

# B.A.L.

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

*(Continued into Bermuda with limited liability)*

*(Stock Code: 8079)*

FIRST  
QUARTERLY  
REPORT

2010



## **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 30 June 2010 amounted to approximately HK\$25 million, representing a decrease of approximately 25 per cent as compared with the same period last year.
- Net loss of the Group for the three months ended 30 June 2010 amounted to approximately HK\$14 million, representing an increase of approximately 40 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 30 June 2010.

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 30 June 2010, together with the comparative figures for the corresponding period in 2009 as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<b>Three months ended 30 June</b>	
		<b>2010</b>	2009
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	2	<b>25,193</b>	33,390
<b>Cost of sales</b>		<b>(7,932)</b>	(5,364)
<b>Gross profit</b>		<b>17,261</b>	28,026
Other revenue and gains	2	<b>1,112</b>	5,354
Servicing, selling and distribution costs		<b>(13,634)</b>	(25,367)
Administrative expenses		<b>(11,362)</b>	(9,443)
Other operating expenses		<b>(7,276)</b>	(8,279)
<b>Operating loss</b>		<b>(13,899)</b>	(9,709)
Finance costs		<b>(90)</b>	(75)
Share of result of associates		<b>260</b>	(3)
<b>Loss before income tax</b>		<b>(13,729)</b>	(9,787)
Income tax expense	4	<b>-</b>	-
<b>Loss for the period</b>		<b>(13,729)</b>	(9,787)
<b>Total comprehensive loss for the period attributable to:</b>			
<b>Owners of the Company</b>		<b>(13,729)</b>	(9,787)
<b>Loss per share for loss attributable to the owners of the Company during the period</b>			(Restated)
- Basic	6	<b>0.45 cents</b>	2.64 cents
- Diluted		<b>N/A</b>	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 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 30 June 2010 are consistent with those followed in the preparation of the Company's annual financial statements for the seventeen months ended 31 March 2010. 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 sold, net of discounts and sales returns, the appropriate proportion of contract revenue generated from the provision of beauty and clinical services, and the appropriate proportion of rental income based on the lease terms of investment properties.

	<b>(Unaudited)</b>	
	<b>Three months</b>	
	<b>ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK \$'000</b>	<b>HK \$'000</b>
<b>(a) Turnover by business segment</b>		
<b>Revenue</b>		
Beauty services and sale of beauty products	<b>10,602</b>	19,934
Clinical services	<b>14,427</b>	13,306
Rental income from investment properties	<b>164</b>	150
	<b>25,193</b>	<b>33,390</b>
<b>Other revenue and gains</b>		
Fair value gains on financial assets at fair value through profit or loss	-	4,155
Franchise fee income	-	45
Interest income	<b>515</b>	429
Rental income from sublet of office premises	<b>280</b>	432
Dividend income from listed investments	<b>248</b>	261
Others	<b>69</b>	32
	<b>1,112</b>	<b>5,354</b>

**(Unaudited)**  
**Three months**  
**ended 30 June**  
**2010** 2009  
**HK\$'000** *HK\$'000*

**(b) Turnover by geographical segment**

Hong Kong	<b>16,976</b>	24,808
People's Republic of China	<b>3,719</b>	5,019
Macau	<b>4,498</b>	3,563
	<b>25,193</b>	33,390
Total:	<b>25,193</b>	33,390

**4. Income Tax Expense**

Income tax has not been provided as the Group did not generate any assessable profits during the three months ended 30 June 2010 (2009: HK\$Nil).

**5. Dividend**

The Board does not recommend payment of a dividend for the three months ended 30 June 2010.

**6. Loss Per Share**

*(a) Basic*

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$13,729,000 (2009: HK\$9,787,000) and the weighted average number of 3,035,868,773 (2009: 370,309,300 (restated)) ordinary shares in issue during the period.

*(b) Diluted*

Diluted loss per share for the quarter ended 30 June 2010 was not presented as all outstanding share options lapsed during the period (2009: 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											
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Capital reserves HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
Balance at 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)
<b>Total recognised income and expense for the year</b>	-	-	-	-	(77,371)	-	(2,179)	-	-	(79,550)	(350)	(79,900)
Arising from partial disposals of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	817	817
Transfer to profit or loss on disposals of available-for-sale financial assets	-	-	-	-	-	-	(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	-	-	-
<b>Balance at 31 October 2008</b>	<b>8,522</b>	<b>22,300</b>	<b>278</b>	<b>17</b>	<b>(47,721)</b>	<b>28,327</b>	<b>(2,179)</b>	<b>3,228</b>	<b>135,319</b>	<b>148,091</b>	<b>467</b>	<b>148,558</b>
Balance at 1 November 2008	8,522	22,300	278	17	(47,721)	28,327	(2,179)	3,228	135,319	148,091	467	148,558
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	-	749	-	-	749	-	749
Loss for the period	-	-	-	-	(58,193)	-	-	-	-	(58,193)	(467)	(58,660)
<b>Total recognised income and expense for the period</b>	-	-	-	-	(58,193)	-	749	-	-	(57,444)	(467)	(57,911)
Equity-settled share option arrangement	-	-	-	-	-	-	-	1,415	-	1,415	-	1,415
Options forfeited	-	-	-	-	4,554	-	-	(4,554)	-	-	-	-
Bonus issue	18,963	(18,963)	-	-	-	-	-	-	-	-	-	-
Repurchase of shares	(71)	(1,204)	-	-	-	-	-	-	-	(1,275)	-	(1,275)
Allotment of shares	4,400	38,247	-	-	-	-	-	-	-	42,647	-	42,647
Capital reduction	(8,181)	-	-	-	-	-	-	-	8,181	-	-	-
<b>Balance at 31 March 2010</b>	<b>23,633</b>	<b>40,380</b>	<b>278</b>	<b>17</b>	<b>(101,360)</b>	<b>28,327</b>	<b>(1,430)</b>	<b>89</b>	<b>143,500</b>	<b>133,434</b>	<b>-</b>	<b>133,434</b>
Equity-settled share option arrangement	-	-	-	-	-	-	-	37	-	37	-	37
Options forfeited	-	-	-	-	126	-	-	(126)	-	-	-	-
Allotment of shares	12,000	46,720	-	-	-	-	-	-	-	58,720	-	58,720
Loss for the period	-	-	-	-	(13,729)	-	-	-	-	(13,729)	-	(13,729)
<b>Balance at 30 June 2010</b>	<b>35,633</b>	<b>87,100</b>	<b>278</b>	<b>17</b>	<b>(114,963)</b>	<b>28,327</b>	<b>(1,430)</b>	<b>-</b>	<b>143,500</b>	<b>178,462</b>	<b>-</b>	<b>178,462</b>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

Turnover for the quarter ended 30 June 2010 was approximately HK\$25 million, representing a decrease of approximately 25% when compared with the same period last year. Loss attributable to owners of the Company for the period was approximately HK\$14 million.

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

Turnover for beauty services and sale of beauty products for the period was approximately HK\$11 million, representing a decrease of approximately 47% when compared with the same period last year.

Two floors of our Mongkok beauty service centre were merged into one in May 2010 while two flat units out of six of our Yuen Long branch were surrendered in July 2010 in order to cut down cost.

### **Clinical Services**

Turnover from this segment during the period was approximately HK\$14 million, representing an increase of approximately 8% when compared with the same period last year.

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

This segment recorded a gross loss of approximately HK\$1.9 million (including adjustments of the market price of financial instruments and securities on hand) during the three months ended 30 June 2010.

### **Investment properties**

During the period under review, our investment properties have been providing steady rental income to the Group.

### **Money lending**

We have been actively developing our money lending business since May 2010. At this quarter end, the total amount due from borrowers amounted to approximately HK\$16 million and interest earned for the period was approximately HK\$0.5 million. We are confident that income from this segment will continue to grow.

### **Outlook**

We expect our beauty service centres will continue to be operating under an adverse condition resulting from keen competitions. The Group is actively developing its money lending business and is keen on exploring other investment opportunities.



## **Possible acquisition**

- (1) On 19 December 2009, we entered into a memorandum of understanding (MOU) with Shenzhen Peng'ai Hospital Investment Company Limited in relation to a possible acquisition in Peng'ai Medical Aesthetic Hospital.

As we have not entered into any binding agreement on/or before 27 June 2010 in relation to the possible acquisition, the MOU lapsed on 27 June 2010. We will not proceed further in connection with the said acquisition.

- (2) On 15 January 2010, we entered into a memorandum of understanding in respect of a possible acquisition of 65% equity interest in a PRC Mining Company at a consideration not less than HK\$170 million (on 23 April changed to HK\$144.5 million) but in any event will not be more than HK\$227 million (on 23 April changed to HK\$215 million). We consider that the acquisition will provide an opportunity for the Group to gain access to the copper ore mining industry with an aim to broaden the income base of the Group, and thereby enhancing the Group's future performance and profitability. As at 30 June 2010, no binding agreement has been entered.

## **Contingent liabilities**

As at 30 June 2010, the Company has given corporate guarantees to third parties for securing a tenancy agreement 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		At		Date of grant	Exercise period of the share options	Exercise price per share HK\$
	31 March 2010	Lapsed	30 June 2010				
Employees							
- In aggregate	399,980	(399,980)	-		5-May-08	5/5/2008 - 4/5/2010	0.2830*
	<u>399,980</u>	<u>(399,980)</u>	<u>-</u>				

\* This reflects the adjusted exercise prices and number of share options which have been granted and are outstanding after the completion of bonus issue on 9 November 2009.

During the period ended 30 June 2010, no option was granted and 399,980 options lapsed.

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

In total, HK\$37,000 of employee compensation expense has been included in the consolidated income statement for the three months ended 30 June 2010 (2009: HK\$285,000), 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**

### **(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 30 June 2010, 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 30 June 2010
Ms. Siu York Chee	Beneficiary owner and family interests	406,430	1,430	-	7,705,580 <i>(Notes 1 and 2)</i>	8,113,440	0.23%
Mr. Leung Kwok Kui	Beneficiary owner and family interests	1,430	8,112,010 <i>(Note 3)</i>	-	-	8,113,440	0.23%

*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*

Mr. Ho Wai Sun 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").

The Company has requested and the noteholder has agreed for early redemption of the Convertible Notes of the Company at a consideration of HK\$5,000,000 each (same as principal amount) in 2009 and 2010. The redemption process was completed on 19 January 2009 and 18 January 2010. No Convertible Notes remain outstanding as at 30 June 2010.

**(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	Total	Approximate
							percentage to the issued share capital of the Company as at 30 June 2010
Mr. Shiu Yeuk Yuen	Beneficiary owner, Interested held by controlled corporation and family interests	36,460,000	107,136,700 (Note 1)	-	7,705,580 (Note 2)	151,302,280	4.25%
Ms. Hau Lai Mei	Beneficiary owner and family interests	107,136,700	44,165,580 (Note 1)	-	-	151,302,280	4.25%

*Notes:*

1. Ms. Hau Lai Mei is the spouse of Mr. Shiu Yeuk Yuen.
2. Ms. Siu York Chee and Mr. Shiu Yeuk Yuen are the trustees of Ms. Shiu Yo Yo and Ms. Shiu Sound Sound.

Save as disclosed above, as at 30 June 2010, 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.

**PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders 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 30 June 2010.

## **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 30 June 2010 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 April 2010 to 30 June 2010.

## **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 August 2010