Rainbow Brothers Holdings Limited
十友控股有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 33)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2008

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 September 30, 2008, 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 INCOME STATEMENT

		Six months ended September 30,	
		2008	2007
	Notes	***HK$'000*** **(Unaudited)**	*HK$'000* (Unaudited)
Turnover	*4*	**242,779**	211,889
Cost of sales		**(210,395)**	(174,507)
Gross profit		**32,384**	37,382
Other revenue		**894**	1,229
Operating expenses		**(20,378)**	(13,289)
Profit from operations		**12,900**	25,322
Finance costs		**(438)**	(1,289)
Profit before taxation	*5*	**12,462**	24,033
Taxation	*6*	**(1,756)**	(3,199)
Profit attributable to equity holders of the Company		**10,706**	20,834
Dividend	*7*	**5,000**	–
Earnings per share - Basic	*8*	**HK5.4 cents**	HK13.9 cents

* *For identification purpose only*

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at September 30, 2008 HK$'000 (Unaudited)	As at March 31, 2008 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**11,265**	10,740
Goodwill		**26,375**	26,375
		37,640	37,115
Current assets			
Inventories		**14,913**	14,007
Trade receivables		**112,833**	50,737
Prepayments, deposits and other receivables		**17,125**	14,832
Tax recoverable		**24**	408
Cash and bank balances		**8,349**	36,869
		153,244	116,853
Total Assets		**190,884**	153,968
Capital and reserves			
Share capital		**20,000**	20,000
Reserves		**88,990**	91,284
		108,990	111,284
Non-current liabilities			
Deferred taxation		**450**	537
Current liabilities			
Trade and bills payable		**24,555**	12,167
Accruals and other payables		**8,713**	7,468
Bank borrowings - secured		**38,424**	22,512
Dividend payable		**9,752**	–
		81,444	42,147
Total Equity and Liabilities		**190,884**	153,968
Net current assets		**71,800**	74,706
Total assets less current liabilities		**109,440**	111,821

SELECTED NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated 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 address of the registered office and principal place of business of the Company is 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.

Under a group reorganisation scheme in preparation for the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation"), the Company has become the holding company of its subsidiaries on October 30, 2007. Details of the Group Reorganisation are set out in the section headed "Corporate reorganisation" in Appendix V to the prospectus dated November 6, 2007 issued by the Company.

The Group is principally engaged in creating and providing party and festivity products to dollar store business operators. Most of the products shipped by the Group are retailed at or below US$1, or its equivalents.

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 year ended March 31, 2008.

In the current interim period, the Group has applied, for the first time, the following new interpretation ("new Interpretation") issued by the HKICPA, which is effective from July 1, 2008.

HK (IFRIC) – INT 13 Customer Loyalty Programmes

The adoption of this new Interpretation had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

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 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK (IFRIC) – INT 15	Agreements for the Construction of Real Estate[1]
HK (IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation[3]

[1] Effective for annual periods beginning on or after January 1, 2009
[2] Effective for annual periods beginning on or after July 1, 2009
[3] Effective for annual periods beginning on or after October 1, 2008

4. TURNOVER

Turnover represents the net amounts received and receivable for sales of goods, less sales returns and discounts for the interim period.

5. PROFIT BEFORE TAXATION

	Six months ended September 30,	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging/(crediting):		
Depreciation	**2,555**	2,249
Staff costs, including directors' emoluments	**11,735**	7,624
Write-down of inventories	**105**	-
Impairment loss on trade receivables	**482**	-
Interest income	**(8)**	(291)

6. TAXATION

	Six months ended September 30,	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
– Provision for the period	**1,843**	3,283
– Deferred tax	**(87)**	(84)
	1,756	3,199

Hong Kong profits tax has been provided at 16.5% (2007: 17.5%) on the estimated assessable profits for the interim period.

7. DIVIDEND

The Board declared an interim dividend of HK2.5 cents per share, HK$5.0 million in aggregate, to shareholders of the Company whose names appear on the register of members on December 8, 2008. It has not been recognized as a liability at the balance sheet date.

During the six months ended September 30, 2008, a dividend of HK6.5 cents per share, HK$13.0 million in aggregate, was declared to shareholders as the final dividend for the financial year end March 31, 2008. During the six months ended September 30, 2007, HK$30.0 million was declared to the then shareholders before the listing of the Company.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the interim period is based on the consolidated profit attributable to equity holders of the Company of approximately HK$10.7 million (2007: HK$20.8 million) and the weighted average number of shares in issue during the period, which was 200,000,000 shares (2007: 150,000,000 shares). In determining the number of shares in issue, a total of 150,000,000 shares issued in connection with the Group Reorganisation were deemed to have been issued since April 1, 2006. Diluted earnings per share have not been computed because there were no dilutive potential ordinary shares outstanding during the current and previous interim periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended September 30, 2008, the Group incurred approximately HK$3.1 million (2007: HK$0.8 million) on acquisition of property, plant and equipment.

10. **SEGMENT INFORMATION**

The Group is principally engaged in creating and providing party and festivity products to dollar store business operators in North America, Asia, Europe and South America and others markets. The directors consider there is only one business segment but four geographical segments.

In presenting the following table of turnover by geographical segments, segment revenue is determined based on the geographical location of customers, irrespective of the origin of the goods.

	Six months ended September 30,	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
North America	**177,362**	157,157
Asia	**46,667**	35,727
Europe	**15,494**	9,911
South America and others	**3,256**	9,094
Total turnover	**242,779**	211,889

MANAGEMENT DISCUSSION AND ANALYSIS

(All figures are approximates)

(A) BUSINESS REVIEW

The collapse of the Lehman Brothers group in mid September 2008 triggered off a global financial tsunami and confidence crisis at the banking sector as well as the investment public in general. Corporations abroad and in Hong Kong failed for various financial and management reasons. Many stories of mis-management, speculation, negligence, and fraud were revealed in the midst of financial and liquidity problems caused by a global credit crunch.

Under such circumstances, confidence in the ability, integrity and conscientiousness of management is of utmost importance. We are pleased to report that the Group has no association with any structured investment products. We have no foreign exchange contracts. We do not speculate in financial instruments. We have no investment in listed shares, bonds or debentures.

As the global financial tsunami heightened, management made further critical reviews of all possible exposures, including possible bank credit cuts, customer credit deterioration, inventory and other asset values, currency exposure and interest rate exposure. Certain operational adjustments were made both with customers and internally. As a result, most letters of credits from customers received were from a reputable bank in America; major customer open accounts were insured; and bank borrowings were eliminated to assure all stakeholders of our financial soundness.

At the time of Lehman collapse, our bank borrowings, net of cash and bank balances, stood at around HK$30.0 million at September 15, 2008. The balance was about the same at September 30, 2008, before being reduced to HK$25.0 million at October 15, 2008 and further to HK$15.0 million at October 31, 2008. As at November 15, 2008, our cash and bank balances were HK$15.4 million whereas our bank borrowings were HK$7.5 million.

This does not mean that we do not take risks. Management does not believe that operating a debt free company would best serve the interest of shareholders. However, in view of the many unpleasant stories in recent months in corporate Hong Kong, it is important for us to demonstrate, at critical moments, our ability to swiftly restore to a net cash position before we move forward to any plans for building our future.

(B) FINANCIAL REVIEW

During the six months ended September 30, 2008 (the "Current Half Year"), the Group's turnover was HK$242.8 million, representing an encouraging growth of 14.6% from the HK$211.9 million for the six months ended September 30, 2007 (the "Previous Half Year"). The sales to North American market recorded a 12.8% increase from HK$157.2 million in the Previous Half Year to HK$177.4 million in the Current Half Year. The sales to Asian market recorded a 30.8% increase from HK$35.7 million to HK$46.7 million. The sales to European market recorded a 56.6% increase from HK$9.9 million to HK$15.5 million. The sales to South American and others market dropped by 63.7% from HK$9.1 million in the Previous Half Year to HK$3.3 million in the Current Half Year. Such drop was the result of our tightened credit policy. We expect the sales figure will gradually recover as customers get accustomed to it.

The Group's gross profit margin, and hence net profit margin, were negatively affected by the severe rise in raw material prices of paper and plastics, as worldwide petroleum prices surged almost 50% during the period from April 1, 2008 to July 31, 2008. Gross profit during the Current Half Year was HK$32.4 million, representing a decrease of 13.4% from the HK$37.4 million for the Previous Half Year. Net profit during the Current Half Year was HK$10.7 million, representing a decrease of 48.6% from the HK$20.8 million for the Previous Half Year. Gross profit margin and net profit margin were 13.3% and 4.4% during the Current Half Year representing a drop of 4.3% and 5.4%, respectively, from 17.6% and 9.8% for the Previous Half Year.

Operating expenses during the Current Half Year was HK$20.4 million, representing an increase of 53.4% from HK$13.3 million for the Previous Half Year. This increase was mainly attributable to increases in the staff costs and rental expenses during a booming period in Hong Kong, and additional corporate expenses after the listing of the Company.

(C) LIQUIDITY AND FINANCIAL RESOURCES

As at September 30, 2008, net current assets were HK$71.8 million (March 31, 2008: HK$74.7 million). The Group's current ratio was 1.9 (March 31, 2008: 2.8), base on current assets of HK$153.2 million and current liabilities of HK$81.4 million. The gearing ratio, which is total bank borrowings divided by total assets, was 20.1% as at September 30, 2008 (March 31, 2008: 14.6%). In general, the Group's current ratio and gearing ratio were better in March, as the months of July, August and September are our peak shipment seasons.

As at September 30, 2008, the Group had cash and bank balances of HK$8.3 million (March 31, 2008: HK$36.9 million) and total bank borrowings of HK$38.4 million (March 31, 2008: HK$22.5 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, with interest rates ranging from 2.4% to 3.8%. Such bank borrowings were secured by corporate guarantees from different group companies. As discussed above, the Group repaid most bank borrowings and restored to a net cash position by November 15, 2008.

As at September 30, 2008, the Group had operating lease for office premises with commitments of HK$10.4 million up to December 2011. Apart from this, the Group had no material capital commitment, material contracts or significant contingent liabilities.

The Group's trade receivables was HK$112.8 million as at September 30, 2008, representing 122.5% increase from HK$50.7 million as at March 31, 2008. Almost 80% of the balance as at September 30, 2008 has been settled by November 15, 2008.

(D) HUMAN RESOURCES

As at September 30, 2008, the Group employed 77 employees (March 31, 2008: 66). Staff costs including directors' emoluments for the Current Half Year was HK$11.7 million (2007: HK$7.6 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.

(E) INTERIM DIVIDEND

The Board declared an interim dividend of HK2.5 cents per share, HK$5.0 million in aggregate, for the six months ended September 30, 2008 (2007: Nil).

(F) CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from December 8, 2008 to December 10, 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited, the Company's branch share registrar in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 pm on December 5, 2008. The dividend warrants are expected to be sent on or about December 22, 2008.

(G) USE OF PROCEEDS

The net proceeds raised from the initial public offering received by the Company were HK$58.0 million. The usages of net proceeds until September 30, 2008 were as follows:-

Particulars	**Planned Amount**	**Utilised Amount**
	HK$ million	*HK$ million*
Repayment of bank borrowings	25.0	28.0
Development of licensing business	10.0	–
Purchase of machineries and equipment	7.0	4.5
Future expansion	10.0	10.0
General working capital	6.0	15.5
TOTAL	58.0	58.0

For future expansion, the Group has spent slightly over HK$10.0 million in expanding its product range, by procuring new products from new vendors, to new ranges of glass, wood and metal decoration products. Besides, the Group has not yet concluded any licensing business as negotiation with the originally identified counter party was not successful. Further efforts are being made to identifying such opportunities through other channels. Net proceeds not applied to specific items are temporarily used as general working capital.

(H) OUTLOOK

The dollar market business has performed well in the Current Half Year, so have the Group's major customers and the Group's turnover. In view of the widely expected recession, and our tightened credit policy, it is hard to predict the extent to which our sales in 2009, especially in the U.S. market, will be affected. Nonetheless, we believe that low end products of basic needs like ours in the dollar market business will be less affected.

Our net profits for the 18 months up to September 30, 2008 has initially been weakened by the surge in RMB and later by the sharp jump in raw material prices. The rate of increase in raw material prices, in particular, had been far higher than what we expected. We have succeeded in partly, but not fully, offsetting such impact with product development efforts and new sourcing networks which allowed our increases in selling prices. RMB prices have stabilized in the past few months; raw material prices have begun to drop recently too. The continuance of such trend is critical to the outlook of our results.

In the long run, we still believe in an upward trend for RMB. Therefore, we have set up a new office in Shenzhen with a view to developing new business opportunities in China, thus opening up sources of RMB income to the Group.

The anticipated period of worldwide recession ahead would hit all walks of life - U.S., Europe and Asia alike. However, management believes that every cloud has a silver lining. The forthcoming period of difficult time should be the time for laying seeds for the next boom, especially in China, where the foundation of the economy is least hit by this crisis. As such, the Group will review and reconfigure its expansion plans. With a relatively debt free situation, the Group is well-positioned to take advantage of, and should more actively review, upcoming opportunities if they could help building a brighter foundation for our future.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(A) SHARE OPTION SCHEME

The Company adopted a share option scheme on October 30, 2007, but the Company has 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 September 30, 2008.

(C) COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended September 30, 2008, 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 September 30, 2008.

(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), and the Chief Executive Officer of the Company, namely Mr. Ng Chi Man and an Executive Director of the Company, namely Mr. Wong Sai Ming.

(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 a 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 September 30, 2008. The audit committee has 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 assists the Board in 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 a Non-executive Director, namely Mr. Chan Cheuk Ming.

(H) PUBLICATION OF INTERIM REPORT

This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkex.com.hk) and the Company (http://www.irasia.com/listco/hk/rainbowbrothers). The 2008 Interim Report of the Company will be dispatched to the shareholders of the Company as well as published on the aforesaid websites in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication and contribution to the Group. In addition, I would like to thank all our shareholders for their patronage.

On behalf of the Board
Hui Kwan Wah, Hugo
Chairman

Hong Kong, November 19, 2008

As at the date of this announcement, the Executive Directors are Mr. Hui Kwan Wah, Hugo, Mr. Ng Chi Man, Mr. Wong Sai Ming and the Non-executive Director is Mr. Chan Cheuk Ming and the Independent Non-executive Directors are Mr. Cheung Wah Keung, Mr. Anthony Espina and Mr. Wong Che Keung.