

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 2007



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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 Kwok Ting

Non-executive Director

Chan Cheuk Ming

Independent Non-executive Directors

Cheung Wah Keung
Anthony Espina
Wong Che Keung

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 and Qualified Accountant

Chan Wai Lam, *CPA*

Registered Office

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Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

Principal Place of Business in Hong Kong

25th Floor Lever Tech Centre
69-71 King Yip Street
Kwun Tong
Kowloon
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fund Services (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

Stock Code

33

Website

www.irasia.com/listco/hk/rainbowbrothers

(All amounts in this Interim Report are in Hong Kong dollars unless otherwise stated.)

CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

The board of directors (the “Board”) of Rainbow Brothers Holdings Limited (the “Company”) is pleased to present the unaudited condensed combined interim financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2007, together with the comparative figures. These condensed combined interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED COMBINED INCOME STATEMENTS

	<i>Notes</i>	Six months ended	
		30 September	
		2007	2006
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	4	211,889	168,893
Cost of sales		(174,507)	(134,157)
Gross profit		37,382	34,736
Other revenue		1,229	418
Operating expenses		(13,289)	(10,573)
Profit from operations		25,322	24,581
Finance costs	5	(1,289)	(215)
Profit before taxation	6	24,033	24,366
Taxation	7	(3,199)	(3,563)
Profit attributable to equity holders of the Company		<u>20,834</u>	<u>20,803</u>
Dividend	8	<u>–</u>	<u>–</u>
Earnings per share	9	<u>13.9 cents</u>	<u>13.9 cents</u>

CONDENSED COMBINED BALANCE SHEETS

		As at 30 September 2007	As at 31 March 2007
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	11,423	12,921
Goodwill		26,375	26,375
		37,798	39,296
Current assets			
Inventories		9,315	8,288
Trade receivables	11	61,285	35,589
Trade deposits, prepayments and other receivables		11,239	6,947
Loan to a director	12	749	9,343
Cash and bank balances		11,585	7,765
		94,173	67,932
Current liabilities			
Trade payables	13	(15,069)	(5,894)
Accruals and other payables		(4,508)	(4,448)
Dividend payable		(9,600)	–
Bank borrowings and overdrafts – secured	14	(49,832)	(36,783)
Tax payable		(4,570)	(2,462)
		(83,579)	(49,587)
Net current assets		10,594	18,345
Total assets less current liabilities		48,392	57,641
Non-current liabilities			
Deferred taxation		(582)	(665)
NET ASSETS		47,810	56,976
CAPITAL AND RESERVES			
Share capital	15	–	–
Reserves		47,810	56,976
TOTAL EQUITY		47,810	56,976

CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2006	–	19,703	19,703
Profit for the period	–	20,803	20,803
At 30 September 2006	–	40,506	40,506
At 1 April 2007	–	56,976	56,976
Profit for the period	–	20,834	20,834
Dividend (<i>note 1</i>)	–	77,810 <u>(30,000)</u>	77,810 <u>(30,000)</u>
At 30 September 2007	–	47,810	47,810

Note:

1. The \$30 million was final dividend for the year ended 31 March 2007 declared on 28 September 2007 to the then shareholders before the listing of the Company.

CONDENSED COMBINED CASH FLOW STATEMENTS

	Six months ended 30 September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash inflow/(outflow) from operating activities (<i>note 1</i>)	22,519	(15,519)
Net cash outflow from investing activities	(459)	(10,822)
Net cash (outflow)/inflow from financing activities (<i>note 1</i>)	(18,925)	24,710
Net increase/(decrease) in cash and cash equivalents	3,135	(1,631)
Cash and cash equivalents at beginning of period	5,898	9,613
Cash and cash equivalents at end of period	9,033	7,982

ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

Cash and bank balances	11,585	8,142
Bank overdrafts	(2,552)	(160)
	9,033	7,982

Note:

- Of the declared final dividend of \$30 million for the financial year ended 2007 as mentioned in the Condensed Combined Statement of Changes in Equity, \$20.4 million was settled by netting off the loan to a director, Mr. Ng Chi Man. This was a non-cash transaction.

NOTES TO CONDENSED COMBINED 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 20 March 2007.

Its shares have been listed on the main board of The Stock Exchange of Hong Kong Limited (the “SEHK”) on 19 November 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.

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

The Group is principally engaged in designing, developing, merchandising and providing consumer hard goods, primarily party and festivity products, mainly to dollar store business operators.

2. BASIS OF PREPARATION

The unaudited condensed combined 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 unaudited condensed combined interim financial statements have been prepared in compliance with the Hong Kong Financial Reporting Standards (“HKFRSs”), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“HKAS-Int”) issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The condensed combined 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 the condensed combined interim financial statements are consistent with those followed in the preparation of the Group’s financial statements for the three years ended 31 March 2007 and 4 months ended 31 July 2007 included in the Prospectus.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31 March 2008.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) – Int 8	Scope of HKFRS 2
HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK (IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transaction

The adoption of the above new standards, amendments to standards and interpretations does not result in substantial changes to the Group's accounting policies.

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Directors anticipate that the adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating Segments ¹
HK (IFRIC) – Int 12	Service Concession Arrangements ²
HK (IFRIC) – Int 13	Customer Loyalty Programmes ³
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 January 2008

³ Effective for annual periods beginning on or after 1 July 2008

4. TURNOVER

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

5. FINANCE COSTS

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expense on bank loans, bank overdrafts and other loans repayable within five years	<u>1,289</u>	<u>215</u>

6. PROFIT BEFORE TAXATION

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging/(crediting):		
Depreciation	2,249	2,004
Staff costs, including directors emoluments	7,624	6,743
Write-down of inventories	–	–
Interest income	(291)	(168)
	<u>2,249</u>	<u>2,004</u>

7. TAXATION

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
– Provision for the period	3,283	3,682
– Deferred tax	(84)	(119)
	<u>3,199</u>	<u>3,563</u>

Hong Kong Profits Tax has been provided at 17.5% on the estimated assessable profits during the periods.

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2007 (six months ended 30 September 2006: nil).

A final dividend of \$30 million for the year ended 31 March 2007 was declared on 28 September 2007 to the then shareholders before the listing of the Company.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the combined profit attributable to equity holders of the Company of approximately \$20.8 million (2006: \$20.8 million) and on the weighted average number of 150,000,000 shares (2006: 150,000,000 shares) in issue during the period. 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 throughout the period.

Diluted earnings per share amounts have not been computed because no diluting events existed during the current and prior periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2007, the Group incurred approximately \$0.8 million (six months ended 30 September 2006: approximately \$1.1 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. Approximately \$52 million or 85% of the trade receivables as at 30 September 2007 in the following table has been settled by 10 December 2007.

	As at 30 September 2007	As at 31 March 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 to 30 days	36,472	9,926
31 to 60 days	17,354	14,756
61 to 90 days	5,429	2,925
91 to 180 days	2,030	6,009
Over 180 days	–	2,163
Less: Provision for impairment	–	(190)
	<u>61,285</u>	<u>35,589</u>

The carrying amounts of trade receivables approximate to their fair values.

12. LOAN TO A DIRECTOR

The loan to a director was made to Mr. Ng Chi Man (“Mr Ng”) and was resulted from drawings made from time to time prior to the Company’s shares being listed on the SEHK. It was unsecured, interest bearing at commercial rate and had no fixed repayment terms. During the six months ended 30 September 2007 and the year ended 31 March 2007, no provision had been made. The maximum outstanding amounts during those periods were approximately \$21.1 million and \$27.6 million respectively. The balance has been fully settled by 30 October 2007.

13. TRADE PAYABLES

The following is an ageing analysis of the trade payables at the respective balance sheet dates:

	As at 30 September 2007	As at 31 March 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 to 30 days	9,059	4,212
31 to 60 days	4,481	1,607
61 to 90 days	1,266	71
91 to 180 days	263	4
	<u>15,069</u>	<u>5,894</u>

The carrying amounts of trade payables approximate to their fair values.

14. BANK BORROWINGS AND OVERDRAFTS – SECURED

	As at 30 September 2007	As at 31 March 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Import trade loans	8,158	7,429
Short-term loans	39,122	27,487
Bank overdrafts	2,552	1,867
	<u>49,832</u>	<u>36,783</u>

The carrying amounts of bank borrowings and overdrafts approximate to their fair values.

The Group's bank borrowings and overdrafts bear interest around 1% per annum over Hong Kong Interbank Offered Rate or Singapore Interbank Offered Rate. They were secured by personal guarantees from a director, and guarantee and charge on a property from a related company.

The above security and guarantees had been released after the listing of the Company's shares on the SEHK on 19 November 2007.

15. SHARE CAPITAL

For the purpose of the preparation of the condensed combined balance sheets, the balances of the paid-up capital at 30 September 2007 and 31 March 2007 represent the aggregate amounts of the paid-in of the following companies:

	As at 30 September 2007	As at 31 March 2007
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Rainbow Brothers Holdings Limited (<i>note 1</i>)	–	–
Rainbow Brothers Limited	200	200
Silver Pattern Limited (<i>note 1</i>)	–	–
Silver Lining Limited (<i>note 1</i>)	–	–
Cheerful Arts Limited (<i>note 1</i>)	–	–
Effect of the reorganisation	(200)	(200)
Share capital	–	–

Note:

- The share capital of these companies are all less than HK\$1,000.

16. SEGMENT INFORMATION

The Group is principally engaged in designing, developing, merchandising and providing consumer hard goods, primarily party and festivity products, mainly to dollar store business operators in North America, Asia, Europe, South America and others. The directors consider there is only one business segment.

In presenting information on the basis of geographical segments below, segment revenue is based on the geographical location of customers, irrespective of the origin of the goods.

	Six months ended 30 September 2007	2006
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
North America	157,157	120,333
Asia	35,727	36,290
Europe	9,911	7,263
South America and others	9,094	5,007
	211,889	168,893

All assets, liabilities and capital expenditures of the Group belong to the Asia segment.

17. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with related parties:

(a) Related party transactions included in the condensed combined income statements:

	Six months ended	
	30 September	
	<u>2007</u>	<u>2006</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Acquisition of business from Party Products Manufacturing Limited (“PPML”) (<i>note 1</i>)	–	10,268
Sales to PPML (<i>note 1</i>)	–	3,491
Interest income from a director (<i>note 3</i>)	221	35
Rental expenses paid to a director (<i>note 4</i>)	33	22
Rental expenses paid to close family members of an existing director, Mr. Wong Sai Ming (<i>notes 2 and 4</i>)	114	114
	<u>114</u>	<u>114</u>

Notes:

1. PPML is a related company as one of its shareholders is the spouse of a director of the Company, Mr. Wong Sai Ming.
2. For details, please refer to “Business” section of the Prospectus.
3. Interest income is from the loan to a director, Mr. Ng.
4. These related party transactions continue after the listing of the Company.

In the opinion of the directors of the Company, the above related party transactions were carried out on normal commercial terms and in the ordinary course of the Group’s business.

(b) Related party transactions included in the condensed combined balance sheets:

	As at	As at
	30 September	31 March
	<u>2007</u>	<u>2007</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Loan to a director	749	9,343
	<u>749</u>	<u>9,343</u>

17. RELATED PARTY TRANSACTIONS *(Continued)*

- (c) Emoluments of directors and senior management of the Group:

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, allowances and other benefits	2,768	2,276
Contributions to retirement scheme	70	61
	<u>2,838</u>	<u>2,337</u>

- (d) Guarantee from a director

At 30 September 2007 and 31 March 2007, banking facilities of the Group were secured by the unlimited guarantee provided by a director, which had been released after the listing of the Company's shares on the SEHK on 19 November 2007.

- (e) Provision of second legal charge and cross guarantees between the Group and a related company.

At 30 September 2007 and 31 March 2007, banking facilities of the Group were secured by a second legal charge on a property held by a related company for an unlimited amount.

At 30 September 2007 and 31 March 2007, banking facilities of the Group were secured by a guarantee in the amount of \$10 million provided by a related company. The Group, in return, provided unlimited guarantee to that related company for the latter's banking facilities.

All the above guarantees and second legal charge had been released after listing of the Company's shares on the SEHK on 19 November 2007.

18. SUBSEQUENT EVENTS

The following events took place subsequent to 30 September 2007.

- (a) The Group underwent a reorganisation to rationalise its structure in preparation for the listing of the shares of the Company on the SEHK, the details of which are set out in the section headed “Corporate reorganisation” in Appendix V to the Prospectus.

Pursuant to the written resolutions of the sole shareholder of the Company passed on 30 October 2007, the Company has adopted a share option scheme. The principal terms of the share options scheme are set out in the section headed “Share Option Scheme” in Appendix V to the Prospectus. No such options have been granted so far.

On 30 October 2007, Direct Value Limited as vendor and the Company as purchaser entered into a share purchase agreement for the purchase of the entire issued share capital of Silver Pattern Limited, i.e. 1 share of US\$1.00 each in Silver Pattern Limited, whereby the Company allotted and issued 149,999,999 new Shares, credited as fully paid at par to Direct Value Limited in exchange for the said 1 share in Silver Pattern Limited.

- (b) Of the declared final dividend of \$30 million for the financial year ended 2007 as mentioned in the Condensed Combined Statement of Changes in Equity, \$20.4 million was settled by netting off with the director’s current account balance of one of the subsidiaries within the Group as at 28 September 2007. The remaining \$9.6 million was paid in cash on 25 October 2007.
- (c) On 19 November 2007, the Company completed its placing and public offering of shares by issuing 50,000,000 shares of HK\$0.1 each. The Company’s shares were then listed on the main board of the SEHK on the same date. The net proceeds from listing was approximately \$58 million, which was fully received on 11 December 2007.
- (d) The Company, Rainbow Brothers Limited and Silver Lining Limited have provided guarantees and, in association therewith, floating charges on moneys standing to the credits of, or owing to, the Group’s accounts with a bank, to secure banking facilities granted to the Group since 19 November 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) BUSINESS REVIEW (all figures are approximates)

For the six months ended 30 September 2007 (“the Period”), the Group’s turnover was \$211.9 million, representing an increase of 25.5% from the \$168.9 million for the corresponding period of last year (“the Previous Period”). The increase was mainly contributed by the growth of the Group’s party and festivity products business and stationery and gift business. The sales to North American market recorded a 30.7% increase from \$120.3 million in 2006 to \$157.2 million in 2007. The sales trend for Asian market was relatively flat from \$36.3 million in 2006 to \$35.7 million in 2007. The sales to European market recorded a 35.6% increase from \$7.3 million in 2006 to \$9.9 million in 2007. The sales to South American and others market recorded an 81.6% increase from \$5.0 million in 2006 to \$9.1 million in 2007.

Operating expenses during the Period was \$13.3 million, representing an increase of 25.7% from the \$10.6 million for the Previous Period. The increase was mainly attributable to increases in staff cost, rental expenses, overseas travelling expenses and general office expenses. Operating expenses as a percentage of turnover remained stable at 6.3% compared with the Previous Period.

Gross profit during the Period was \$37.4 million, representing an increase of 7.8% from the \$34.7 million for the Previous Period. Net profit during the Period was \$20.8 million, which was about the same as that for the Previous Period. Gross profit margin and net profit margin were 17.6% and 9.8% during the Period, representing a drop of 3.0 percentage points and 2.5 percentage points, respectively, over the Previous Period. The Group’s sales were denominated in US dollar and Hong Kong dollar while merchandise purchases were denominated in US dollar, Hong Kong dollar and RMB. The recent surge in RMB has brought continuous pressure on the Group’s profit margins. However, such adverse effect was offset by additional gross profit generated by the Group’s additional sales to North America, Europe and South America and other markets through the Group’s enhancement of product development capabilities. Going forward, the Group intends to further expand its merchandising contacts in Vietnam and other Asian countries to help alleviate the effect of further rises in RMB, if any.

(B) LIQUIDITY AND FINANCIAL RESOURCES (all figures are approximates)

As at 30 September 2007, net current assets was \$10.6 million (31 March 2007: \$18.3 million). Current ratio was 1.1 (31 March 2007: 1.4). The gearing ratio, which is total borrowings divided by total assets at the end of each period, slightly deteriorated from 34.3% as at 31 March 2007 to 37.8% as at 30 September 2007 as a result of the \$30 million final dividend in respect of the year ended 31 March 2007 declared during the six months period ended 30 September 2007.

As at 30 September 2007, the Group maintained cash and bank balances of \$11.6 million (31 March 2007: \$7.8 million) and unused banking facilities of \$22.5 million (31 March 2007: \$35.5 million). The Group had bank borrowings of \$49.8 million (31 March 2007: \$36.8 million) which were mainly denominated in HK dollars and US dollars.

(B) LIQUIDITY AND FINANCIAL RESOURCES (all figures are approximates) (Continued)

The Company, Rainbow Brothers Limited and Silver Lining Limited have provided guarantees and, in association therewith, floating charges on moneys standing to the credits of, or owing to, the Group's accounts with a bank, to secure banking facilities granted to the Group since 19 November 2007.

As at 30 September 2007, the Group had no material capital commitments, material contracts or significant investment plans. 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.

The Group received net proceeds of approximately \$58 million from listing. As at the date hereof, approximately \$28 million has been used to reduce bank borrowings and approximately \$30 million is placed as time deposit for other future uses as set out in the Prospectus.

(C) CONTINGENT LIABILITIES

Except for the security and guarantees described in Notes 14, 17 and 18 of the Notes to Condensed Combined Interim Financial Statements, the Group has no other contingent liabilities.

(D) HUMAN RESOURCES

As at 30 September 2007, the Group had a total of 72 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 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 directors have resolved not to recommend the payment of an interim dividend (2006: nil).

(F) OUTLOOK

Most of the Group's major customers have continued to perform and grow. The Group looks favorably towards the continuous growth of the dollar store business in the US market as well as new market in Europe. The Group will continue to emphasize on product development and its high-value added role in the supply process. The management believes that continuous enhancement in product development capabilities and successful expansion of sourcing contacts outside China would alleviate the effect of further rises in RMB, if any.

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

Shares of the Company commenced trading on the main board of the SEHK on 19 November 2007. As of the date of this interim report, 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 SEHK pursuant to the Model Code (hereafter defined) were as follows:

Interests in the Company:

Name of Director	Capacity/Nature of Interests	Ordinary shares held	Percentage to the issued share capital of the Company
Mr. Hui Kwan Wah, Hugo	Interest of a controlled corporation (<i>note 1</i>)	150,000,000 (L)	75%
Mr. Ng Chi Man	Interest of a controlled corporation (<i>note 1</i>)	150,000,000 (L)	75%

Notes:

(1) 150,000,000 shares were held by Direct Value Limited, a company owned as to 70% by Mr. Hui Kwan Wah, Hugo and as to 30% by Mr. Ng Chi Man.

(L) Represents long position.

Save as disclosed above, as at the interim report date, as far as the Company's directors are aware, none of the Company's directors and chief executives had any other interests, long positions or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

(B) SUBSTANTIAL SHAREHOLDERS' INTERESTS

Shares of the Company commenced trading on the main board of the SEHK on 19 November 2007. As far as the Company's directors are aware, as of the date of this interim report, save for the Company's directors or chief executives 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:

Name	Capacity/Nature of Interests	Ordinary shares held	Percentage to the issued share capital of the Company
Direct Value Limited (<i>note 1</i>)	Beneficial Owner	150,000,000 (L)	75%
Ms. Cheng Yin Lee, Francie (<i>note 2</i>)	Interest of spouse	150,000,000 (L)	75%
Ms. Lee Lai Lai (<i>note 3</i>)	Interest of spouse	150,000,000 (L)	75%

Notes:

- 1 150,000,000 ordinary shares were held by Direct Value Limited, a company owned as to 70% by Mr. Hui Kwan Wah, Hugo and as to 30% by Mr. Ng Chi Man. Mr. Hui Kwan Wah, Hugo and Mr. Ng Chi Man are deemed to be interested in 150,000,000 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.

OTHER INFORMATION

(A) SHARE OPTION SCHEME

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

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

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

(C) COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

Since the date of listing, the Company has, so far where applicable, met the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (“Code on Corporate Governance”). A review of the internal controls was also conducted in April 2007 and, where applicable, the recommendations thereof had been adopted.

(D) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

On 30 October 2007, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules regarding directors’ securities transactions. Having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code.

(E) AUDIT COMMITTEE

The Audit Committee was established on 30 October 2007 in accordance with the requirements of the Listing Rules and the Code on Corporate Governance for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises three Independent Non-executive Directors and one Non-executive Director. The Chairman of the Audit Committee is Mr. Anthony Espina. The other members of the Audit Committee are Mr. Cheung Wah Keung, Mr. Wong Che Keung and Mr. Chan Cheuk Ming.

The interim report has been reviewed and approved by the Audit Committee, but not by the Company’s auditors.

(F) REMUNERATION COMMITTEE

The Remuneration Committee was established on 30 October 2007 in accordance with the requirements of the Code on Corporate Governance. The primary duties of the Remuneration Committee include, among other things, evaluating the performance and making recommendations on the remuneration package of the Directors and senior management from time to time. The Remuneration Committee comprises three Independent Non-executive Directors and one Non-executive Director. The Chairman of the Remuneration Committee is Mr. Cheung Wah Keung. The other members of the Remuneration Committee are Mr. Anthony Espina, Mr. Wong Che Keung and Mr. Chan Cheuk Ming.

On behalf of the Board
Hui Kwan Wah, Hugo
Chairman

Hong Kong, 19 December 2007