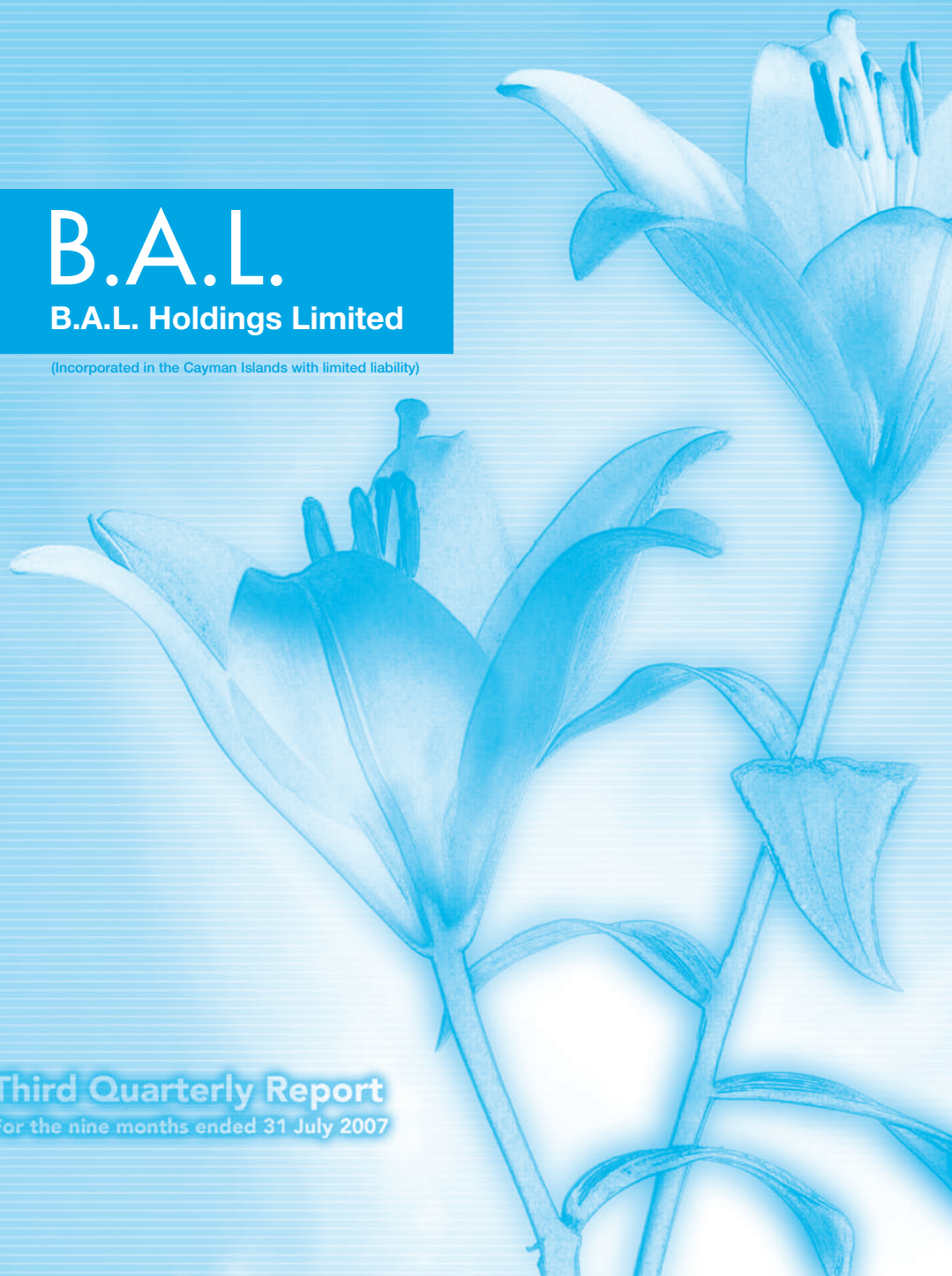


B.A.L.

B.A.L. Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Third Quarterly Report
For the nine months ended 31 July 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.

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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 nine months ended 31 July 2007 was approximately HK\$126 million (2006: HK\$111 million) representing an increase of approximately 14%, as compared with the corresponding period in 2006.
- A gross profit of HK\$123 million (or 97.8% gross profit margin) (2006: HK\$109 million (or 98.6% gross profit margin)), excluding the provision for slow-moving and obsolete inventories, was achieved.
- Profit for the nine months ended 31 July 2007 was approximately HK\$19 million (2006: HK\$23.6 million).
- The Board of Directors (the “Board”) does not recommend the payment of an interim dividend for the nine months ended 31 July 2007.

THIRD QUARTER 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 nine months ended 31 July 2007, together with the comparative unaudited figures for the corresponding periods in 2006 as follows:-

Condensed Consolidated Income Statement (unaudited)

For the three months and nine months ended 31 July 2007

	Note	For the three months ended 31 July		For the nine months ended 31 July	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue	2	39,662	44,853	125,895	110,675
Cost of sales		(620)	(799)	(2,797)	(1,490)
Gross profit		39,042	44,054	123,098	109,185
Other income and gains		5,628	3,387	10,583	5,830
Servicing and Selling and distribution costs		(28,060)	(27,359)	(82,519)	(70,110)
Administrative expenses		(9,524)	(7,398)	(28,621)	(19,381)
		(37,584)	(34,757)	(111,140)	(89,491)
Operating profit		7,086	12,684	22,541	25,524
Finance costs		(1,045)	(246)	(2,075)	(559)
Share of results of jointly controlled entities		(411)	-	(941)	-
Profit before income tax		5,630	12,438	19,525	24,965
Income tax expense	3	(192)	(921)	(1,353)	(2,500)
Profit for the period		5,438	11,517	18,172	22,465
Attributable to:					
Equity holders of the Company		6,853	11,747	19,106	23,629
Minority interests		(1,415)	(230)	(934)	(1,164)
Profit for the period		5,438	11,517	18,172	22,465
Earnings per share for profit attributable to the equity holders of the Company during the period					
- Basic	5(a)	1.3 cents	2.7 cents	3.7 cents	5.5 cents
- Diluted	5(b)	1.3 cents	2.7 cents	3.7 cents	5.4 cents

Notes to the Condensed Consolidated Income Statement

1. Basis of preparation

The Group's unaudited quarterly financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards and Interpretation (collectively "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The accounting policies adopted in preparing the unaudited consolidated financial statements for the nine months ended 31 July 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 31 July		For the nine months ended 31 July	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<i>(a) Turnover by business segment</i>				
Revenue				
Beauty services and				
sale of beauty products	28,395	42,250	79,675	105,667
Clinical services	10,694	1,438	43,698	1,438
Tuition fees of beauty courses	573	1,165	2,522	3,570
	<u>39,662</u>	<u>44,853</u>	<u>125,895</u>	<u>110,675</u>
Other income and gains				
Management fee income	60	1,365	140	2,350
Franchise fee income	50	616	199	906
Interest income	172	172	356	361
Rental income	34	169	664	355
Dividend income from				
listed investments	9	6	10	8
Loss on sale of financial assets	-	-	(109)	-
Gain on disposal of financial				
assets at fair value through				
profit or loss	4,419	588	8,368	1,379
Exchange gain	-	-	(42)	-
Others	884	471	997	471
	<u>5,628</u>	<u>3,387</u>	<u>10,583</u>	<u>5,830</u>

(b) *Turnover by geographical segment*

Hong Kong	32,214	35,344	105,303	91,205
Macau	2,468	7,997	10,674	15,570
China	4,980	1,512	9,918	3,900
	<u>39,662</u>	<u>44,853</u>	<u>125,895</u>	<u>110,675</u>

3. 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.

4. Dividend

The directors do not recommend the payment of an interim dividend for the nine months ended 31 July 2007 (2006: HK\$Nil).

5. Earnings Per Share

(a) *Basic*

The calculation of basic earnings per share for the three months and nine months ended 31 July 2007 is based on the profit attributable to shareholders of approximately HK\$6,853,000 and HK\$19,106,000 respectively (profit for the three months and nine months ended 31 July 2006: approximately HK\$11,747,000 and HK\$23,629,000 and the weighted average number of 513,845,579 ordinary shares in issue during the period (three months and nine months ended 31 July 2006: 431,478,179 shares).

(b) *Diluted*

The calculation of diluted earnings per share for the three months and nine months ended 31 July 2007 is based on the profit attributable to shareholders of approximately HK\$6,853,000 and HK\$19,106,000 respectively (profit for the three months and nine months ended 31 July 2006: approximately HK\$11,747,000 and HK\$23,629,000 and the weighted average number of 513,845,579 ordinary shares in issue during the period (2006: 431,478,179 shares) plus the weighted average number of 1,157,333 (2006: 2,159,578) ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options outstanding during the period.

6. Condensed consolidated statement of changes in equity (unaudited)
For the nine months ended 31 July 2007

	Equity attributable to equity holders of the Company							Minority interests	Total equity	
	Share capital	Capital			Accumulated losses	Investment				Share option reserve
		Share premium	Share redemption reserve	Exchange reserve		Capital reserves	revaluation reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(Note 31)										
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	46,444	39,996	278	17	(34,449)	28,327	(192)	927	254	81,602
Equity-settled share option arrangement	-	-	-	-	-	-	-	395	-	395
Proceeds from shares issued	21,240	36,563	-	-	-	-	-	-	-	57,803
Amount set off	-	(48,168)	-	-	48,168	-	-	-	-	-
Proceeds from exercise of share options	200	546	-	-	-	-	-	-	-	746
Capital contribution by minority equity holders of subsidiaries	-	-	-	-	-	-	-	-	11	11
Transfer upon disposal	-	-	-	-	-	-	192	-	-	192
Profit for the period	-	-	-	-	19,106	-	-	-	(934)	18,172
At 31 July 2007	67,884	28,937	278	17	32,825	28,327	-	1,322	(669)	158,921

7. 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				Date of grant	Exercise period of the share options	Exercise price per share HK\$
	At 1 November 2006	Granted	Expired/ Exercised	Cancelled/ Lapsed			
<i>Employees</i>							
- In aggregate	6,000,000	-	(1,100,000)	-	4,900,000	20-Jun-05 22/6/2005 - 21/12/2008	0.345
		3,000,000	-	-	3,000,000	27-Feb-07 27/2/2007 - 26/2/2009	0.360
		300,000	-	-	300,000	15-Mar-07 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 - 5/7/2007	0.373
		1,000,000	-	-	1,000,000	14-Mar-07 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 31 July 2007. The fair values of options granted were determined using the Black-Scholes valuation model.

In total, HK\$395,597 of employee compensation expense has been included in the consolidated income statement for the period ended 31 July, 2007 (2006: HK\$337,419) which gave rise to additional equity. No liabilities were recognised due to share-based payment transactions.

8. Contingent liabilities

As at 31 July 2007, the Company has given corporate guarantees to third parties for securing banking facilities and an advertising contract of subsidiary companies.

Apart from the above, the Group and the Company had no other material contingent liabilities as at 31 July 2007 and up to the date of the approval of the unaudited results of the Group for the nine months ended 31 July 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the nine months ended 31 July 2007, turnover of the Group amounted to approximately HK\$126 million, representing an increase of approximately 14% as compared with that of the corresponding period in 2006. Profit attributable to shareholders for the nine months ended 31 July 2007 was approximately HK\$19 million, representing a decrease of approximately 19% from that of the corresponding period in 2006.

During this quarter, as expected by the management, the turnover of the traditional slimming business has fallen by approximately 28% as compared with last year. The main cause of the drop was due to the keen competitions and the diminishing of the effectiveness of advertising on all media. In the period, we have closed down the beauty center located at Grand Central Plaza, Shatin, and consolidated all its services to Citylink Plaza, Shatin centre; we have also closed down the beauty center located at Whampoa Garden, and has successfully diverted its client to our center in Mongkok.

Regarding the growth of the medical beauty center business, during the quarter, the turnover has increased by approximately 650% as compared with the corresponding period last year. This illustrates a continuous growth since the decision made by the management last year to introduce this business type to the group's operating activities. During the period we have also established business with a famous Thailand hospital which has vast experience in a wide range of surgical services including cosmetic plastic surgery. Our clients now can choose freely the destination to perform their surgery either in Hong Kong, Korea and Thailand. The management has also relocated a medical center from Wanchai to Causeway Bay, in order to cope with existing clients of the beauty center.

Retail operations

During the period under review, retail operations accounted for approximately 4.5% of the Group's total turnover and the revenue generated was approximately HK\$5.5 million.

BEAUTY SERVICE OPERATIONS

The Group's beauty service operations declined during the period under review. Turnover from this segment amounted to approximately HK\$74 million for the nine months ended 31 July 2007, representing a decrease of approximately 28% as compared with the corresponding period last year.

Financial review

During the period under review, the Group's turnover and gross profit amounted to approximately HK\$126 million and HK\$123 million respectively, representing an increase of approximately 14% and 13% from those of the same period of the previous year. Profit attributable to shareholders for the nine months ended 31 July 2007 was approximately HK\$19 million, representing a decrease of approximately 19% from that of the corresponding period in 2006.

Comparing with the results in the second quarter, the Group's turnover for the third quarter increased by 2.4% to approximately HK\$40 million.

Future plans and prospects

In view of the decline of the body slimming business, the Group will be seeking new business opportunities when conditions justify.

As at 31 July 2007, the Group has been operating nine services centres/direct sales centres in Hong Kong, Macau and China; one beauty course training centre, four medical clinics, one hair-care centre and one warehouse in Hong Kong.

Liquidity and financial resources

The Group's cash and bank balances as of 31 July 2007 amounted to approximately HK\$36.4 million (31 October 2006: HK\$20 million).

Aggregate trade payables and other borrowings and liabilities as of 31 July 2007 amounted to approximately HK\$25 million (31 October 2006: HK\$29.6 million).

Interim dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31 July 2007.

Employees

As at 31 July 2007, the Group employed 420 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 31 July 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	7,954	0.00
Ms. Siu York Chee	Personal	13,507,954	0.83

(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 31 July 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 31 July 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
Everproven Limited <i>(Note 1)</i>	63,010,651	3.87

Notes:

- 1) Everproven Limited is a substantial shareholder of the Company and beneficially owned by Mr. Chan Boon Ho.

(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 nine months ended 31 July 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 it 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 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 2006 to 31 July 2007.

CHANGES IN SHARE CAPITAL

The extraordinary general meeting (the "EGM") of the shareholders of the Company ("Shareholders") was convened as scheduled on 8 August 2007. At the EGM, Shareholders considered and approved, inter alia, the resolutions for the share subdivision, bonus issue of shares and increase of authorized share capital. Consequently, the existing issued and unissued share of par value of HK\$0.10 each in the share capital of the Company have been subdivided into two subdivided shares of par value of HK\$0.05 each.

The bonus issue of shares, which have been made on the basis of 2 bonus shares (the "Bonus Shares"), credited as fully paid, for every 10 subdivided shares then held, as set out in the notice of EGM and the circular dated 23 July 2007 to the Shareholders. After the completion of the bonus issue of the shares on 31 August 2007, the number of shares of the Company in issue is 1,629,217,082 shares.

The authorized share capital of the Company has been increased from HK\$80,000,000 to HK\$300,000,000.

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 Ankes 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, 13 September 2007