

# Rainbow Brothers Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 33

# 十友 控股有限公司\*

\* For identification purpose only

**Interim Report 2009**



# **CONTENTS**

|   |              |
|---|--------------|
| <b>CORPORATE INFORMATION</b>  | <b>2</b>     |
| <b>MANAGEMENT DISCUSSION AND ANALYSIS</b>                               | <b>3-5</b>   |
| <b>DISCLOSURE OF INTEREST</b>   | <b>6-7</b>   |
| <b>CORPORATE GOVERNANCE AND OTHER INFORMATION</b>                       | <b>8-9</b>   |
| <b>CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS</b>              |              |
| <b>Condensed Consolidated Comprehensive Income Statement</b>            | <b>10</b>    |
| <b>Condensed Consolidated Statement of Financial Position</b>           | <b>11</b>    |
| <b>Condensed Consolidated Statement of Changes in Equity</b>            | <b>12</b>    |
| <b>Condensed Consolidated Cash Flow Statement</b>                       | <b>13</b>    |
| <b>NOTES TO CONDENSED CONSOLIDATED<br/>INTERIM FINANCIAL STATEMENTS</b> | <b>14-20</b> |

# CORPORATE INFORMATION

## Board Of Directors

### Executive Directors

Hui Kwan Wah, Hugo (*Chairman*)  
Ng Chi Man (*Vice Chairman and  
Chief Executive Officer*)

Wong Sai Ming

Wong Tat Tung

(with effect from March 13, 2009)

### Non-executive Director

Chan Cheuk Ming

### Independent Non-executive Directors

Cheung Wah Keung

Anthony Espina

Wong Che Keung

## Executive Committee

Hui Kwan Wah, Hugo (*Chairman*)

Ng Chi Man

Wong Sai Ming

Wong Tat Tung

(with effect from March 13, 2009)

## Audit Committee

Anthony Espina (*Chairman*)

Cheung Wah Keung

Wong Che Keung

Chan Cheuk Ming

## Remuneration Committee

Cheung Wah Keung (*Chairman*)

Anthony Espina

Wong Che Keung

Chan Cheuk Ming

## Authorised Representatives

Hui Kwan Wah, Hugo

Ng Chi Man

## Company Secretary

Wu Kwok Choi, Chris

## Registered Office

PO Box 309GT

Ugland House

South Church Street

George Town

Grand Cayman

Cayman Islands

## Principal Place of Business in Hong Kong

29/F Paul Y Centre

51 Hung To Road

Kwun Tong

Hong Kong

## Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited

Butterfield House

68 Fort Street

P.O. Box 705

Grand Cayman, KY1-1107

Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai, Hong Kong

## Principal Bankers

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation  
Limited

## Legal Adviser

Tsang, Chan & Woo

12th Floor, Grand Building

15-18 Connaught Road Central

Hong Kong

## Auditor

Cheng & Cheng Limited

Certified Public Accountants

Rooms 1003-1005, Allied Kajima Building

138 Gloucester Road, Wanchai

Hong Kong

## Stock Code

33 (listed on the Main Board of The Stock  
Exchange of Hong Kong Limited)

## Website

[www.irasia.com/listco/hk/rainbowbrothers](http://www.irasia.com/listco/hk/rainbowbrothers)

# MANAGEMENT DISCUSSION AND ANALYSIS

(All figures are approximates)

## (A) CHANGE OF FINANCIAL YEAR END DATE

The financial year end date of the Company was changed from March 31 to December 31. Following this change, these condensed consolidated interim financial statements cover a period of six months from January 1, 2009 to June 30, 2009 (the “Current Half Year”), which is different from the previous interim financial statements covering from April 1, 2008 to September 30, 2008 (the “Previous Half Year”). All historical comparative figures for income statement items are stated for the six months ended September 30, 2008 and all historical comparative figures for statement of financial position items are stated at December 31, 2008.

## (B) BUSINESS REVIEW

The first half of 2009 was a period of change for our Group. Before that, we were engaged in the merchandising of party and festivity products to the dollar store business operators. During the Current Half Year, the Group has made various diversifications. In January 2009, we invested HK\$12.0 million to own 20% of a shopping mall development project in Liaoning, China. In March 2009, we spent HK\$9.0 million to acquire a wealth management financial planning services business. In June 2009, we started a project by our own to set up a concept hotel in Shenzhen, China.

Recalling from our passing-through of the financial tsunami in late 2008, we have reported that we would make future development plans. The above-mentioned developments were carefully selected among all the choices we explored.

In our core business of merchandising of party and festivity products to the dollar store business operators, we have maintained our sales to most existing customers in the first half of 2009 amid the difficult situations across the board after the financial tsunami in 2008. For some customers that faced financial difficulties, we have made swift decisions to either tightening our credits or reducing our sales to them to minimize possible damages.

## (C) FINANCIAL REVIEW

During the Current Half Year, the Group’s turnover was HK\$170.7 million, representing a decrease of 29.7% from the HK\$242.8 million for the Previous Half Year. The drop of turnover was mainly attributable to the seasonal factors as the comparative figures included the months of July to September which were the peak shipment months of the year.

Gross profit during the Current Half Year was HK\$31.1 million, representing a decrease of 4.0% from the HK\$32.4 million for the Previous Half Year. The drop in gross profit was mainly attributable to the significant drop in the turnover. In terms of gross profit margin, the current figure was 18.2%, representing an increase of 4.9% from 13.3% for the Previous Half Year. The improvement in the gross profit margin was a combined effect of our tighter control of our profit margin in daily operation and the fall in raw material prices. Net profit during the

Current Half Year was HK\$6.0 million, representing a decrease of 43.9% from the HK\$10.7 million for the Previous Half Year. Net profit margin was reduced from 4.4% in the Previous Half Year to 3.5% in the Current Half Year due mainly to extra operating expenses incurred in the exploration and setting up of new businesses.

Operating expenses during the Current Half Year was HK\$24.3 million, representing an increase of 19.4% from HK\$20.4 million for the Previous Half Year. This increase was mainly attributable to the extra staff costs and rental expenses for the setting up of new businesses.

#### **(D) LIQUIDITY AND FINANCIAL RESOURCES**

As at June 30, 2009, net current assets were HK\$53.3 million (December 31, 2008: HK\$67.9 million). The Group's current ratio was 2.1 (December 31, 2008: 3.3), based on current assets of HK\$103.0 million and current liabilities of HK\$49.7 million. The gearing ratio, which is total bank borrowings divided by total assets, was 13.1% as at June 30, 2009 (December 31, 2008: 0.7%). In general, the Group's current ratio and gearing ratio were different in June as compared to that in December, as the months of July, August and September were our peak shipment seasons. Having considered the seasonal factors, we believe these ratios were still in very healthy conditions as at June 30, 2009.

As at June 30, 2009, the Group had cash and bank balances of HK\$29.4 million (December 31, 2008: HK\$30.5 million) and total bank borrowings of HK\$21.0 million (December 31, 2008: HK\$1.0 million). Both cash and bank balances and bank borrowings were mainly denominated in HK dollar and US dollar. The bank borrowings bore both fixed interest rates and floating interest rates. Such bank borrowings were secured by corporate guarantees from different group companies. The Group continued to have no structured investment products, foreign exchange contracts and investment in listed shares, bonds and debentures.

As at June 30, 2009, the Group had operating lease for office premises with commitments of HK\$12.7 million up to December 31, 2011 (December 31, 2008: HK\$11.6 million). Apart from this, the Group had no material capital commitments, material contracts or significant contingent liabilities.

The Group's trade receivables was HK\$31.1 million as at June 30, 2009, representing 11.9% decrease from HK\$35.3 million as at December 31, 2008. Around 87.6% of the outstanding balances were only less than 30 days old. In 2009, we have made extra effort in trade receivables collection and we saw from this figure that the effort made was paying off.

#### **(E) HUMAN RESOURCES**

As at June 30, 2009, the Group employed 94 employees (December 31, 2008: 75). Staff costs including directors' emoluments for the Current Half Year was HK\$13.4 million (September 30, 2008: HK\$11.7 million). Such costs included basic salaries and benefits. It is the Group's policy to recruit the right person for each position based on the person's qualification and experience. The remuneration of the employees is reviewed each year based on the performance of the individual employee with reference to the prevailing market conditions.

**(F) INTERIM DIVIDEND**

The Board did not recommend any interim dividend for the six months ended June 30, 2009 (September 30, 2008: HK2.5 cents).

**(G) OUTLOOK**

As stated in our 2008 annual report, the Group started year 2009 with a very healthy financial position. The year 2009 will be a year of diversification in our business. Stakeholders should remember that the Group is transforming from purely a US\$1 item exporter to multi-business enterprise. By the end of 2009, we target to have a wealth management services business in Hong Kong, a concept hotel business in Shenzhen, a shopping mall development project in Liaoning, in addition to our original US\$1 item business. Thereafter, we plan to expand the scope of our financial market business beyond the wealth management segment and would welcome opportunities of further meaningful diversification.

We anticipate and are prepared to accept possible setbacks or unsatisfactory results in isolated areas of, or specific time periods in, these new ventures, either due to imperfect business judgment or the lack of luck. However, we are confident in the overall progress and results of the Group in the second half of 2009 and beyond.

## DISCLOSURE OF INTEREST

### (A) DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

As far as the Company's directors were aware, as at June 30, 2009, the interests, long positions or short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept under Section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

| <b>Name of Director</b> | <b>Capacity/Nature of Interests</b>                    | <b>Number of ordinary shares held</b> | <b>Percentage to the issued share capital of the Company</b> |
|-------------------------|--|---------------------------------------|--|
| Mr. Hui Kwan Wah, Hugo  | Interest of a controlled corporation ( <i>note 1</i> ) | 144,100,000(L)                        | 72.1%  |
| Mr. Ng Chi Man          | Interest of a controlled corporation ( <i>note 1</i> ) | 144,100,000(L)                        | 72.1%  |

*Note:*

1 144,100,000 shares were held by Direct Value Limited, a company owned as to 70.0% by Mr. Hui Kwan Wah, Hugo and as to 30.0% by Mr. Ng Chi Man.

(L) Represents long position.

**(B) SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As far as the Company's directors were aware, as at June 30, 2009, save for the directors' and chief executive's interests as disclosed above, the following persons have an interest or short position in the shares or the underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept under Section 336 of the SFO:

| <b>Name</b>                                   | <b>Capacity/Nature of Interests</b> | <b>Number of ordinary shares held</b> | <b>Percentage to the issued share capital of the Company</b> |
|---|-------------------------------------|---------------------------------------|--|
| Direct Value Limited<br><i>(note 1)</i>       | Beneficial Owner                    | 144,100,000(L)                        | 72.1%  |
| Ms. Cheng Yin Lee, Francie<br><i>(note 2)</i> | Interest of spouse                  | 144,100,000(L)                        | 72.1%  |
| Ms. Lee Lai Lai<br><i>(note 3)</i>            | Interest of spouse                  | 144,100,000(L)                        | 72.1%  |

*Notes:*

- 1 144,100,000 ordinary shares were held by Direct Value Limited, a company owned as to 70.0% by Mr. Hui Kwan Wah, Hugo and as to 30.0% by Mr. Ng Chi Man. Mr. Hui Kwan Wah, Hugo and Mr. Ng Chi Man are deemed to be interested in 144,100,000 ordinary shares held by Direct Value Limited by virtue of SFO. These shares have been included in the interest disclosure of Mr. Hui Kwan Wah, Hugo and Mr. Ng Chi Man as set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and the Associated Corporations" above.
  - 2 Ms. Cheng Yin Lee, Francie is the spouse of Mr. Hui Kwan Wah, Hugo. By virtue of the SFO, Ms. Cheng Yin Lee, Francie is also deemed, as spouse, to be interested in all the shares in which Mr. Hui Kwan Wah, Hugo is deemed to be interested.
  - 3 Ms. Lee Lai Lai is the spouse of Mr. Ng Chi Man. By virtue of the SFO, Ms. Lee Lai Lai is also deemed, as spouse, to be interested in all the shares in which Mr. Ng Chi Man is deemed to be interested.
- (L) Represents long position.



## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **(A) SHARE OPTION SCHEME**

The Company adopted a share option scheme on October 30, 2007, but the Company had not granted any share options.

### **(B) PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, redeemed or cancelled any of the Company's listed securities during the six months ended June 30, 2009.

### **(C) COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

For the six months ended June 30, 2009, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

### **(D) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiries to all directors, all directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended June 30, 2009.

### **(E) EXECUTIVE COMMITTEE**

The Executive Committee was established on July 15, 2008 and it assists the Board in formulating policies and supervises the management to carry out and implement the policies laid down by the Board. The Executive Committee comprises the Chairman of the Board, namely Mr. Hui Kwan Wah, Hugo (Chairman), the Chief Executive Officer of the Company, namely Mr. Ng Chi Man and two other Executive Directors of the company, namely Mr. Wong Sai Ming and Mr. Wong Tat Tung. The Executive Committee has discussed the Group's business strategy, financing arrangements and various daily operations during the six months ended June 30, 2009.

**(F) AUDIT COMMITTEE**

The Audit Committee was established on October 30, 2007 and it assists the Board in discharging its responsibilities for corporate governance, financial reporting and corporate control. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Anthony Espina (Chairman), Mr. Cheung Wah Keung, Mr. Wong Che Keung and one Non-executive Director, namely Mr. Chan Cheuk Ming. The Audit Committee has reviewed the condensed consolidated financial statements of the Group for the six months ended June 30, 2009. The audit committee has also discussed auditing, internal control, the accounting principles and practices adopted by the Group.

**(G) REMUNERATION COMMITTEE**

The Remuneration Committee was established on October 30, 2007 and its responsibilities include approving the remuneration policy for all directors and senior executives from time to time. The Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Cheung Wah Keung (Chairman), Mr. Anthony Espina and Mr. Wong Che Keung and one Non-executive Director, namely Mr. Chan Cheuk Ming. The Remuneration Committee has reviewed the remuneration matters in this interim report. The Remuneration Committee has also discussed the remuneration of directors and senior management and the annual salary review of the staff during the six months ended June 30, 2009.

On behalf of the Board  
**Hui Kwan Wah, Hugo**  
*Chairman*

Hong Kong, August 14, 2009

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The board of directors (the “Board”) of Rainbow Brothers Holdings Limited (the “Company”) is pleased to present the condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended June 30, 2009, together with the comparative figures. These condensed consolidated interim financial statements have been reviewed by the Company’s audit committee, but have not been reviewed by the Company’s auditor.

### CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

|  | Notes | Six months ended        |                         |   |
|--|-------|-------------------------|-------------------------|---|
|  |       | June 30,<br>2009        | September 30,<br>2008   | June 30,<br>2008                              |
|  |       | HK\$'000<br>(Unaudited) | HK\$'000<br>(Unaudited) | HK\$'000<br>(Unaudited)<br>For reference only |
| Turnover   | 4     | 170,658                 | 242,779                 | 167,687                                       |
| Cost of sales  |       | (139,570)               | (210,395)               | (145,290)                                     |
| Gross profit   |       | 31,088                  | 32,384                  | 22,397  |
| Other revenue  |       | 469                     | 894                     | 702   |
| Operating expenses                                     |       | (24,340)                | (20,378)                | (18,663)                                      |
| Profit from operations                                 |       | 7,217                   | 12,900                  | 4,436   |
| Finance costs  | 5     | (356)                   | (438)                   | (294)   |
| Profit before taxation                                 | 6     | 6,861                   | 12,462                  | 4,142   |
| Taxation   | 7     | (854)                   | (1,756)                 | (922)   |
| Profit for the period                                  |       | 6,007                   | 10,706                  | 3,220   |
| Other comprehensive income:                            |       |                         |                         |   |
| Exchange differences on translating foreign operations |       | 93                      | –                       | –   |
| Other comprehensive income for the period, net of tax  |       | 93                      | –                       | –   |
| Total comprehensive income for the period              |       | 6,100                   | 10,706                  | 3,220   |
| Dividend   | 8     | –                       | 5,000                   |   |
| Earnings per share – Basic                             | 9     | HK3.0 cents             | HK5.4 cents             |   |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  |    | As at<br><b>June 30,<br/>2009</b> | As at<br>December 31,<br>2008 | As at<br>June 30,<br>2008      |
|--|----|-----------------------------------|-------------------------------|--------------------------------|
| <i>Notes</i>                                 |    | <b>HK\$'000</b><br>(Unaudited)    | <b>HK\$'000</b><br>(Audited)  | <b>HK\$'000</b><br>(Unaudited) |
|  |    |                                   |                               | For reference only             |
| <b>Non-current assets</b>                    |    |                                   |                               |                                |
| Property, plant and equipment                | 10 | 10,125                            | 10,386                        | 12,023                         |
| Goodwill                                     |    | 35,375                            | 26,375                        | 26,375                         |
| Interest in associate                        |    | 12,000                            | –                             | –                              |
|  |    | <u>57,500</u>                     | <u>36,761</u>                 | <u>38,398</u>                  |
| <b>Current assets</b>                        |    |                                   |                               |                                |
| Inventories                                  |    | 16,630                            | 13,101                        | 13,376                         |
| Trade receivables                            | 11 | 31,088                            | 35,302                        | 64,631                         |
| Prepayments, deposits and other receivables  |    | 23,216                            | 18,604                        | 28,952                         |
| Tax recoverable                              |    | 2,639                             | 70                            | 1,867                          |
| Cash and bank balances                       |    | 29,436                            | 30,546                        | 11,210                         |
|  |    | <u>103,009</u>                    | <u>97,623</u>                 | <u>120,036</u>                 |
| <b>Total Assets</b>                          |    | <b><u>160,509</u></b>             | <b><u>134,384</u></b>         | <b><u>158,434</u></b>          |
| <b>Capital and reserves</b>                  |    |                                   |                               |                                |
| Share capital                                | 14 | 20,000                            | 20,000                        | 20,000                         |
| Reserves                                     |    | 90,365                            | 84,265                        | 92,699                         |
|  |    | <u>110,365</u>                    | <u>104,265</u>                | <u>112,699</u>                 |
| <b>Non-current liabilities</b>               |    |                                   |                               |                                |
| Deferred taxation                            |    | 445                               | 445                           | 537                            |
| <b>Current liabilities</b>                   |    |                                   |                               |                                |
| Trade and bills payable                      | 12 | 16,840                            | 14,497                        | 14,813                         |
| Accruals and other payables                  |    | 11,902                            | 14,177                        | 6,414                          |
| Bank borrowings – secured                    | 13 | 20,957                            | 1,000                         | 23,971                         |
|  |    | <u>49,699</u>                     | <u>29,674</u>                 | <u>45,198</u>                  |
| <b>Total Equity and Liabilities</b>          |    | <b><u>160,509</u></b>             | <b><u>134,384</u></b>         | <b><u>158,434</u></b>          |
| <b>Net current assets</b>                    |    | <b><u>53,310</u></b>              | <b><u>67,949</u></b>          | <b><u>74,838</u></b>           |
| <b>Total assets less current liabilities</b> |    | <b><u>110,810</u></b>             | <b><u>104,710</u></b>         | <b><u>113,236</u></b>          |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | <u>Share<br/>capital</u> | <u>Share<br/>premium</u> | <u>Translation<br/>reserve</u> | <u>Capital<br/>reserve</u> | <u>Retained<br/>profits</u> | <u>Total</u>    |
|--|--------------------------|--------------------------|--------------------------------|----------------------------|-----------------------------|-----------------|
| <i>Notes</i>                                 | <i>HK\$'000</i>          | <i>HK\$'000</i>          | <i>HK\$'000</i>                | <i>HK\$'000</i>            | <i>HK\$'000</i>             | <i>HK\$'000</i> |
| At April 1, 2008 (Audited)                   | 20,000                   | 53,768                   | –                              | (15,000)                   | 52,516                      | 111,284         |
| Total comprehensive income<br>for the period | <u>–</u>                 | <u>–</u>                 | <u>–</u>                       | <u>–</u>                   | <u>10,706</u>               | <u>10,706</u>   |
| Dividend                                     | 20,000                   | 53,768                   | –                              | (15,000)                   | 63,222                      | 121,990         |
| 8  | <u>–</u>                 | <u>–</u>                 | <u>–</u>                       | <u>–</u>                   | <u>(13,000)</u>             | <u>(13,000)</u> |
| At September 30, 2008 (Unaudited)            | <u>20,000</u>            | <u>53,768</u>            | <u>–</u>                       | <u>(15,000)</u>            | <u>50,222</u>               | <u>108,990</u>  |
| At January 1, 2009 (Audited)                 | 20,000                   | 53,768                   | –                              | (15,000)                   | 45,497                      | 104,265         |
| Total comprehensive income<br>for the period | <u>–</u>                 | <u>–</u>                 | <u>93</u>                      | <u>–</u>                   | <u>6,007</u>                | <u>6,100</u>    |
| At June 30, 2009 (Unaudited)                 | <u>20,000</u>            | <u>53,768</u>            | <u>93</u>                      | <u>(15,000)</u>            | <u>51,504</u>               | <u>110,365</u>  |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

|   | <b>Six months ended</b>  |                       |
|---|--------------------------|-----------------------|
|   | <b>June 30,<br/>2009</b> | September 30,<br>2008 |
|   | <i>HK\$'000</i>          | <i>HK\$'000</i>       |
|   | <b>(Unaudited)</b>       | <b>(Unaudited)</b>    |
| Net cash inflow/(outflow) from operating activities | <b>2,502</b>             | (37,674)              |
| Net cash outflow from investing activities          | <b>(23,569)</b>          | (3,072)               |
| Net cash inflow from financing activities           | <b>19,957</b>            | 12,226                |
| Net decrease in cash and cash equivalents           | <b>(1,110)</b>           | (28,520)              |
| Cash and cash equivalents at beginning of period    | <b>30,546</b>            | 36,869                |
| Cash and cash equivalents at end of period          | <b><u>29,436</u></b>     | <b><u>8,349</u></b>   |
| <br><b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>    |                          |                       |
| Cash and bank balances                              | <b><u>29,436</u></b>     | <b><u>8,349</u></b>   |

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL

Rainbow Brothers Holdings Limited (“the Company”) was incorporated and domiciled in the Cayman Islands under the Companies Law (2004 Revision) of the Cayman Islands as an exempted company with limited liability on March 20, 2007.

Its shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on November 19, 2007. The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section of the interim report.

The Group’s financial statements are presented in Hong Kong dollar (“HK\$”), which is the functional currency used.

During the six months ended June 30, 2009, the Group was principally engaged in creating and providing party and festivity products to dollar store business operators.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost convention as modified for the revaluation of certain financial assets and liabilities at fair value. The accounting policies used in these condensed consolidated interim financial statements are consistent with those followed in the Group’s annual audited financial statements for the period ended December 31, 2008.

In the current interim period, the Group has applied, for the first time, the following amendments and interpretations (“New HKFRSs”) issued by the HKICPA, which are effective from January 1, 2009.

### *HKFRS 8 Operating Segments*

HKFRS 8 requires segmental information to be disclosed on the same basis as that used for internal reporting purposes. Under this requirement, for the period ended June 30, 2009, the Group has only one business segment significant enough for disclosure.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### HKAS 1 (revised 2007) *Presentation of Financial Statements*

The revised HKAS 1 introduces a number of changes to the presentation of the accounts, including a requirement for those exchange differences in translating foreign operations to be presented in a statement of comprehensive income.

The following amendments and interpretations issued by HKICPA which are or have become effective and did not have any material impact on the accounting policies of the Group.

|                                  |   |
|----------------------------------|---|
| HKFRSs (Amendments)              | Improvements to HKFRSs  |
| HKAS 23 (Revised)                | Borrowing Costs   |
| HKAS 32 & 1 (Amendments)         | Puttable Financial Instruments and Obligations Arising on Liquidation         |
| HKFRS 1 and HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| HKFRS 2 (Amendment)              | Share-based Payment – Vesting Conditions and Cancellations                    |
| HKFRS 7 (Amendment)              | Improving Disclosure about Financial Instruments                              |
| HK(IFRIC) – INT 13               | Customer Loyalty Programmes   |
| HK(IFRIC) – INT 15               | Agreements for the Construction of Real Estate                                |
| HK(IFRIC) – INT 16               | Hedges of a Net Investment in a Foreign Operation                             |

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company are in the process of assessing the potential impact of these new or revised standards, amendments or interpretations and so far anticipate that the application of these new or revised standards, amendments or interpretations will have no material financial impact on the results and the financial position of the Group.

|                     |   |
|---------------------|---|
| HKAS 27 (Revised)   | Consolidated and Separate Financial Statements <sup>1</sup> |
| HKFRS 3 (Revised)   | Business Combinations <sup>1</sup>                          |
| HK (IFRIC) – INT 17 | Distributions of Non-cash Assets to Owners <sup>1</sup>     |
| HK (IFRIC) – INT 18 | Transfers of Assets from Customers <sup>2</sup>             |

<sup>1</sup> Effective for annual periods beginning on or after July 1, 2009

<sup>2</sup> Effective for transfers of assets from customers received on or after July 1, 2009



#### 4. TURNOVER

Turnover mainly represents the net amounts received and receivable for goods sold, less sales returns.

#### 5. FINANCE COSTS

|   | <b>Six months ended</b> |                    |
|---|-------------------------|--------------------|
|   | <b>June 30,</b>         | September 30,      |
|   | <b>2009</b>             | 2008               |
|   | <b>HK\$'000</b>         | <b>HK\$'000</b>    |
|   | <b>(Unaudited)</b>      | <b>(Unaudited)</b> |
| Interest expense on bank loans, bank overdrafts and other loans repayable within five years | <b>356</b>              | 438                |

#### 6. PROFIT BEFORE TAXATION

|  | <b>Six months ended</b> |                    |
|--|-------------------------|--------------------|
|  | <b>June 30,</b>         | September 30,      |
|  | <b>2009</b>             | 2008               |
|  | <b>HK\$'000</b>         | <b>HK\$'000</b>    |
|  | <b>(Unaudited)</b>      | <b>(Unaudited)</b> |
| Profit before taxation has been arrived at after charging/(crediting): |                         |                    |
| Depreciation   | <b>2,829</b>            | 2,555              |
| Staff costs, including directors' emoluments                           | <b>13,388</b>           | 11,735             |
| Write-down of inventories  | –                       | 105                |
| Impairment loss on trade receivables                                   | <b>670</b>              | 482                |
| Interest income  | <b>(24)</b>             | (8)                |

## 7. TAXATION

|                            | <b>Six months ended</b>  |                       |
|----------------------------|--------------------------|-----------------------|
|                            | <b>June 30,<br/>2009</b> | September 30,<br>2008 |
|                            | <i>HK\$'000</i>          | <i>HK\$'000</i>       |
|                            | <b>(Unaudited)</b>       | <b>(Unaudited)</b>    |
| Hong Kong profits tax      |                          |                       |
| – Provision for the period | <b>854</b>               | 1,843                 |
| – Deferred tax             | <u>–</u>                 | <u>(87)</u>           |
|                            | <b><u>854</u></b>        | <b><u>1,756</u></b>   |

Hong Kong profits tax has been provided at 16.5% (September 30, 2008: 16.5%) on the estimated assessable profits for the interim period.

## 8. DIVIDEND

The Board did not recommend any interim dividend for the six months ended June 30, 2009 (September 30, 2008: HK2.5 cents)

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share for the interim period is based on the consolidated profit for the period of approximately HK\$6.0 million (September 30, 2008: HK\$10.7 million) and the weighted average number of shares in issue during the period, which was 200,000,000 shares (September 30, 2008: 200,000,000 shares). Diluted earnings per share have not been computed because there were no dilutive potential ordinary shares outstanding during the current and previous interim periods.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2009, the Group incurred approximately HK\$2.6 million (September 30, 2008: HK\$3.1 million) on acquisition of property, plant and equipment.

## 11. TRADE RECEIVABLES

The Group normally grants credit terms of up to 90 days to its customers, and may from time to time extend such credit periods for extra 30 to 60 days to certain customers.

|                                | As at<br><b>June 30,<br/>2009</b> | As at<br>December 31,<br>2008 |
|--------------------------------|-----------------------------------|-------------------------------|
|                                | <i>HK\$'000</i><br>(Unaudited)    | <i>HK\$'000</i><br>(Audited)  |
| 0 to 30 days                   | 27,232                            | 22,622                        |
| 31 to 60 days                  | 2,919                             | 5,780                         |
| 61 to 90 days                  | 441                               | 2,805                         |
| Over 90 days                   | 1,648                             | 4,577                         |
| Less: Provision for impairment | <u>(1,152)</u>                    | <u>(482)</u>                  |
|                                | <b><u>31,088</u></b>              | <b><u>35,302</u></b>          |

For the period ended June, 30, 2009, trade receivables of the Group amounting to HK\$670,000 were individually determined to be impaired.

The carrying amounts of trade receivables approximate their fair values.

## 12. TRADE AND BILLS PAYABLE

|               | As at<br><b>June 30,<br/>2009</b> | As at<br>December 31,<br>2008 |
|---------------|-----------------------------------|-------------------------------|
|               | <i>HK\$'000</i><br>(Unaudited)    | <i>HK\$'000</i><br>(Audited)  |
| 0 to 30 days  | 14,297                            | 10,439                        |
| 31 to 60 days | 1,052                             | 3,226                         |
| 61 to 90 days | 1,300                             | 624                           |
| Over 90 days  | <u>191</u>                        | <u>208</u>                    |
|               | <b><u>16,840</u></b>              | <b><u>14,497</u></b>          |

The carrying amounts of trade and bills payable approximate their fair values.

### 13. BANK BORROWINGS – SECURED

|                    | As at<br><b>June 30,<br/>2009</b> | As at<br>December 31,<br>2008 |
|--------------------|-----------------------------------|-------------------------------|
|                    | <i>HK\$'000</i><br>(Unaudited)    | <i>HK\$'000</i><br>(Audited)  |
| Import trade loans | 2,830                             | –                             |
| Short-term loans   | <u>18,127</u>                     | <u>1,000</u>                  |
|                    | <u><b>20,957</b></u>              | <u><b>1,000</b></u>           |

The carrying amounts of bank borrowings approximate their fair values.

The Group's bank borrowings were secured by corporate guarantees from Group companies.

### 14. SHARE CAPITAL

|   | Number of shares     | Amount                 |
|---|----------------------|------------------------|
| Ordinary shares of HK\$0.1 each:          |                      |                        |
| <b>Authorised:</b>                        |                      |                        |
| As at December 31, 2008 and June 30, 2009 | <u>1,000,000,000</u> | <u>HK\$100,000,000</u> |
| <b>Issued and fully paid:</b>             |                      |                        |
| As at December 31, 2008 and June 30, 2009 | <u>200,000,000</u>   | <u>HK\$20,000,000</u>  |

### 15. SEGMENT INFORMATION

The Group is principally engaged in creating and providing party and festivity products to dollar store business operators. The directors consider there is only one business segment significant enough for disclosure. Other business segments, including the shopping mall development project and the wealth management financial planning services business were still at their setting up stages as at June 30, 2009 and without any material profit and loss effect for the period.

## 16. RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

- a) Emoluments of directors and senior management of the Group:

|   | <b>Six months ended</b> |                     |
|---|-------------------------|---------------------|
|   | <b>June 30,</b>         | September 30,       |
|   | <b>2009</b>             | 2008                |
|   | <b>HK\$'000</b>         | <b>HK\$'000</b>     |
|   | <b>(Unaudited)</b>      | <b>(Unaudited)</b>  |
| Salaries, allowances and other benefits | <b>5,865</b>            | 5,072               |
| Contributions to retirement scheme      | <b>52</b>               | 78                  |
|   | <b><u>5,917</u></b>     | <b><u>5,150</u></b> |

In the opinion of the directors, the above related party transactions were carried out on normal commercial terms and in the ordinary course of the Group's business. All these related party transactions were exempted from reporting, announcement and independent shareholders' approval requirement under the Listing Rules.

- b) On March 10, 2009, the group entered into a sales and purchase agreement with Mr. Wong Tat Tung, an executive director, with a consideration of HK\$9.0 million to acquire 100% equity interest in a financial planning services company wholly-owned by him. This sale and purchase agreement also provided for the appointment of Mr. Wong Tat Tung as our executive director effective from March 13, 2009. For further details, please refer to our announcement made on March 12, 2009.

## 17. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the Board on August 14, 2009.