



THE STOCK EXCHANGE OF HONG KONG LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)
(the "Exchange")

19 January 2009

The GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the "GEM Listing Committee") criticises B.A.L. Holdings Limited (the "Company") (Stock code: 8079) for breaching the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

Facts

The Acquisitions and Disposals

On 12 and 25 September and 25 and 26 October 2007, the Company published four standard announcements (the "**Standard Announcements**") in response to the Stock Exchange's enquiries on unusual trading in the Company's shares. In each of the Standard Announcement, the Board confirmed that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Chapters 19 and 20 of the GEM Listing Rules.

It transpires that between September 2007 and February 2008, the Company and/or its subsidiaries entered into the following sale and purchase agreements in relation to a number of properties in Hong Kong (together the "**Acquisition and Disposal Agreements**"):

- First Acquisition Agreement dated 5 September 2007 entered into between an independent third party as vendor and Top Euro Limited ("**Top Euro**"), an indirect wholly-owned subsidiary of the Company as purchaser for the sale and purchase of a property in Hong Kong (the "**First Property**")
- Second Acquisition Agreement dated 7 September 2007 entered into between an independent third party as vendor and Top Euro as purchaser for the sale and purchase of a property in Hong Kong (the "**Second Property**")
- Third Acquisition Agreement dated 20 September 2007 entered into between an independent third party as vendor and Top Euro as purchaser for the sale and purchase of a property in Hong Kong (the "**Third Property**")
- First Disposal Agreement dated 10 October 2007 entered into between Top Euro as vendor and an independent third party as purchaser for the sale and purchase of the Second Property

- Fourth Acquisition Agreement dated 15 October 2007 entered into between an independent third party as vendor and Top Euro as purchaser for the sale and purchase of a property in Hong Kong (the “**Fourth Property**”)
- Second Disposal Agreement dated 16 October 2007 entered into between Top Euro as vendor and an independent third party as purchaser for the sale and purchase of the First Property
- Fifth Acquisition Agreement dated 25 October 2007 entered into between an independent third party as vendor and Top Euro as purchaser for the sale and purchase of a property in Hong Kong (the “**Fifth Property**”)
- Third Disposal Agreement dated 9 November 2007 entered into between Top Euro as vendor and an independent third party as purchaser for the sale and purchase of a property in Hong Kong (the “**Sixth Property**”)
- Fourth Disposal Agreement dated 5 December 2007 entered into between Top Euro as vendor and an independent third party as purchaser for the sale and purchase of the Fourth Property
- Sixth Acquisition Agreement dated 14 February 2008 entered into between an independent third party as vendor and Top Euro as purchaser for the sale and purchase of a property in Hong Kong (the “**Seventh Property**”)
- Seventh Acquisition Agreement dated 14 February 2008 entered into between an independent third party as vendor and Thailand (HK) Plastic Surgery Service Limited, an indirect wholly-owned subsidiary of the Company as purchaser for the sale and purchase of a property in Hong Kong (the “**Eighth Property**”)

GEM Listing Rules 19.34, 19.37 and 19.40

Each of the Acquisition and Disposal Agreements (except the Second Disposal Agreement) constitutes a discloseable transaction for the Company. Pursuant to GEM Listing Rule 19.34 as soon as the terms of each of the Acquisition and Disposal Agreements have been finalised, the Company should inform the Exchange and publish an announcement. Pursuant to GEM Listing Rule 19.37, the Company must also request a short suspension of trading in its shares pending the publication of such announcement. No such notification or announcement was made at the material time, and no short suspension of trading was requested.

The First to Fifth Acquisition Agreements, the First and Third Disposal Agreements were disclosed by the Company’s announcement dated 26 November 2007. The Fourth Disposal Agreement was disclosed by the Company’s announcement dated 19 December 2007. The Sixth and Seventh Acquisition Agreements were disclosed by the Company’s announcement dated 29 February 2008.

The length of delay in notifying the Exchange and publishing the relevant announcements ranged from two weeks to 11 weeks.

The Second Disposal Agreement constituted a major transaction for the Company and was subject to the notification, announcement, suspension of trading pending announcement requirements pursuant to GEM Listing Rules 19.34 and 19.37. No such notification or announcement was made at the material time, and no short suspension of trading was requested. Moreover, pursuant to GEM Listing Rule 19.40, the Second Disposal Agreement was also subject to prior shareholders' approval requirement, which the Company failed to seek at the relevant time. The Second Disposal Agreement was disclosed by the Company's announcement dated 26 November 2007, which was a delay of five weeks and six days. Shareholders' ratification in relation to the Second Disposal Agreement was obtained on 11 January 2008, which was a delay of 12 weeks and three days.

The Company admits that the delays identified above constituted breaches of GEM Listing Rules 19.34, 19.37 and 19.40.

GEM Listing Rule 17.56

Pursuant to Rule 17.56 of the GEM Listing Rules, the announcements and documents published by the Company under the GEM Listing Rules are required to be accurate and complete in all material respects and not misleading and deceptive. As the Standard Announcements published in September and October 2007 did not disclose any of the Acquisition and Disposal Agreements which were entered into and/or contemplated during the same period and contained the statement that "*the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Chapters 19 and 20 of the GEM Listing Rules*", the Division has concluded that the Company has breached GEM Listing Rule 17.56 in relation to all Standard Announcements.

The Company admits a breach of GEM Listing Rule 17.56 in respect of each of the Standard Announcements.

The Joint Venture Transaction

On 8 January 2008, Be A Lady Limited, a wholly-owned subsidiary of the Company and Heavenly Blaze Limited, a substantial shareholder holding approximately 14.71 per cent of the issued share capital of the Company, entered into a Joint Venture Agreement for the formation of a Joint Venture (the "**JV Transaction**"). The JV Transaction constitutes a discloseable transaction for the Company and is subject to announcement and circular requirements pursuant to GEM Listing Rules 19.34 and 19.38. The JV Transaction was also a connected transaction for the Company subject to announcement requirement pursuant to GEM Listing Rule 20.47.

GEM Listing Rule 19.38

The Company published the announcement in relation to the JV Transaction on 8 January 2008. However, the relevant circular was not dispatched until 6 March 2008, which was a delay of five weeks and two days under GEM Listing Rule 19.38. The Company admits that such delay constituted a breach of GEM Listing Rule 19.38.

Settlement

The Company has admitted breaching GEM Listing Rules 17.56, 19.34, 19.37, 19.38 and 19.40.

Sanction

Accordingly, against the facts and circumstances outlined above and the admitted breaches, the Exchange:

1. criticises the Company for its breaches of GEM Listing Rules 17.56, 19.34, 19.37, 19.38 and 19.40;
2. having regard to the compliance history of the Company and the number and frequency of further breaches with which this press release is concerned, directs that the Company appoint a professional adviser satisfactory to the Division 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 Rule compliance including in particular the internal controls for compliance with Chapter 19 of the GEM Listing Rules.
 - (a) The professional adviser shall be appointed within 30 days from the date this press release is published.
 - (b) The Company will provide the Division the professional adviser's written report on the findings of the review and the recommendations made within two months from the date the professional adviser was appointed. The Company will further provide the Division with the professional adviser's written report on the Company's full implementation of the recommendations within a further period of two months; and
3. having regard to the compliance history of the Company and the number and frequency of further breaches with which this press release is concerned directs that the Company appoint a Compliance Adviser satisfactory to the Division for consultation on compliance matters including GEM Listing Rule compliance and corporate governance matters on an ongoing basis for a duration of two years. The appointment shall be made within 30 days from the date this press release is published.
4. having regard to the compliance history of the Company and the number and frequency of further breaches with which this press release is concerned directs that each of the current directors of the Company namely, Ms Siu York Chee Doreen, Mr Leung Kwok Kui, Ms Leung Ge Yau, Mr Hung Anckes Yau Keung, Mr Siu Yim Kwan Sidney and Mr Tsui Pui Hung Walter, undertake training in compliance and corporate governance matters on courses held by the Hong Kong Institute of Directors, the Hong Kong Institute of Chartered Secretaries or other institutions satisfactory to the Division for at least 24 hours within six months starting from the date this press release is published. Written evidence by the training provider(s) of completion of training of the Directors will have to be furnished to the Division within three weeks upon the Directors' completion of training.

Richard Williams, Head of Listing, commented: “This case is another which highlights the importance of effective and adequate internal controls.

The majority of the breaches mentioned were various delays in the making of disclosure to shareholders of transactions undertaken by the Company and arising in part from inadequate compliance controls and in part from a lack of understanding by the Directors of their obligations and the GEM Listing Rules. Compliance with the listing rules is important to companies of all sizes and it is vital that directors understand their obligations and ensure that the Company has compliance systems in place which suit its particular needs.

The conduct of the Company in the commission of these breaches was of considerable concern to the Committee. However the very positive post-breach conduct of the management and directors of the Company in co-operating with the Listing Division and following through on the remedial actions proposed (including in particular the training requirement) was a significant factor in persuading the Committee that this outcome was appropriate to the circumstances. A positive post breach response to the regulatory concerns of the Listing Division is an important, but not necessarily conclusive, factor in deciding the level of disciplinary action appropriate to a case.”