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

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

DECEMBER 2008 ANNUAL RESULTS PRELIMINARY ANNOUNCEMENT

The board of directors (the "Board") of Rainbow Brothers Holdings Limited (the "Company") is pleased to announce the annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months period ended December 31, 2008 (the "Current Period").

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM APRIL 1, 2008 TO DECEMBER 31, 2008

		Audited	Audited	Unaudited For reference only
		9 Months ended December 31, 2008	12 Months ended March 31, 2008	9 Months ended December 31, 2007
	Note	***HK$'000***	*HK$'000*	*HK$'000*
Turnover	*4*	**335,739**	371,558	293,759
Cost of sales		**(290,830)**	(311,223)	(245,139)
Gross profit		**44,909**	60,335	48,620
Other revenue and other net income		**1,514**	1,951	1,732
Operating expenses		**(33,103)**	(31,051)	(21,968)
Profit from operations		**13,320**	31,235	28,384
Finance costs		**(634)**	(2,006)	(1,881)
Profit before taxation	*5*	**12,686**	29,229	26,503
Income tax	*6*	**(1,705)**	(3,689)	(2,767)
Profit attributable to equity shareholders of the Company		**10,981**	25,540	23,736
Dividends	*7*	**5,000**	13,000	
Earnings per share	*8*			
– Basic		**HK5 cents**	HK15 cents	
– Diluted		**N/A**	N/A	

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2008

	Note	**Audited**	Audited	Unaudited For reference only
		As at December 31, 2008	As at March 31, 2008	As at December 31, 2007
	Note	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment		**10,386**	10,740	11,472
Goodwill		**26,375**	26,375	26,375
		36,761	37,115	37,847
Current assets				
Inventories	*9*	**13,101**	14,007	12,222
Trade receivables	*10*	**35,302**	50,737	48,247
Prepayments, deposits and other receivables		**18,604**	14,832	6,682
Tax recoverable		**70**	408	–
Cash and cash equivalents	*11*	**30,546**	36,869	45,523
		97,623	116,853	112,674
TOTAL ASSETS		**134,384**	153,968	150,521
Capital and reserves				
Share capital		**20,000**	20,000	20,000
Reserves		**84,265**	91,284	89,506
		104,265	111,284	109,506
Non-current liabilities				
Deferred taxation		**445**	537	665
Current liabilities				
Trade and bills payable	*12*	**14,497**	12,167	18,329
Accruals and other payables		**14,177**	7,468	5,960
Bank borrowings – secured		**1,000**	22,512	12,007
Tax payable		**–**	–	4,054
		29,674	42,147	40,350
TOTAL EQUITY AND LIABILITIES		**134,384**	153,968	150,521
Net current assets		**67,949**	74,706	72,324
Total assets less current liabilities		**104,710**	111,821	110,171

1. CORPORATE INFORMATION

General information

Rainbow Brothers Holdings Limited (the "Company") was incorporated and domiciled in the Cayman Islands under Companies Law (2004 Revision) of the Cayman Islands as an exempted company with limited liability on March 20, 2007. Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries (collectively referred to as the "Group") to rationalise the group structure in preparation for listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group on October 30, 2007. Details of the 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 "Prospectus"). The Company's shares were listed on the Stock Exchange on November 19, 2007.

The Company is an investment holding company. The Group was principally engaged in designing, developing, merchandising and providing party and festivity products mainly to dollar store business operators. Most of the products shipped by the Group are retailed at or below US$1, or its equivalent. Since January 2009, the Group began to diversify into other businesses with major focus in China market. Since then, the Group has entered into a China property development project and the financial planning services industry in Hong Kong.

The address of its principal place of business in Hong Kong is 29/F Paul Y Centre, 51 Hung To Road, Kwun Tong, Hong Kong and the Company has been registered as an overseas company under Part XI of the Hong Kong Companies Ordinance on September 4, 2007.

Change of Financial Year End Date

The financial year end date of the Company was changed from March 31 to December 31 with effect from December 10, 2008. The reason for the change is to align with the statutory year end date of one of the wholly-owned subsidiaries. Following this change, these financial statements cover a period of nine months from April 1, 2008 to December 31, 2008, which is different from the twelve months period shown as comparative figures in the consolidated income statements, consolidated statement of changes in equity, consolidated cash flows statement and related notes.

Disclosure of unaudited period for reference

For the sole purpose of presenting a more meaningful comparison for users of the financial statements, the Board considers that it would be useful to include, under the consolidated income statement and the consolidated balance sheet of the Group, and the balance sheet of the Company, an additional column of comparative figures showing the extracted financial results from 2007 corresponding to the current nine months period.

The additional column of comparative figures shows the financial results for the nine months from April 1, 2007 to December 31, 2007, which was extracted from the previous audited financial statements from April 1, 2007 to March 31, 2008. The extracted financial results have taken into account the cut-off and valuation adjustments as would have been necessary for a proper period end reporting. However, it has not been audited and should only be used alongside the audited financial statements as noted in a) above for reference only.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply 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 disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company is set out below.

3. BASIS OF PREPARATION

The Group is regarded as a continuing entity resulting from the Reorganisation of entities under common control. The consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for both periods presented, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation. Accordingly, the consolidated results of the Group for the period ended December 31, 2008 and year ended March 31, 2008 include the results of the Company and its subsidiaries with effect from April 1, 2007 or, if later, since their respective dates of incorporation or at the date that common control was established as if the current group structure had been in existence throughout the two periods presented. The consolidated balance sheets at December 31, 2008 and March 31, 2008 have been prepared on the basis that the current group structure was in place with effect from April 1, 2007. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

The consolidated financial statements comprising the Company and its subsidiaries have been prepared in accordance with HKFRSs and under the historical cost convention except where stated otherwise in the accounting policies set out below. These consolidated financial statements are presented in Hong Kong dollar and all values are rounded to the nearest thousand except where otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed.

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK (IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK (IFRIC) – Int 12	Service Concession Arrangements
HK (IFRIC) – Int 14	HKAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Both HK(IFRIC) – Int 10, HK(IFRIC) – Int 11 and HK(IFRIC) – Int 12 and HK (IFRIC) – Int 14 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended December 31, 2008 and which have not been adopted in these consolidated financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position. In addition, the following developments may result in new or amended disclosures in the consolidated financial statements:

New and revised HKFRSs not yet effective		**Effective for accounting periods beginning on or after**
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	January 1, 2009
HKFRS 1 (Revised)	First-time Adoption of HKFRS	July 1, 2009
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations	January 1, 2009
HKFRS 3 (Revised)	Business Combinations	July 1, 2009
HKFRS 7 & HKAS 39 (Amendments)	Reclassification of Financial Assets	July 1, 2008
HKFRS 8	Operating Segments	January 1, 2009
HKFRSs (Amendments)	Improvements to HKFRSs	January 1, 2009 (except the amendment to HKFRS 5 which is effective for annual periods beginning on or after July 1, 2009)
HKAS 1 (Revised)	Presentation of Financial Statements	January 1, 2009
HKAS 23 (Revised)	Borrowing Costs	January 1, 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	July 1, 2009
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation	January 1, 2009
HKAS 39 (Amendment)	Eligible Hedged Items	July 1, 2009
HK (IFRIC) – Int 13	Customer Loyalty Programmes	July 1, 2008
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estate	January 1, 2009
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation	October 1, 2008
HK (IFRIC) – Int 17	Distributions of Non-cash Assets To Owners	July 1, 2009
HK (IFRIC) – Int 18	Transfer of Assets from Customers	July 1, 2009

4. TURNOVER

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

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the following:

	9 Months ended December 31, 2008	12 Months ended March 31, 2008
	HK$'000	*HK$'000*
Auditor's remuneration	**500**	500
Cost of inventories	**290,758**	311,824
Depreciation	**3,864**	4,661
Impairment loss of trade receivables	**482**	125
(Gain)/loss on disposal of property, plant and equipment	**(1)**	40
Staff costs:		
– Salaries, wages and other benefits (including directors' emoluments)	**19,381**	18,645
– Contributions to defined contribution retirement plans	**608**	597
Operating lease charges on rented premises	**3,806**	1,993

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) The amount of taxation charged to the consolidated income statement represents:

	9 Months ended December 31, 2008	12 Months ended March 31, 2008
	HK$'000	*HK$'000*
Hong Kong profits tax		
Provision for the period	**1,822**	3,969
Over-provision in respect of prior years	**(25)**	(152)
Deferred tax		
Decrease in tax rate	**(31)**	–
Reversal of temporary differences	**(61)**	(128)
	1,705	3,689

i) No provision for profits tax in the Cayman Islands and British Virgin Islands has been made as the Company and Silver Pattern Limited ("Silver Pattern"), one of the subsidiaries of the Company, are not subject to profits tax in their respective jurisdictions (March 31, 2008: Nil).

ii) Hong Kong profits tax has been provided for at the rate of 16.5% (March 31, 2008: 17.5%) on the estimated assessable profit for the period.

b) Reconciliation between actual tax expense and notional tax on profit before taxation at the applicable tax rates:

	9 Months ended December 31, 2008	12 Months ended March 31, 2008
	HK$'000	*HK$'000*
Profit before taxation	**12,686**	29,229
Notional tax on profit before taxation, calculated at the applicable tax rate 16.5% (March 31, 2008: 17.5%)	**2,093**	5,115
Tax effect of income not subject to taxation	**(488)**	(1,436)
Tax effect of expenses not deductible for taxation purposes	**280**	823
Tax effect of deductible temporary differences	**(176)**	(681)
Tax losses not recognised	**74**	20
Over-provision in prior years	**(25)**	(152)
Effect of decrease in tax rate	**(31)**	–
Tax effect of unrecognized temporary difference	**(21)**	–
Tax effect of prior year's tax losses utilised in this period	**(1)**	–
Actual tax expense	**1,705**	3,689

7. DIVIDENDS

	9 Months ended December 31, 2008	12 Months ended March 31, 2008
	HK$'000	*HK$'000*
Interim dividend declared and paid	**5,000**	–
Final dividend proposed after the balance sheet date	**–**	13,000
	5,000	13,000
Final dividend paid in respect of the previous financial year	**13,000**	30,000

The board of directors of the Company did not recommend any final dividend for the nine months ended December 31, 2008. The total dividend recognised as a reduction of retained profits during the period was HK$18,000,000. (March 31, 2008: HK$30,000,000).

8. EARNINGS PER SHARE

a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	9 Months ended December 31, 2008	12 Months ended March 31, 2008
	HK$'000	*HK$'000*
Profit attributable to equity shareholders of the Company	**10,981**	25,540

	As at December 31, 2008	As at March 31, 2008
	'000 shares	*'000 shares*
Weighted average number of ordinary shares	**200,000**	168,306

In determining the weighted average number of ordinary shares in issue, a total of 150,000,000 ordinary shares were deemed to be in issue since April 1, 2006. Total ordinary shares outstanding at December 31, 2008 was 200,000,000 shares.

b) Diluted earnings per share

Diluted earnings per share is not presented as the Company did not have any dilutive potential ordinary shares throughout the period ended December 31, 2008 and year ended March 31, 2008.

9. INVENTORIES

a) Inventories in the consolidated balance sheet comprise:

	As at December 31, 2008	As at March 31, 2008
	HK$'000	*HK$'000*
Raw materials	**7,351**	8,298
Work-in-progress	**2,604**	398
Finished goods	**3,146**	5,311
	13,101	14,007

b) The analysis of the amount of inventories recognised as an expense is as follows:

	As at December 31, 2008	As at March 31, 2008
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**290,830**	312,425
Reversal of write-down of inventories	**(72)**	(601)
	290,758	311,824

10. TRADE RECEIVABLES

Customers are usually offered a credit period of up to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

a) An ageing analysis of trade receivables is as follows:

	As at December 31, 2008	As at March 31, 2008
	HK$'000	*HK$'000*
Within 30 days	**22,622**	29,288
30 to 60 days	**5,780**	8,157
61 to 90 days	**2,805**	8,386
Over 90 days	**4,577**	5,031
	35,784	50,862
Less: Provision for impairment	**(482)**	(125)
	35,302	50,737

Included in the trade receivables are the following amounts denominated in a currency other than the functional currency, which is Hong Kong dollar:

	As at December 31, 2008	As at March 31, 2008
	US$'000	*US$'000*
	2,899	5,890

b) **Impairment of trade receivables**

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movements in the allowance for doubtful debts:

	As at December 31, 2008	As at March 31, 2008
	HK$'000	*HK$'000*
At beginning of the period/year	**–**	190
Impairment loss recognised	**482**	125
Uncollectible amounts written off	**–**	(315)
At end of the period/year	**482**	–

For the period ended December 31, 2008, trade receivables of the Group amounting to HK$482,000 were individually determined to be impaired.

11. CASH AND CASH EQUIVALENTS

	The Group		**The Company**	
	As at December 31, 2008	As at March 31, 2008	**As at December 31, 2008**	As at March 31, 2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**27,081**	36,869	**55**	3,047
Time deposits	**3,465**	–	**–**	–
Cash and cash equivalents	**30,546**	36,869	**55**	3,047

Cash and cash equivalents in the consolidated cash flow statements as at December 31, 2008 and March 31, 2008 were HK$30,546,000 and HK$36,869,000 respectively.

Cash and cash equivalents includes short-term bank deposit, carrying interest at prevailing market rates. The carrying amounts at the balance sheet date approximated their fair values.

Included in cash and cash equivalents are the following amounts denominated in currencies other than the functional currency, which is Hong Kong dollar:

	The Group	
	As at December 31, 2008	As at March 31, 2008
	'000	*'000*
	US$2,271	US$1,529
	RMB180	RMB446

12. TRADE AND BILLS PAYABLE

The ageing analysis of trade and bills payable is as follows:

	As at December 31, 2008	As at March 31, 2008
	HK$'000	*HK$'000*
0 to 30 days	**10,439**	9,563
31 to 60 days	**3,226**	2,266
61 to 90 days	**624**	324
Over 90 days	**208**	14
	14,497	12,167

The trade and bills payable are non-interest bearing and are normally settled on 90-day terms. The carrying amounts of the trade and bills payable at the balance sheet date approximated their fair values.

Included in trade and bills payable are the following amounts denominated in currencies other than the functional currency, which is Hong Kong dollar:

	As at December 31, 2008	As at March 31, 2008
	'000	*'000*
	US$541	US$327
	RMB3,909	RMB3,160

13. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segment, is based on the Group's management and internal reporting structure.

Business segment

The Group is principally engaged in designing, developing, merchandising and providing party and festivity products mainly to dollar store business operators in the North America, Asia, Europe, South America and others. Accordingly, the directors consider there is only one business segment and four geographical segments.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

An analysis of geographical segments is as follows:

	North America		Asia		Europe		South America and others		Elimination		Total	
	9 Months ended Dec 2008	12 Months ended Mar 2008	**9 Months ended Dec 2008**	12 Months ended Mar 2008	**9 Months ended Dec 2008**	12 Months ended Mar 2008	**9 Months ended Dec 2008**	12 Months ended Mar 2008	**9 Months ended Dec 2008**	12 Months ended Mar 2008	**9 Months ended Dec 2008**	12 Months ended Mar 2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover												
External sales	**235,864**	265,707	**72,433**	69,540	**23,271**	20,546	**4,171**	15,765	**–**	–	**335,739**	371,558
Intersegment sales	**–**	–	**21,097**	28,094	**–**	–	**–**	–	**(21,097)**	(28,094)	**–**	–
Total	**235,864**	265,707	**93,530**	97,634	**23,271**	20,546	**4,171**	15,765	**(21,097)**	(28,094)	**335,739**	371,558
Operating results												
Profit from operations											**12,661**	28,690
Interest income											**25**	539
Profit before taxation											**12,686**	29,229
Income tax											**(1,705)**	(3,689)
Profit attributable to equity shareholders of the Company											**10,981**	25,540
Other information												
Segment assets	**–**	–	**134,384**	153,968	**–**	–	**–**	–	**–**	–	**134,384**	153,968
Segment liabilities	**–**	–	**30,119**	42,684	**–**	–	**–**	–	**–**	–	**30,119**	42,684
Capital expenditure	**–**	–	**3,510**	2,520	**–**	–	**–**	–	**–**	–	**3,510**	2,520
Depreciation	**–**	–	**3,864**	4,661	**–**	–	**–**	–	**–**	–	**3,864**	4,661

This annual results preliminary announcement covers nine months' operation from April 1, 2008 to December 31, 2008 (the "Current Period"). All historical comparative figures for income statement items are stated for the year ended March 31, 2008 and all historical comparative figures for balance sheet items are stated at March 31, 2008.

BUSINESS REVIEW

For the Current Period, the Group's turnover was HK$335.7 million, representing a drop of 9.7% from HK$371.6 million for last year. The decrease was mainly due to the fact that figures for the Current Period were only for 9 months. Geographically, the sales to North America market recorded a 11.2% drop from HK$265.7 million for last year to HK$235.9 million for the Current Period. The sales trend for Asian market was relatively flat, with a slight increase from HK$69.5 million for last year to HK$72.4 million for the Current Period. The sales to European market increased by 13.7% from HK$20.5 million for last year to HK$23.3 for the Current Period. The sales to South American and others market decreased sharply by 73.4% from HK$15.8 million for last year to HK$4.2 million for the Current Period. The drop in South America and others market was mainly attributable to the tightening of credit terms to various major customers in this market adopted by the Group during the Current Period.

Operating expenses for the Current Period was HK$33.1 million, representing an increase of 6.4% from HK$31.1 million for last year. There were increases in certain in operating expenses such as staff costs, rental expenses, marketing expenses and general office expenses. Operating expenses as a percentage of turnover increased from 8.4% for last year to 9.9 % for the Current Period.

Gross profit for the Current Period was HK$44.9 million, representing a decrease of 25.5% from HK$60.3 million for last year. Net profit for the Current Period was HK$11.0 million, representing a decrease of 56.9% from the HK$25.5 million for last year. Gross profit margin and net profit margin for the Current Period were 13.4% and 3.3% respectively, representing a drop of 2.8 and 3.6 percentage points from 16.2% and 6.9% for last year. The reduction of gross and net profit margin was mainly a result of the surge in petroleum prices, and thus raw material prices of paper and plastics in the Current Period.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2008, net current assets was HK$67.9 million (March 31, 2008: HK$74.7 million). Current ratio as at December 31, 2008 was 3.3 (March 31, 2008: 2.8). The gearing ratio, total borrowings divided by total assets at the end of each period, decreased from 14.6% as at March 31, 2008 to 0.7% as at December 31, 2008, as bank borrowings were reduced by operating net cash inflow.

As at December 31, 2008, the Group had cash and bank balances of HK$30.5 million (March 31, 2008: HK$36.9 million) and unused banking facilities of HK$73.0 million (March 31, 2008: HK$49.1 million). As at December 31, 2008, the Group had bank borrowings of HK$1.0 million (March 31, 2008: HK$22.5 million) which was mainly denominated in HK dollar and US dollar. As compared to the net cash position as at March 31, 2008 (HK$14.4 million), the Group had stronger net cash position as at December 31, 2008 (HK$29.5 million) which was typical since December used to be a low season.

Most of the liquidity ratios in the preceding two paragraphs showed significant improvement over their March 31, 2008 comparatives. This was the result of management's deliberate effort to demonstrate the Group's ability to swiftly restore to a zero/low net bank borrowing position at dangerous moments at the time of the financial tsunami. As the global situation stabilizes, these ratios will be "normalized" in 2009.

The Company, and its wholly-owned subsidiaries, Rainbow Brothers Limited and Silver Lining Limited have provided corporate guarantees and, in association therewith, floating charges on monies standing to the credits of, or owing to, the Group's accounts with banks, to secure banking facilities granted to the Group.

As at December 31, 2008, the Group had capital commitments of HK$11.6 million (March 31, 2008: Nil) which were totally fulfilled in January 2009. In April 2008, the Group signed an operating lease for office premises with commitments of HK$9.6 million up to December 2011 (March 31, 2008: HK$0.2 million). It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity and banking facilities to meet operation requirements and acquisition opportunities

HUMAN RESOURCES

As at December 31, 2008, the Group had 75 employees. 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 each employee is reviewed every year based on the performance of the employee with reference to the prevailing market conditions.

FINAL DIVIDEND

The Board did not recommend any final dividend for the Current Period.

OUTLOOK

Dollar item market is not expected to significantly decline in 2009 as the products are basic needs. However, when customers are under profit margin pressure, we begin to feel risks of arbitrary on debatable claims from specific customers. Our reaction will be to stay away from risky orders or customers. As a result, turnover may drop slightly. As to gross profit margin, we believe it can gradually recover from that in Current Period as petroleum prices declined to a lower level. Apart from the existing business, the Group will conservatively diversify into new business areas with potential new markets. We hope that, through diversification to different business and markets, the Group could still produce growth amid the highly uncertain global business environment. In 2008, we set up a new wholly-owned foreign enterprise in Shenzhen with a view to developing new business opportunities in China and thus opening up sources of Renminbi income to the Group. In January 2009, we invested HK$12.0 million into a joint venture company that is carrying out a shopping mall property development project in Northern China. We have also entered into the financial planning services industry and made a HK$9.0 million acquisition to accelerate our progress. We believe all the above will perform well and bring in profits for the Group in 2009 or 2010.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Since the date of listing, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the listed securities of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's annual results for the period ended December 31, 2008.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in the Appendix 14 of the Listing Rules throughout the period ended December 31, 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules regarding directors' securities since its listing on November 19, 2007. Having made specific enquiries to all Directors, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code throughout the period from April 1, 2008 to the period ended December 31, 2008.

INTERNAL CONTROLS

The Board confirms that it has reviewed the effectiveness of the internal control system of the Company and its subsidiaries for the period ended December 31, 2008 and that the Board considers such system to be effective and adequate. The review covered all material controls, including financial, operational, compliance control and risk management functions.

PUBLICATION OF ANNUAL RESULTS PRELIMINARY ANNOUNCEMENT AND ANNUAL REPORT

This Annual Results Preliminary Announcement is published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.irasia.com/listco/hk/rainbowbrothers. The Annual Report of the Company will be dispatched to the shareholders and will be available on the websites of Stock Exchange and the Company in due course.

SCOPE OF WORK OF CHENG & CHENG LIMITED

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the period ended December 31, 2008 as set out in this Annual Results Preliminary Announcement have been agreed by the Group's auditor, Cheng & Cheng Limited, to the amounts set out in the Group's draft consolidated financial statements for the period. The work performed by Cheng & Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Cheng & Cheng Limited on this Annual Results Preliminary Announcement.

By order of the Board
Rainbow Brothers Holdings Limited
Wu Kwok Choi, Chris
Company Secretary

Hong Kong, March 20, 2009

As at date of this announcement, the Board comprises four executive directors, namely Mr. Hui Kwan Wah, Hugo, Mr. Ng Chi Man, Mr. Wong Sai Ming and Mr. Wong Tat Tung; one non-executive director, namely Mr. Chan Cheuk Ming and three independent non-executive directors, namely Mr. Cheung Wah Keung, Mr. Anthony Espina and Mr. Wong Che Keung.

* *For identification purpose only*

The English text of this Annual Results Preliminary Announcement shall prevail over the Chinese text in case of inconsistencies.