299
Dividend income from listed investments	303	68
Others	494	335
	<u>1,433</u>	<u>1,274</u>

### 3. Segment Information

	<b>(Unaudited)</b> <b>Three months</b> <b>ended 31 January</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(a) Turnover by business segment		
Beauty services and sale of beauty products	<b>20,945</b>	24,367
Clinical services	<b>13,515</b>	12,919
Beauty courses	-	170
Property investment	<b>134</b>	20,615
	<hr/>	<hr/>
Sub-total	<b>34,594</b>	58,071
	<hr/>	<hr/>
Securities investment	<b>303</b>	68
	<hr/>	<hr/>
Total:	<b>34,897</b>	58,139
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	<b>(Unaudited)</b> <b>Three months</b> <b>ended 31 January</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(b) Turnover by geographical segment		
Hong Kong	<b>26,226</b>	48,139
People's Republic of China	<b>4,584</b>	6,306
Macau	<b>3,784</b>	3,626
	<hr/>	<hr/>
Total:	<b>34,594</b>	58,071
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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 2009 (2008: HK\$Nil).

### 5. Dividend

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

### 6. Earnings Per Share

#### (a) Basic

The calculation of basic loss per share is based on the loss attributable to shareholders of approximately HK\$8,400,000 (2008: HK\$3,335,000) and the weighted average number of 34,088,258 (2008: 22,295,157 (restated)) ordinary shares in issue during the period.

#### (b) Diluted

Diluted loss per share for the quarter ended 31 January 2009 and 2008 was not presented because the impact of the exercise of the share options was anti-dilutive.

## 7. Comparative Figures

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

## 8. Condensed consolidated statement of changes in equity (unaudited)

	Equity attributable to the equity holders of the Company									Minority interests	Total equity	
	Share capital	Share premium	Capital redemption reserve	Exchange reserve	Retained profits/(accumulated losses)	Investment reserves	Share revaluation reserve	Share option reserve	Contributed surplus			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 November 2006	46,444	39,996	278	17	(34,449)	28,327	(192)	927	-	81,348	254	81,602
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	-	11	-	-	11	-	11
Profit for the year	-	-	-	-	15,931	-	-	-	-	15,931	587	16,518
Total recognised income and expense for the year	-	-	-	-	15,931	-	11	-	-	15,942	587	16,529
Realisation of fair value changes of available-for-sale financial assets on disposals	-	-	-	-	-	-	192	-	-	192	-	192
Equity-settled share option arrangement	-	-	-	-	-	-	-	646	-	646	-	646
Arising from acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(855)	(855)
Capital contributed by minority shareholders	-	-	-	-	-	-	-	-	-	-	14	14
Proceeds from shares issued	34,740	40,791	-	-	-	-	-	-	-	75,531	-	75,531
Proceeds from exercise of share options	200	546	-	-	-	-	-	-	-	746	-	746
Bonus issue	13,577	(13,577)	-	-	-	-	-	-	-	-	-	-
Share premium cancellation	-	(48,168)	-	-	48,168	-	-	-	-	-	-	-
At 31 October 2007 and 1 November 2007	94,961	19,588	278	17	29,650	28,327	11	1,573	-	174,405	-	174,405
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	-	(2,179)	-	-	(2,179)	-	(2,179)
Loss for the year	-	-	-	-	(77,371)	-	-	-	-	(77,371)	(350)	(77,721)
Total recognised income and expense for the year	-	-	-	-	(77,371)	-	(2,179)	-	-	(79,550)	(350)	(79,900)
Arising from partial disposals of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	817	817
Realisation of fair value changes of available-for-sale financial assets on disposals	-	-	-	-	-	-	(11)	-	-	(11)	-	(11)
Equity-settled share option arrangement	-	-	-	-	-	-	-	1,655	-	1,655	-	1,655
Rights issue	47,480	(1,447)	-	-	-	-	-	-	-	46,033	-	46,033
Allotment of shares	1,400	4,159	-	-	-	-	-	-	-	5,559	-	5,559
Capital reduction	(135,319)	-	-	-	-	-	-	-	135,319	-	-	-
At 31 October 2008	8,522	22,300	278	17	(47,721)	28,327	(2,179)	3,228	135,319	148,091	467	148,558
Equity-settled share option arrangement	-	-	-	-	-	-	-	421	-	421	-	421
Capital reorganization	(8,181)	-	-	-	-	-	-	-	8,181	-	-	-
Loss for the period	-	-	-	-	(8,434)	-	-	-	-	(8,434)	33	(8,401)
At 31 January 2009	341	22,300	278	17	(56,155)	28,327	(2,179)	3,649	143,500	140,078	500	140,578

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

#### *Revenue*

During the period under review, the Group was still operating under adverse conditions resulting from the depressed economy. Turnover for the quarter ended 31 January, 2009 was approximately HK\$35 million, representing a decrease of approximately 40% as compared with the corresponding period last year. This was mainly due to the clearance of all properties held for resale in 2008. If this segment is not counted, the decrease was approximately 8%. Loss attributable to equity holders of the Company was approximately HK\$8.4 million, representing an increase of approximately 1.5 times as compared with last year.

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

The Group's turnover from beauty services and sale of beauty products operations for the period under review was approximately HK\$21 million, representing a decrease of approximately 14%.

The recent merging of our beauty service shop and clinic in Causeway Bay into one new floor will effectively reduce the existing rental expenses of the two shops by 28%. We will continue to reorganize the size and location of our operating units upon the expiry of the lease term for a reduction of operating expenses.

### **Clinical Services**

There was a rebound of the turnover of this segment for this quarter and the total sum was approximately HK\$14 million, representing an increase of approximately 5%. In this quarter, the performance of this segment is the best amongst all.

### **Beauty Courses**

Subsequent to the closure of beauty course training centre and new courses were not successfully organized, there was no turnover achieved for this segment.

### **Sales of properties held for resale**

As all properties held for resale were sold out during the first three quarters of 2008, turnover from this segment was not recorded. However, our investment properties are still providing steady rental income to the Group during the period under review.

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

As we are more cautious in dealing with financial instruments and quoted shares and adequate impairment provision was made in 2008, there was no substantial loss recorded during the period under review.



## Outlook

We anticipate the global economy recession caused by the “Financial Tsunami” will continue throughout 2009. However, the Group is financially strong and has no significant capital commitment, we have confidence in tackling future challenges successfully.

## Contingent liabilities

As at 31 January 2009, 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	At 31 October 2008	Granted	Adjustments <sup>a</sup>	Exercised/ Cancelled/ Lapsed	At 31 January 2009	Date of grant	Exercise period of the share options	Exercise price per share HK\$
<b>Employees</b>								
- In aggregate	619,516	-	-	(619,516)	-	20-Jun-05	22/6/05 - 21/12/08	2.7295
- In aggregate	379,296	-	(303,437)	-	75,859	27-Feb-07	27/2/07 - 26/2/09	14.2375*
- In aggregate	1,399,180	-	(1,119,344)	-	279,836	27-Sep-07	27/9/07 - 26/9/09	6.5500*
- In aggregate	1,424,412	-	(1,139,530)	-	284,882	1-Feb-08	6/2/2008 - 5/2/2010	5.0000*
- In aggregate	3,400,000	-	(2,719,985)	(19)	679,996	5-May-08	5/5/2008 - 4/5/2010	1.4150*
	<u>7,222,404</u>	<u>-</u>	<u>(5,282,296)</u>	<u>(619,535)</u>	<u>1,320,573</u>			
<b>Other eligible person</b>								
- In aggregate	126,432	-	(101,146)	-	25,286	14-Mar-07	14/3/07 - 13/3/09	21.7550*
- In aggregate	263,400	-	(210,720)	-	52,680	4-Oct-07	17/10/07 - 16/10/09	6.6450*
	<u>7,612,236</u>	<u>-</u>	<u>(5,594,162)</u>	<u>(619,535)</u>	<u>1,398,539</u>			

\* *This reflects the adjusted exercise prices and number of share options which have been granted and are outstanding after the completion of share consolidation on 15 January 2009*

No option was granted during the period ended 31 January 2009. 19 options were exercised and 619,516 options lapsed during the period ended 31 January 2009.

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

In total, HK\$421,000 of employee compensation expense has been included in the consolidated income statement for the period ended 31 January 2009 (2008: HK\$349,000), 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 2009, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the HKSE, were as follows:

### **(i) Interests and short positions of the Directors or chief executives in the Shares, underlying shares and debentures of the Company and its associated corporations**

As at 31 January 2009, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were 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 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

(a) *Interests in Shares*

Long positions

Name	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate percentage to the issued share capital of the Company as at 31 October 2008
Ms. Siu York Chee	Beneficiary owner and family interests	81,286	286	-	3,401,116 (Notes 1 and 2)	3,482,688	10.22%
Mr. Leung Kwok Kui	Beneficiary owner and family interests	286	3,482,402 (Note 3)	-	-	3,482,688	10.22%

*Notes:*

1. Heavenly Blaze Limited is beneficially owned as to (i) 46% by Mr. Shiu Stephen Junior, nephew of Ms. Siu York Chee (being the executive Directors); (ii) 34% by Mr. Shiu Yeuk Yuen, younger brother of Ms. Siu York Chee, and Ms. Siu York Chee together hold on behalf of Ms. Shiu Yo Yo and Ms. Shiu Sound Sound, nieces of Ms. Siu York Chee; (iii) 16% by Ms. Shiu Ting Yan, Denise, niece of Ms. Siu York Chee; (iv) 1% by Mr. Cheng Jut Si; and (v) 3% by One Dollar Productions Limited which is beneficially owned as to 25% by Mr. Shiu Stephen Junior; and 75% by Ms. Hau Lai Mei, the step-mother of Mr. Shiu Stephen Junior.
2. Ms. Siu York Chee and Mr. Shiu Yeuk Yuen are the trustees of Ms. Shiu Yo Yo and Ms. Shiu Sound Sound.
3. Mr. Leung Kwok Kui, the executive Director, is the spouse of Ms. Siu York Chee.

(b) *Interests in convertible loan notes*

Name	Type of interests	Number of underlying Shares held	Approximate percentage of the underlying Shares to the issued share capital of the Company as at 31 January 2009
Mr. Ho Wai Sun ( <i>Note</i> )	Personal	909,090	2.67%

*Note:* Mr. Ho was issued with convertible loan notes on 18 January 2008 with a principal amount of HK\$10,000,000 at an adjusted conversion price of HK\$5.50 per Share (the “Convertible Notes”). On 18 December 2008, the Company has requested for early redemption of half of the convertible notes of the Company, representing principal amount of HK\$5,000,000, for a consideration of HK\$5,000,000 from the noteholder and the noteholder has agreed for the early redemption. The redemption process was completed on 19 January 2009. As at 31 January 2009, HK\$5,000,000 of the Convertible Notes remain outstanding. Upon full conversion of the Convertible Notes, a maximum of 909,090 Shares will be issued to Mr. Ho. The Company has 34,088,260 Shares in issue as at 31 January 2009.

(c) *Interests in shares option*

Name	Type of interests	Outstanding shares option as at 31 January 2009	Approximate percentage of the underlying Shares to the issued share capital of the Company as at 31 January 2009
Mr. Ho Wai Sun ( <i>Note</i> )	Personal	284,882	0.83%

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

Save as disclosed above, as at 31 January 2009, none of the Directors or chief executive of the Company had any interests or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he/ she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

*Interests in the Shares and underlying shares*

Long positions

Name	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Shares	Total	Approximate percentage to the issued share capital of the Company as at 31 January 2009
						Option/ Underlying Shares		
Heavenly Blaze Limited	Beneficiary owner	-	-	3,401,116 (note 1)	-	-	3,401,116	9.98%
Mr. Shiu Stephen Junior	Beneficiary owner and Interested held by controlled corporation	3,400	-	3,401,116 (note 1)	-	-	3,404,516	9.99%
Mr. Shiu Yeuk Yuen	Interested held by controlled corporation and family interests	-	191,062 (note 1)	-	3,401,116 (note 2)	-	3,592,178	10.54%
Ms. Hau Lai Mei	Beneficiary owner and family interests	35,340	3,401,116 (note 1)	-	-	155,722	3,592,178	10.54%
Everproven Limited	Beneficiary owner	-	-	3,272,000 (note 3)	-	-	3,272,000	9.60%
Chan Boon Ho, Peter	Interested held by controlled corporation	-	-	3,272,000 (note 3)	-	-	3,272,000	9.60%

*Notes:*

1. Heavenly Blaze Limited is beneficially owned as to (i) 46% by Mr. Shiu Stephen Junior, nephew of Ms. Siu York Chee (being the executive Directors); (ii) 34% by Mr. Shiu Yeuk Yuen, younger brother of Ms. Siu York Chee, and Ms. Siu York Chee together hold on behalf of Ms. Shiu Yo Yo and Ms. Shiu Sound Sound, nieces of Ms. Siu York Chee; (iii) 16% by Ms. Shiu Ting Yan, Denise, niece of Ms. Siu York Chee; (iv) 1% by Mr. Cheng Jut Si; and (v) 3% by One Dollar Productions Limited which is beneficially owned as to 25% by Mr. Shiu Stephen Junior; and 75% by Ms. Hau Lai Mei, the step-mother of Mr. Shiu Stephen Junior.
2. Ms. Siu York Chee and Mr. Shiu Yeuk Yuen are the trustees of Ms. Shiu Yo Yo and Ms. Shiu Sound Sound.
3. Everproven Limited is beneficially owned as to 100% by Mr. Chan Boon Ho, Peter.

Save as disclosed above, as at 31 January 2009, the Directors were not aware of any other person who had an interests or short position in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 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 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 2009.

## **APPOINTMENT OF PROFESSIONAL ADVISER AND COMPLIANCE ADVISER**

Reference is made to the press release published by the GEM Listing Committee of the Stock Exchange to the Company on 19 January 2009 regarding the breaches of the GEM Listing Rules by the Company.

The Company has admitted breaching Rules 17.56, 19.34, 19.37, 19.38 and 19.40 of the GEM Listing Rules. Accordingly, against the facts and circumstances outlined and the admitted breaches, the Stock Exchange criticised the Company for its breaches of Rules 17.56, 19.34, 19.37, 19.38 and 19.40 of the GEM Listing Rules.

The Stock Exchange, having regard to the compliance history of the Company and the number and frequency of further breaches, (i) directs that the Company appoint a professional adviser to conduct a thorough review of and make recommendations to improve the Company's internal control and compliance systems to ensure the Company's GEM Listing Rules compliance including in particular the internal controls for compliance with Chapter 19 of the GEM Listing Rules; and (ii) directs the Company to appoint a compliance adviser for consultation on compliance matters including the GEM Listing Rules compliance and corporate governance matters on an ongoing basis for a duration of two years.

In this regard, the board of directors of the Company has appointed Guangdong Securities Limited to be its professional adviser and compliance adviser for a term of two years with effect from 16 February 2009 to 15 February 2011.

## **COMPLIANCE ADVISER'S INTEREST**

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

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

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices (the Code) contained in Appendix 15 of the GEM Listing Rules throughout the Period, save for the deviations discussed below.

### **Chairperson and Chief Executive Officer**

Code Provision A.2.1 stipulates that the roles of Chairperson and Chief Executive Officer should be separated and should not be performed by the same individual.

Ms. Siu York Chee, Doreen is the Chairperson and Chief Executive Officer of the Company. In view of the scale of operations of the Company and the fact that daily operations of the Group's business is delegated to the senior executives and department heads, the Board considers that vesting the roles of both Chairperson and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that the current structure provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. It is in the best interest of the Group to maintain the current practice for continuous efficient operations and development of the Group.

## **AUDIT COMMITTEE**

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

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

None of the members of The Group purchased, sold or redeemed any of The Group's listed securities during the period from 1 November 2008 to 31 January 2009.

## **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, 11 March 2009