

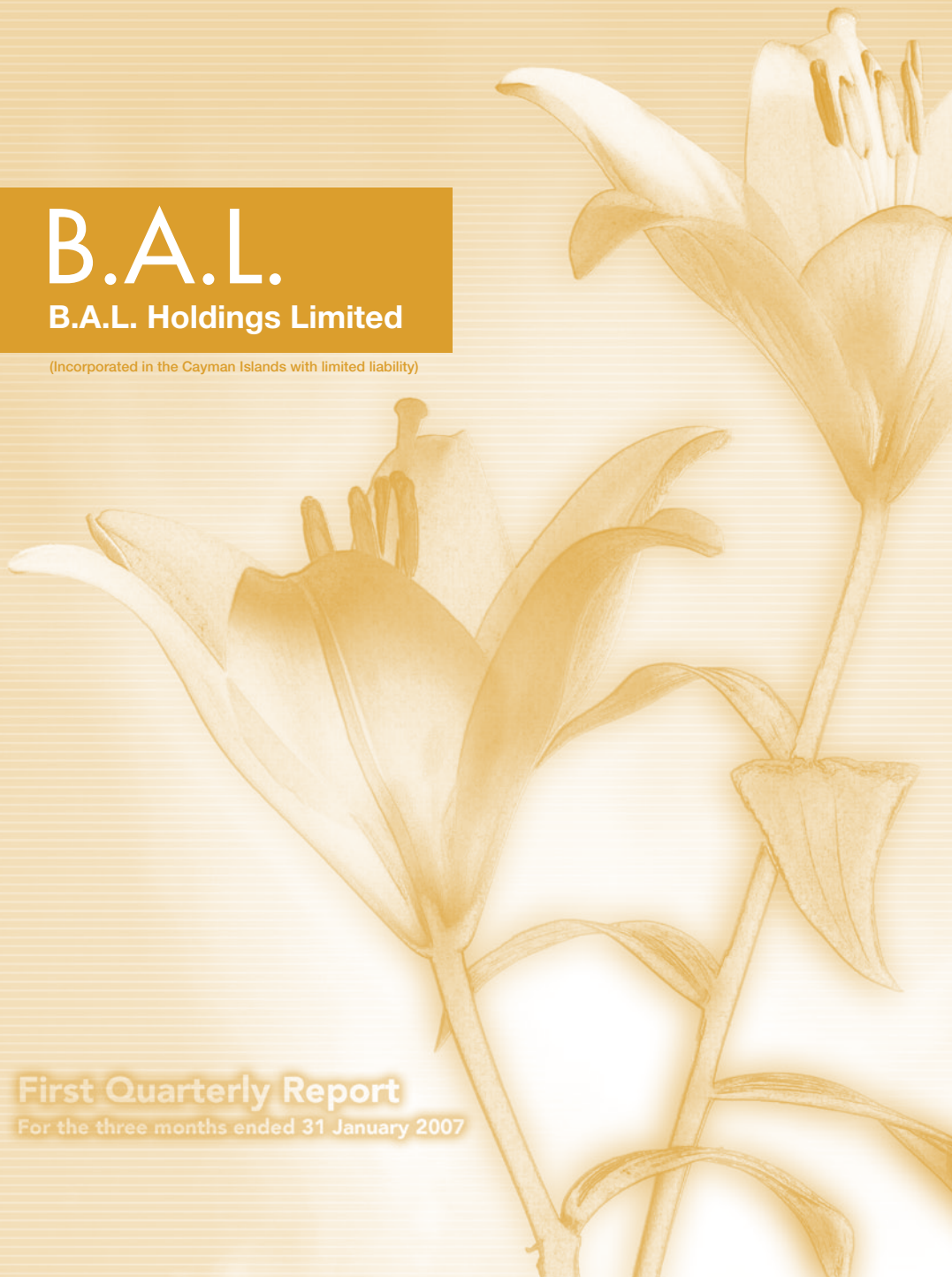
B.A.L.

B.A.L. Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

First Quarterly Report

For the three months ended 31 January 2007



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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

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.

HIGHLIGHTS

- Turnover of the Group for the three months ended 31 January 2007 amounted to approximately HK\$47 million, representing an increase of approximately 67 per cent as compared with the same period in the last year.
- Net profit of the Group for the three months ended 31 January 2007 amounted to approximately HK\$5 million, representing an increase of approximately 155 per cent as compared with the same period in last year.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 January 2007.

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

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	<i>Notes</i>	Three months ended 31 January	
		2007 HK\$'000	2006 HK\$'000
Revenue	2	47,488	28,472
Cost of sales		<u>(814)</u>	<u>(215)</u>
Gross profit		46,674	28,257
Other income and gains	2	1,099	643
Servicing, selling and distribution costs		(31,314)	(20,505)
Administrative expenses		<u>(9,157)</u>	<u>(6,402)</u>
Operating profit		7,302	1,993
Finance costs		(414)	(2)
Share of results of jointly controlled entities		<u>(358)</u>	<u>-</u>
Profit before income tax		6,530	1,991
Income tax expense	4	<u>(529)</u>	<u>(734)</u>
Profit for the period		<u><u>6,001</u></u>	<u><u>1,257</u></u>
Attributable to:			
Equity holders of the Company		4,826	1,889
Minority interests		<u>1,175</u>	<u>(632)</u>
Profit for the period		<u><u>6,001</u></u>	<u><u>1,257</u></u>
Earnings per share for profit attributable to the equity holders of the Company during the period			
– Basic	6	<u>1.04 cent</u>	<u>0.45 cent</u>
– Diluted		<u>N/A</u>	<u>0.45 cent</u>

Notes:

1. General and basis of preparation

B.A.L. Holdings Limited (the “Company”) is an exempted company with limited liability incorporated and domiciled in the Cayman Islands. The address of its registered office is Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies and, its principal places of business are in Hong Kong and Macau. The Company’s shares are listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “SEHK”).

The principal activities of the Company and its subsidiaries (the “Group”) include the provision of beauty services, clinical services and beauty courses, retailing of beauty products and investment holding.

The unaudited consolidated results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the SEHK (the “GEM Listing Rules”).

The accounting policies adopted for preparation of the unaudited consolidated results are consistent with those adopted by the Group in its annual financial statements for the year ended 31 October 2006.

Certain comparative figures have been reclassified to conform with the 2006 Annual Report’s presentation.

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.

	2007 <i>HK\$’000</i>	2006 <i>HK\$’000</i>
Revenue		
Beauty services and sale of beauty products	28,030	27,535
Clinical services	17,692	-
Tuition fees of beauty courses	1,766	937
	<u>47,488</u>	<u>28,472</u>
Other income and gains		
Management fee income	80	-
Franchise fee income	79	291
Interest income	10	174
Rental income	315	102
Dividend income from listed investments	-	2
Loss on sale of financial assets	(109)	-
Gain on disposal of financial assets at fair value through profit or loss	866	65
Exchange gain	(45)	-
Others	(97)	9
	<u>1,099</u>	<u>643</u>

3. Segment Information

	(Unaudited) Three months ended 31 January	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Turnover by business segment		
Beauty services and sale of beauty products	28,030	27,535
Clinical services	17,692	-
Beauty courses	1,766	937
	<u>47,488</u>	<u>28,472</u>
Total:	<u>47,488</u>	<u>28,472</u>

	(Unaudited) Three months ended 31 January	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
(b) Turnover by geographical segment		
Hong Kong	38,666	25,016
People's Republic of China	3,386	922
Macau	5,436	2,534
	<u>47,488</u>	<u>28,472</u>
Total:	<u>47,488</u>	<u>28,472</u>

4. Income Tax Expense

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 profit for the period at the rates of taxation prevailing in the locations in which the Group operates.

5. Dividend

The Board does not recommend payment of a dividend for the three months ended 31 January 2007.

6. Earnings Per Share

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately HK\$4,826,000 (2006: HK\$1,889,000) and the number of 464,440,451 (2006: 419,462,918) ordinary shares in issue during the period.

(b) Diluted

Diluted earnings per share for the quarter ended 31 January 2007 was not presented because the impact of the exercise of the share options was anti-dilutive.

The calculation of diluted earnings per share for the quarter ended 31 January, 2006 was based on the profit attributable to shareholders of HK\$1,889,000 and the weighted average number of 419,462,918 ordinary shares in issue during the period plus the weighted average number of 116,973 ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options outstanding during the period.

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

	Equity attributable to equity holders of the Company							Minority	Total	
	Share capital	Share premium	Capital redemption reserve	Exchange reserve	Accumulated losses	Investment Capital reserves	Share revaluation reserve	Share option reserve	interests	equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 November 2004	24,962	18,816	-	-	(68,253)	28,327	-	-	19	3,871
Profit for the year (As restated)	-	-	-	-	17,030	-	-	-	(660)	16,370
Total recognised income and expense for the year	-	-	-	-	17,030	-	-	-	(660)	16,370
Equity-settled share option arrangement	-	-	-	-	-	-	-	589	-	589
Dividend paid to minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	(75)	(75)
Arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	1,450	1,450
Proceeds from shares issued	15,220	5,568	-	-	-	-	-	-	-	20,788
Proceeds from exercise of share options	1,764	1,769	-	-	-	-	-	-	-	3,533
At 31 October 2005, restated	<u>41,946</u>	<u>26,153</u>	<u>-</u>	<u>-</u>	<u>(51,223)</u>	<u>28,327</u>	<u>-</u>	<u>589</u>	<u>734</u>	<u>46,526</u>
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	<u>41,946</u>	<u>26,153</u>	<u>-</u>	<u>-</u>	<u>(51,223)</u>	<u>28,327</u>	<u>-</u>	<u>589</u>	<u>734</u>	<u>46,526</u>
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	(192)	-	-	(192)
Arising from change of exchange rate	-	-	-	17	-	-	-	-	51	68
Profit for the year	-	-	-	-	17,052	-	-	-	(528)	16,524
Total recognised income and expense for the year	-	-	-	17	17,052	-	(192)	-	(477)	16,400
Equity-settled share option arrangement	-	-	-	-	-	-	-	338	-	338
Capital contribution by minority equity holders of subsidiaries	-	-	-	-	-	-	-	-	7	7
Arising from acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	-	(10)	(10)
Proceeds from shares issued	4,200	13,440	-	-	-	-	-	-	-	17,640
Proceeds from exercise of share options	576	1,451	-	-	-	-	-	-	-	2,027
Repurchase of shares	(278)	(1,048)	278	-	(278)	-	-	-	-	(1,326)
At 31 October 2006	<u>46,444</u>	<u>39,996</u>	<u>278</u>	<u>17</u>	<u>(34,449)</u>	<u>28,327</u>	<u>(192)</u>	<u>927</u>	<u>254</u>	<u>81,602</u>
Transfer upon disposal	-	-	-	-	-	-	192	-	-	192
Profit for the period	-	-	-	-	6,001	-	-	-	1,175	7,176
At 31 January 2007	<u>46,444</u>	<u>39,996</u>	<u>278</u>	<u>17</u>	<u>(28,448)</u>	<u>28,327</u>	<u>-</u>	<u>927</u>	<u>1,429</u>	<u>88,970</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Since the second half of the last fiscal year, the Group has started to switch the emphasis of its business from operating beauty salons to providing medical beauty related services. With our successful advertising and promotional campaigns, the attitude and acceptance of the public towards surgical and non-surgical medical beauty services has come to a new stage, and our group has been generally accepted as the premier brand of such services in Hong Kong. Also, this change of business direction has brought significant and immediate result to the Group's profit, and the turnover of the medical beauty related services has grown from HK\$Nil in the last corresponding quarter to approximately HK\$18 million in this quarter. As a result, we are pleased to announce the turnover of the first quarter in 2007 has grown 67% and the profit has grown 155% to approximately HK\$5 million. Therefore, the Group confidently believes that the cosmetic surgery services shall be the major focus of 2007, and the profit is expected to have dramatic boost.

The management has determined to put additional effort in medical beauty related services, including plastic surgery services in Hong Kong, Korea and Thailand. The management also has planned to start a mega clinic, which will be operated by many medical professionals with several fully equipped operation theatres, to cater the rising demand from customers in Hong Kong and China. On the other hand, China market is under study and analysis (depending on the possibility of obtaining relative licenses), but no actual commitment has been established before this report is published.

During the period, we have consolidated two Shatin shops into one, which is opposite to the old shop located at Citylink Plaza. The management believed this strategic move will enable the company to serve the clients better while the costs and other required resources shall be reduced.

The management has also planned to, by means of capital reduction, write-off the retained loss brought forward since the Group was operated under the name "Rainbow International Holdings Limited" period, in order for the Group to deliver dividend to the shareholders again in the nearest future.

Contingent liabilities

As at 31 January 2007, 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.

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

Type of grantee	Number of options during the period				At 31 January 2007	Date of grant	Exercise period of the share options	Exercise price per share HK\$
	At 1 November 2006	Granted	Exercised	Cancelled/ Lapsed				
<i>Employees</i>								
- In aggregate	6,000,000	-	(1,100,000)	-	4,900,000	20-Jun-05	22/6/2005 - 21/12/2008	0.345
	<u>6,000,000</u>	<u>-</u>	<u>(1,100,000)</u>	<u>-</u>	<u>4,900,000</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
	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>			
	<u>8,000,000</u>	<u>-</u>	<u>(1,100,000)</u>	<u>-</u>	<u>6,900,000</u>			

No additional options were granted during the period ended 31 January 2007. The fair values of options granted in previous years were determined using the Black-Scholes valuation model. Significant inputs into the calculation included a weighted average share price of HK\$0.37 and exercise prices as illustrated above. Furthermore, the calculation takes into account a volatility rate of 117.92%, based on expected share price. Risk-free interest rate was determined at 3.13%.

In total, HK\$338,000 of employee compensation expense has been included in the consolidated income statement for 2006 (2005: HK\$589,000) which gave rise to additional equity. 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 2007, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 the Laws of Hong Kong ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the HKSE, were as follows:

(a) Long positions in the shares of the Company

Name	Type of interest	No. of shares	Approximate percentage of interest
Mr. Leung Kwok Kui	Personal	3,427,954	0.74
Ms. Siu York Chee	Personal	43,707,954	9.41

(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 31 January 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 January 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 January 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
Ms. Lam Yin Ming, Amy (<i>Note 1</i>)	34,700,000	7.47
Everproven Limited (<i>Note 2</i>)	65,230,651	14.04
Ms. Hau Lai Mei (<i>Note 3</i>)	24,822,570	5.35
PMA Capital Management Ltd (<i>Note 4</i>)	51,600,000	11.11
Deutsche Bank Aktiengesellschaft (<i>Note 5</i>)	47,668,050	10.26
Diversified Asian Strategies Fund (<i>Note 6</i>)	28,271,600	6.09

Notes:

- 1) Ms. Lam Yin Ming, Amy acquired these shares of the Company (the "Shares") through the rights issue and the bonus issue which were completed in January 2003 and February 2003 respectively. Presently Ms. Lam Yin Ming, Amy does not have management role nor board representation in the Group.
- 2) Everproven Limited, a substantial shareholder of the Company, is beneficially owned by Mr. Chan Boon Ho.
- 3) Ms. Hau Lai Mei, is a substantial shareholder of the Company.
- 4) So far as known to the directors of the Company, PMA Capital Management Ltd is deemed to have an interests in 51,600,000 shares, as investment manager in various investment funds.
- 5) The 47,668,050 shares were held as security interest by Deutsche Bank Aktiengesellschaft.
- 6) So far as known to the directors of the Company, Diversified Asian Strategies Fund is managed by PMA Capital Management Limited and the deemed interests in the shares held by PMA Capital Management Limited include the shares held by Diversified Asian Strategies Fund.

(b) Short positions in the shares and underlying shares of equity derivatives of the Company

So far as the directors are aware, save as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives.

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 2007.

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 two independent non-executive Directors, namely Mr. Hung Anckes Yau Keung, and Dr. Siu Yim Kwan, Sidney. 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 January 2007.

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

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

Hong Kong, 14 March 2007