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

Annual Report December 2008

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The English text of this annual report shall prevail over the Chinese text in case of inconsistencies.

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

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

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

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 main product category supplied by the Group is party and festivity items. Other product categories include stationery, gift, household and garden products and toys. The Group's products are predominantly distributed to North America. As at December 31, 2008, the Group had 75 employees, most of them are located in Hong Kong.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to you the annual report of the Group for the 9 months ended December 31, 2008.

Luckily we got listed before market collapsed in November 2007. Unluckily external environment had been very difficult ever since. Luckily we walked out of 2008 with every dollar raised from you still here, safe, intact and carefully managed.

As mentioned in our 2008 interim report, we had no association with structured financial products, forward foreign exchange contracts, speculative financial instruments or stock market investment.

We lost one full year; but we lost no money you entrusted us.

Warren Buffett said only when the tide goes out do you discover who's been swimming naked. Now the tide is over, many stories of mismanagement, speculation, negligence and fraud were revealed. We are thankful that we had swimsuit, plus a safety ring too.

CHANGES SINCE LISTING

There are over 1000 listed companies in Hong Kong. We are a small one. Therefore, it always amazes me as to their diligence and pervasiveness whenever I see financial magazine and business newspaper writers giving us coverage.

Extract from traders corner of Quam Money Issue No. 041 Dec 2008

教你識破「衰股」陷阱

廉價日用品供應商十友(033)主席許坤華在公司中期報告中如是說：

『二零零八年九月中旬，雷曼兄弟集團出現財政崩潰，全球金融海嘯一觸即發，銀行業與投資大眾陷入信心危機，不少海外及香港的企業亦因種種財政及管理原因而倒閉。在全球信貸緊縮釀成企業出現財務及流動資金問題之際，同時揭發了許多管理失當、投機炒作、專業疏忽及詐騙行為的醜聞。』

許主席一語道破了近日市場上多間大小企業發盈警、停牌、甚至倒閉、清盤的真正原因。

A financial magazine, Quam Money, quoted from our 2008 interim report to begin their discussion and analysis of irresponsibly managed listed companies.

Lai See in Business Section of the South China Morning Post has for over 20 years been my favorite past-time reading. It has respectable views and a great sense of humor, although I have never taken the facts stated seriously, or as complete facts. I was surely delighted that it, after commenting us once around listing time, was interested in us again on January 13, 2009. Lai See was sharp to summarise a lot of our changes. Being an outsider, its facts understandably was only partial and superficial. It is, however, a useful article for me. Elaborating on Lai See's article by completing all the missing pieces therein would be good way to report to you.

We changed our qualified accountant and company secretary, but that was one and the same person. We significantly strengthened this position with the change. We changed address to consolidate three subsidiaries into one location when old leases were up. The change also removed some exempt connected transactions of the past.

Before we changed auditors, shareholders got March 31, 2008 audited accounts 106 days after year end. After the change, December 31, 2008 audited accounts were out in 79 days; the September 30, 2008 interim accounts were out in 50 days, faster than most bluechip companies in Hong Kong. This faster-than-bluechip policy will continue.

Extract from Lai See of SCMP on January 13, 2009

Rainbow looks to Sky

Rainbow Brothers has built a colourful reputation in its short listing history.

Since joining the main board in November 2007, the firm, which makes party favours for export, announced the resignations of its company secretary, its qualified accountant and a director in the first six months, along with a change of company address. Since then, it has changed its auditor and financial year-end.

Now the the firm, which raised HK$75 million from its initial public offering, plans to invest HK$10 million in Soccer Sky, which is developing a shopping mall in Liaoning. Rainbow Brothers is among eight investors in Soccer Sky paying a total of HK$150,000 a month to an Anguila-incorporated company for management services as "promoter" of the project.

Rainbow said it had not experienced any significant adverse impact from the global financial crisis and had conducted a strategic review for its diversification strategy. It said it had tried to develop a licensing business on the mainland, as stated in the firm's prospectus, but without success.

Rainbow shares have slid 40 per cent to 91 HK cents since its listing.

We changed accounting date to December 31 to parallel that of our PRC subsidiary, to follow PRC standards, to get set for China growth. China is where our future will be.

Professional readers will realise that we volunteered 9 months figures ending December 31, 2007 in our consolidated income statement and consolidated balance sheet. Auditors told me they have not seen such volunteer before. We also volunteered in our January 2009 announcement diversification information to keep shareholders posted. All these are not mandatory, and these are not the only examples. This is our attitude of communication with our shareholders – disclose with good faith, inform shareholders what they should know, and do that beyond and above statutory and regulatory minimums!

We changed part of the use of proceeds too. If, after all the changes in 2008 to the whole world, anyone would still insist us to stick to a use of proceed plan set out in 2007 – or if any management would still blindly do so, they are the biggest enemies to the money you have entrusted in our intelligence.

Reviewing 2008, we have decided on diversification, which can be dubbed as "change of principal business". Looking at the new order of the business world and the health of our Company of today, I see no reason that we should just sit here. We should seize the chance and work towards becoming a small conglomerate with multiple lines of businesses.

With this in mind, we have announced the addition of financial planning business a week ago and, together with that, a new executive director. We are confident this new business will contribute profit in 2009. So it was a "change of director" – but let's not hide from it, and let's make it clear – if the change will benefit our shareholders, we will always change.

So the list of changes WILL go on, and we may be hearing more from Lai See.

Perhaps this above message was not clear before. Perhaps it is now the time to make it clear. So that you know how to react, so that you know what to expect.

THE PRESENT

Petroleum and raw material prices rocketed in 2008, and peaked in July. Since our orders were placed and prices were fixed mostly six months ahead of shipment, the worse period of our profitability was from October 2008 to February 2009. Net profit was minimal in the last three months of 2008, and likely to be similar up to February 2009. This compares with a HK$10.7 million for the six months ending September 30, 2008. However, I would say the worst is over. The positive effect of dropping petroleum prices on profitability has been felt since late February, and is expected to continue in 2009. Worsened export economies will affect sales, but should not be drastic as our products are basic needs.

Unlike that of other years, the profitability of a company in 2008 is of rather low importance. What is really important are (1) whether the company comes out of the global financial tsunami sound and healthy and (2) whether it has configured a plan to deal with, or to take opportunities from, the uncertainties in the near furture. We have positively answered the first question. Since mid November 2008 till early March 2009, we have generally maintained ourselves at a positive net cash position i.e. our cash or cash equivalents are larger than bank borrowings. As to the second question, we will discuss more below.

THE FUTURE

Our vision, since the time of listing, has been for the Company to evolve into a conglomerate. This would necessarily have to happen gradually, be phased, and require a little luck.

With this in mind, we strengthened our team after listing. We combined our people from three different offices, we hired China business development team and – most important of all, we significantly strengthened our finance team. It is our firm belief that strong financial control must precede any expansion plan.

Having intentionally escalated operating costs to some extent, the development of a plan to achieve this vision was much interrupted in 2008, with very uncertain outlook since the beginning of the year. As we continuously adjusted and delayed our plan in response, it was further clouded by petroleum crisis, natural disasters and finally global financial tsunami.

As we eventually walked out of this crisis sound and healthy, we made another strategic review in late 2008 of the post-tsunami situation, and finalised and formalised our diversification plan and strategy. On a belief that China was least affected and will be fastest to recover, we will look to it for sources of our growth in the next 3 years. Planning for still some modest growth in our dollar item business, we will look for other long term business opportunities as well as one time venture. It will be ideal if, by the end of 2011, we will have at least two other profit-making on-going businesses on top of a still-growing dollar item business, plus at any point of time one or two more adventurous one time projects on hand.

Subsequent to December 31, 2008, we have decided on and entered into the financial planning business in Hong Kong, with a longer term view to roll out into China. We have made a HK$9 million acquisition of such a business on March 12, 2009, which is estimated to accelerate our progress for about two years. This is our first additional on-going business to our vision of becoming a multi-business conglomerate.

Earlier in the year, in January 2009, we invested HK$12 million for a 20% interest in a project in Liaoning Province, China, for the development and sale of a shopping mall. Although we would wish this to turn into an on-going business, it is more likely to be a one time venture based on present information.

Overall, although we lost one year after listing, we trust we have taken very good steps in 2009 to embark on our 3-year plan to becoming a multi-business conglomerate. I am confident that you will hear favorably from me on these within one year.

APPRECIATION

Finally, I would like to extend my sincere gratitude to all our staff for their dedication and contribution in the past year.

Hui Kwan Wah, Hugo
Chairman

Hong Kong
March 20, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF FINANCIAL YEAR END DATE

The Group had changed the financial year end date from March 31 to December 31. The reason for the change is to align with the statutory year end date of PRC entities where the Group has made significant investment. This annual report 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. This 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 million 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 several 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 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 margins 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 most bank borrowings were repaid 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 stabilises, these ratios will be "normalised" 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.

CONTINGENT LIABILITIES

The Group's contingent liabilities, if any, are set out in the notes to the financial statements.

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 the Current Period as petroleum prices decline 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 into 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.

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Hui Kwan Wah, Hugo (許坤華), aged 48, is the Chairman and an Executive Director of the Group. Mr. Hui plays a pivotal role in the Group and is responsible for strategic planning and corporate and business development. Mr. Hui obtained a master degree in Business Administration from the University of Hong Kong in 1995. He held several senior positions in regional finance for multinational companies. Before founding the Group in 1996, Mr. Hui was the Managing Director of a local trading and property group.

Mr. Ng Chi Man (吳志民), aged 40, is the Vice-Chairman, the Chief Executive Officer, and an Executive Director of the Group. Mr. Ng is responsible for overall management, customer management, supplier management, new sourcing and order management of the Group. Mr. Ng had been in commercial procurement business for approximately 12 years before joining the Group in 2000.

Mr. Wong Sai Ming (黃世明), aged 46, is an Executive Director of the Group. Mr. Wong joined the Group after selling his business to the Group in 2005. Mr. Wong has a wide network of business contacts and working relationships in the party products industry. He is now in charge of developing new businesses for the Group in China.

Mr. Wong Tat Tung (黃達東), aged 39, is an Executive Director of the Group with effect from March 13, 2009. Mr. Wong had held several senior management positions before joining our Company. During the three years prior to the date of this announcement, Mr. Wong has been the independent non-executive director of Neptune Group Limited, a company listed in the Stock Exchange since August 2008 and a director of a subsidiary of CASH Financial Services Group Limited, a company listed in the Stock Exchange since July 2003. Mr. Wong has more than 7 years' experience in the wealth management industry. Mr. Wong obtained a MBA qualification in 1996 from a reputable university in the United States of America.

At present, Mr. Wong serves as a councilor of Sham Shui Po District Council for the Hong Kong Special Administrative Region. Mr. Wong is also a Vice Chairman of Yan Oi Tong, a charitable organisation in Hong Kong, and a committee member of the city of Jiangmen Chinese People's Political Consultative Conference in Guangdong Province. Besides, Mr. Wong is an Honorary Citizen of Ararat Rural City, Australia. Furthermore, Mr. Wong is currently an Honorary Advisor of Registered Financial Planner Institution in the United States of America.

NON-EXECUTIVE DIRECTOR

Mr. Chan Cheuk Ming (陳卓明), aged 51, is a Non-Executive Director of the Group. He has more than 27 years' research and development, logistic and operation management experience in commercial electronic products in various multinational corporations and local enterprises. Mr. Chan graduated from Loughborough University of Technology in United Kingdom with a bachelor degree in Electronic and Electrical Engineering in 1980, and obtained a Master of Science degree in Engineering in 1988 as well as a master degree in Business Administration in 1992, both from the University of Hong Kong. In 1998, Mr. Chan received a Diploma in Accounting for Managers from the Chinese University of Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Wah Keung (張華強), aged 48, was appointed as an Independent Non-Executive Director of the Company on June 4, 2007. Mr. Cheung has over 17 years of experience in the management of trading and manufacturing of consumer electronic products. Mr. Cheung graduated from the Chinese University of Hong Kong with a bachelor degree in Business Administration in 1994. Mr. Cheung is currently the Chairman, the Chief Executive Officer and an Executive Director as well as the controlling shareholder of Shinhint Acoustic Link Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code : 2728).

Mr. Anthony Espina, aged 60, was appointed as an Independent Non-Executive Director of the Company on June 4, 2007. Mr. Espina has over 30 years of experience in the accounting and finance industry. He is the Managing Director of Goldride Securities Limited and was the Chairman of the Hong Kong Stockbrokers Association Limited. Mr. Espina was a partner of Arthur Andersen & Co. from 1982 to 1986 and Deloitte Touche Tohmatsu from 1986 to 1990. He was also the president of the Hong Kong Computer Society from 1978 to 1979. He graduated from the University of Southern Queensland with a bachelor degree in business and is the Associate Member of CPA Australia, is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and a Fellow Member of the Hong Kong Institute of Directors. Mr. Espina was from May 2001 to May 2005 a non-executive director of International Financial Network Holdings Ltd., a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Wong Che Keung (黃熾強), aged 44, was appointed as an Independent Non-Executive Director of the Company on June 4, 2007. Mr. Wong has over 20 years of experience in the securities industry including in the Enforcement Division of Securities and Futures Commission of Hong Kong for 7 years. He is a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Wong obtained his bachelor degree in Economics from the University of Hong Kong in 1987 and a master degree in Business Administration from the Chinese University of Hong Kong in 1995. Mr. Wong currently holds a business title as finance director and is the Company Secretary of Shenyin Wanguo (H.K.) Limited, a company listed on the Main Board of the Stock Exchange (Stock Code : 218).

SENIOR MANAGEMENT

Mr. Ho Ka Ping (何嘉平), aged 45, is a division General Manager of the Group and is responsible for overseeing the trading activities of the Group especially for markets outside of the United States. He joined the Group after selling his business to the Group in 2006. Mr. Ho has been in the party and novelty products trading industry for approximately 25 years, of which more than 20 years were in party products exporting and customer relationship, especially in Europe, North America and South America.

Mr. Cheng Hon Yan (鄭漢仁), aged 41, was appointed as Director of China Business Development on April 15, 2008. Mr. Cheng is responsible for developing new business in China. Mr. Cheng has 15 years of sales & marketing experience in the consumer products industry in China with multi-national companies. Mr. Cheng graduated from Heriot-Watt University with a master degree in Business Administration in 1993.

Mr. Wu Kwok Choi, Chris (胡國才), aged 36, joined the Group on April 21, 2008 as Finance Director and was appointed as the Company Secretary and the Qualified Accountant of the Company with effect from May 14, 2008. Mr. Wu is responsible for overall finance & accounting matters. Mr. Wu has over 10 years of finance & accounting experience in the Greater China region. Mr. Wu graduated from the Hong Kong University of Science & Technology with a bachelor degree in Business Administration in 1995. Mr. Wu is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan Wing Yan, Howard (陳永昕), aged 35, is an Assistant General Manager of Rainbow Brothers Limited and is jointly responsible for business development and overall administration of Rainbow Brothers Limited. He is responsible for the operation coordination between the sales function and production and manages customer relationships. He joined the Group in June 2005. Mr. Chan graduated from the University of British Columbia in Canada in 1998 with a bachelor degree of science.

Mr. Li Chung Fai (李松輝), aged 37, is an Assistant General Manager of the Rainbow Brothers Limited and is jointly responsible for business development and overall administration of Rainbow Brothers Limited. Mr. Li joined the Group in May 2006, and has over 10 years of experience in the trading industry. Prior to joining the Group, Mr. Li worked for several multinational trading groups. Mr. Li graduated from Lingnan College in Hong Kong with a bachelor degree in Business Administration in 1997 and obtained a professional diploma in Logistics Management from the Hong Kong Management Association in 2000. In 2004, Mr. Li obtained a master degree in Business Administration from the University of Bradford.

DIRECTORS' REPORT

We are pleased to present the Directors' Report of the Group for the nine months period ended December 31, 2008 (the "Current Period").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Group are set out in the "Company Profile" section of this annual report.

CHANGE OF FINANCIAL YEAR END DATE

The Group had changed its financial year end date from March 31 to December 31 during the Current Period.

RESULTS AND DIVIDEND

The results of the Group for the Current Period are set out in the consolidated income statement. No final dividend was proposed by the Directors.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at December 31, 2008 are set out in the notes to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Current Period are set out in the notes to the consolidated financial statements.

DONATIONS

During the Current Period, the Group made charitable donations amounting to HK$22,000.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Current Period are set out in the notes to the consolidated financial statements.

DIRECTORS

The Directors up to the date of this report were:

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

None of the Directors offering themselves for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the Independent Non-executive Directors to be independent.

Each of the Independent Non-executive Directors and the Non-executive Director was appointed for an initial fixed term of three years commencing from November 19, 2007 and is subject to retirement by rotation at the Annual General Meeting.

Three Executive Directors, namely Mr. Hui Kwan Wah, Hugo, Mr. Ng Chi Man and Mr. Wong Sai Ming, have each entered into a service contract with the Group for an initial fixed term of contract for three years commencing from November 19, 2007. One Executive Director, namely Mr. Wong Tat Tung, has entered into a service contract with the Group for an initial fixed term of contract from March 13, 2009 to December 31, 2011. Each Executive Director is entitled to a basic salary based on his experience, involvement in and contribution to the Group, qualification and by reference to the market rate. Under the relevant service contracts, annual increase of the basic salary of each of Mr. Hui and Mr. Ng shall not exceed 10% of the salary under review. Total discretionary bonuses for all Executive Directors shall not exceed 15% of the Group's net profit for any financial year.

Saved as aforementioned, none of the Executive Directors has service contract with any member of the Group.

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

As at December 31, 2008, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Appendix 10 of Listing Rules, were as follows:

Name	**Nature of Interests**	**shares**	**Percentage the issued share capital of the Company**
Mr. Hui Kwan Wah, Hugo	Interest of a controlled corporation *(Note)*	150,000,000 (long position)	75%
Mr. Ng Chi Man	Interest of a controlled corporation *(Note)*	150,000,000 (long position)	75%

Note: 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.

Save as disclosed above, as at December 31, 2008, as far as the Directors are aware, none of the Directors and Chief Executive Officer 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 Stock Exchange pursuant to the Model Code.

As at December 31, 2008, the Company had no outstanding debenture.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any Director, as at December 31, 2008, other than the interests of the Directors and Chief Executive Officer as disclosed above, the following persons had interests in the shares or underlying shares of the Company which would fall 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 by the Company under Section 336 of the SFO.

Name	Nature of Interests	Number of shares	Percentage to the issued share capital of the Company
Direct Value Limited ("Direct Value") *(note 1)*	Beneficial Owner	150,000,000 (long position)	75%
Ms. Cheng Yin Lee, Francie *(note 2)*	Interest of spouse	150,000,000 (long position)	75%
Ms. Lee Lai Lai *(note 3)*	Interest of spouse	150,000,000 (long position)	75%

Notes:

1 150,000,000 ordinary shares were held by Direct Value, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed herein, at no time during the Current Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its holding company, any of its subsidiaries or any of its fellow subsidiaries was a party in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Current Period or at any time during the Current Period.

EMPLOYEES AND REMUNERATION POLICIES

The remuneration policy of the employees of the Group is set up by the Remuneration Committee on the basis of the merits, qualifications and competence of employees. The emoluments of the Directors are decided by the Remuneration Committee with regard to the Group's operating results, individual performance and comparable market statistics. None of the Directors or any of their associates, and executive is involved in deciding his own remuneration. As at December 31, 2008, the Group had 75 employees. The Group remunerates its employees based on their individual performance, job nature and responsibilities. Moreover, the Group provides its employees with training and various benefits including medical care, provident funds, bonuses and other incentives.

SHARE OPTION SCHEME

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

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.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the Current Period, the percentages of purchases attributable to the Group's largest supplier and 5 largest suppliers combined were 15.6% and 30.2%, respectively. For the Current Period, the percentages of sales attributable to the Group's largest customer and 5 largest customers combined were 34.2% and 68.9%, respectively. None of the Directors, their associates or any substantial shareholders (which to the knowledge of the directors owned more than 5% of the Company's issued share capital) had an interest in any of the five largest suppliers or customers of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

CONTINUING CONNECTED TRANSACTIONS

Referring to the note 28 to the consolidated financial statements, the transaction named "Rental expenses paid to close family members of a director" was regarded as the only continuing connected transaction for the Current Period. The continuing connected transaction was exempted from the reporting, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules.

The Independent Non-Executive Directors of the Company have reviewed the continuing connected transaction and confirmed that the transaction has been entered into:

a) in the ordinary and usual course of business of the Group; and

b) on normal commercial terms that are fair and reasonable; and

c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

AUDITOR

The consolidated financial statements of the Group for the Current Period have been audited by Cheng & Cheng Limited ("C&C"). C&C was appointed on November 19, 2008 as the auditor of the Company to fill the casual vacancy following the resignation of CCIF CPA Limited and hold office until the conclusion of the forthcoming AGM. C&C retires and, being eligible, offers itself for reappointment. A resolution for reappointment of C&C as auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

Hui Kwan Wah, Hugo
Chairman

Hong Kong
March 20, 2009

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance and has put in place self regulatory corporate practices to protect the interests of its shareholders and the enhancement of shareholder's value. We are committed to providing high-quality products and services to the satisfaction of our customers; to maintaining high standards of business ethics and achieving these goals while, at the same time, providing satisfactory and sustainable returns to shareholders.

The board had, from April 1, 2008 to December 31, 2008, adopted and complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules.

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 for the Current Period.

THE BOARD

The Board is responsible for the formulation of business policies and strategies in relation to the business operation of the Group, for nomination and appointment of directors, and to ensure the availability of resources as well as to the effectiveness of its system of internal control. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board sub-committees and has delegated to these Board committees various responsibilities set out in their terms of reference respectively. Each Director shall ensure that he carries out his duty in good faith and in compliance with the standards of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times. From April 1, 2008 to December 31, 2008, six Board meetings were held and the attendance of each director is set out as follows:

Directors	**Number of Attendance**
Executive Directors	
Hui Kwan Wah, Hugo *(Chairman)*	6/6
Ng Chi Man	5/6
Wong Sai Ming	6/6
Non-executive Director	
Chan Cheuk Ming	6/6
Independent Non-executive Directors	
Cheung Wah Keung	6/6
Anthony Espina	6/6
Wong Che Keung	6/6

Board minutes are kept by the Company Secretary and are open for inspection by the Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 of the CG Code stipulates that role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual and the division of responsibilities between Chairman and Chief Executive Officer should be established and set out in writing. The Company has complied with this code provision.

Chairman and Chief Executive Officer are two separate persons. Mr. Hui Kwan Wah, Hugo, is the Chairman and Mr. Ng Chi Man is the Chief Executive Officer of the Company. The division of responsibilities was established and set out in writing as follows:

The Chairman focuses on the Group's business and strategic matters by ensuring that all Directors are properly briefed on issues arising at Board meetings. The Chairman also ensures that the Board is operated effectively. In addition, the Chairman will lead the Board to establish good corporate governance practices and procedures for the Group.

The Chief Executive Officer is responsible for ensuring the strategies and policies of the Group as approved by the Board are effectively implemented to achieve the goals of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors are persons with academic and professional qualifications as stated in Directors and Senior Management section. They support the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director has provided an annual confirmation of independence to the Company and the Company considers these Directors to be independent under Rule 3.13 of the Listing Rules.

BOARD SUB-COMMITTEES

A. EXECUTIVE COMMITTEE

Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer. To assist the Chief Executive Officer in running the operations on a daily basis, the Board had set up a sub-committee, namely Executive Committee on July 15, 2008. The terms of reference of the Executive Committee are available on the Company's website at www.irasia.com/listco/hk/rainbowbrothers.

Since its setup date to December 31, 2008, the Executive Committee had held six meetings. The attendance of each member of Executive Committee is set out as follows:

Directors	**Number of Attendance**
Executive Directors	
Hui Kwan Wah, Hugo *(Chairman)*	6/6
Ng Chi Man	5/6
Wong Sai Ming	6/6

B. REMUNERATION COMMITTEE

The Remuneration Committee was established on October 30, 2007. The Remuneration Committee assists the Board to determine policy and structure for Directors and senior management's remuneration and to develop a formal and transparent remuneration policy.

The Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Cheung Wah Keung, Mr. Anthony Espina, Mr. Wong Che Keung and one Non-executive Director, namely Mr. Chan Cheuk Ming. Mr. Cheung Wah Keung is the Chairman of the Remuneration Committee. The terms of reference of Remuneration Committee are available on the Company's website at www.irasia.com/listco/hk/rainbowbrothers.

From April 1, 2008 to December 31, 2008, five Remuneration Committee meetings were held. The attendance of each member of Remuneration Committee is set out as follows:

Directors	**Number of Attendance**
Independent Non-executive Directors	
Cheung Wah Keung *(Chairman)*	5/5
Anthony Espina	5/5
Wong Che Keung	5/5
Non-executive Director	
Chan Cheuk Ming	5/5

During these meetings, the Remuneration Committee reviewed the remuneration packages for all Directors and senior management, the employee's salary increment proposal and relevant reporting structure.

C. AUDIT COMMITTEE

The Audit Committee was established on October 30, 2007. The Audit Committee is mainly responsible for corporate governance, financial reporting and corporate control.

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Anthony Espina, Mr. Cheung Wah Keung, Mr. Wong Che Keung and one Non-executive Director, namely Mr. Chan Cheuk Ming. Mr. Anthony Espina is the Chairman of the Audit Committee.

The Audit Committee meets at least four times a year. Minutes of the Audit Committee meetings were kept by the Company Secretary. The terms of reference of Audit Committee are available on the Company's website at www.irasia.com/listco/hk/rainbowbrothers.

From April 1, 2008 to December 31, 2008, the Audit Committee held five meetings. The attendance of each member of Audit Committee is set out as follows:

Directors	**Number of Attendance**
Independent Non-executive Directors	
Anthony Espina *(Chairman)*	5/5
Cheung Wah Keung	5/5
Wong Che Keung	5/5
Non-executive Director	
Chan Cheuk Ming	5/5

For the Current Period, the work performed by the Audit Committee included:

- reviewing the annual report which comprised the audited consolidated financial statements for the Current Period; and
- reviewing the final result announcement; and
- reviewing the significant accounting issues raised by the management; and
- reviewing the Company's compliance with regulatory and statutory requirements; and
- reviewing the Group's risk management process.

The Audit Committee of the Company has reviewed the Group's financial results for the Current Period.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group for the Current Period and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such consolidated financial statements.

The statement of the external auditor of the Company, Cheng & Cheng Limited, with regard to its reporting responsibilities on the Group's consolidated financial statements, is set out in the Independent Auditor's Report included in this annual report.

The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Group not to continue as a going concern.

AUDITOR'S REMUNERATION

For the Current Period, the fees paid/payable to the Company's auditor in respect of audit and non-audit services provided by the Company's auditor to the Group were as follows:

	HK$'000
Audit services	500
Non-audit services	–
	500

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

Pursuant to Article 130 of the Articles of Association of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall, subject to re-election, retire from office by rotation in every Annual General Meeting. Every Director shall be subject to retirement by rotation at least once every 3 years.

The Non-executive Director and the Independent Non-executive Directors were appointed for a fixed term of three years commencing from November 19, 2007 and are subject to re-election in compliance with CG Code A.4.1.

INTERNAL CONTROLS

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Group's internal controls is independently conducted by the management on an on-going basis.

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

On behalf of the Board

Hui Kwan Wah, Hugo
Chairman

Hong Kong
March 20, 2009

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭鄭會計師事務所有限公司

Rooms 1003-1005,
Allied Kajima Building,
138 Gloucester Road, Wanchai, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAINBOW BROTHERS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Rainbow Brothers Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 27 to 73 which comprise the consolidated and Company balance sheets as at December 31, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the period from April 1, 2008 to December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2008 and of the Group's profit and cash flows for the period from April 1, 2008 to December 31, 2008 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Cheng & Cheng Limited
Certified Public Accountants

Y.Y. Li, Alice
Practising Certificate Number P03373
Hong Kong
March 20, 2009

CONSOLIDATED INCOME STATEMENT

For the period from April 1, 2008 to December 31, 2008

	Note	**Audited** **9 Months ended December 31, 2008**	Audited 12 Months ended March 31, 2008	Unaudited For reference only 9 Months ended December 31, 2007 *(note 36)*
	Note	***HK$'000***	*HK$'000*	*HK$'000*
Turnover	*3*	**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	*4*	**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	*5*	**(634)**	(2,006)	(1,881)
Profit before taxation	*6*	**12,686**	29,229	26,503
Income tax	*7*	**(1,705)**	(3,689)	(2,767)
Profit attributable to equity shareholders of the Company	*8*	**10,981**	25,540	23,736
Dividends	*9*	**5,000**	13,000	
Earnings per share	*10*			
– Basic		**HK5 cents**	HK15 cents	
– Diluted		**N/A**	N/A	

The notes on pages 32 to 73 form an integral part of these consolidated financial statements

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 36)*
	Note	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*13*	**10,386**	10,740	11,472
Goodwill	*14*	**26,375**	26,375	26,375
		36,761	37,115	37,847
Current assets				
Inventories	*15*	**13,101**	14,007	12,222
Trade receivables	*16*	**35,302**	50,737	48,247
Prepayments, deposits and other receivables	*17*	**18,604**	14,832	6,682
Tax recoverable	*24(a)*	**70**	408	–
Cash and cash equivalents	*18*	**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	*19*	**20,000**	20,000	20,000
Reserves	*20*	**84,265**	91,284	89,506
		104,265	111,284	109,506
Non-current liabilities				
Deferred taxation	*24(b)*	**445**	537	665
Current liabilities				
Trade and bills payable	*21*	**14,497**	12,167	18,329
Accruals and other payables	*22*	**14,177**	7,468	5,960
Bank borrowings-secured	*23*	**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

Approved and authorised for issue by the board of directors on March 20, 2009

On behalf of the board

Hui Kwan Wah, Hugo – *Director* **Ng Chi Man –** *Director*

The notes on pages 32 to 73 form an integral part of these consolidated financial statements.

BALANCE SHEET

At December 31, 2008

	Note	Audited As at December 31, 2008 HK$'000	Audited As at March 31, 2008 HK$'000	Unaudited For reference only As at December 31, 2007 *(note 36)* HK$'000
Non-current assets				
Investment in subsidiaries	*25*	**46,971**	46,971	46,971
Current assets				
Prepayments, deposits and other receivables	*17*	**226**	207	–
Amounts due from subsidiaries	*26*	**103,974**	55,622	28,411
Cash and cash equivalents	*18*	**55**	3,047	30,616
		104,255	58,876	59,027
Total Assets		**151,226**	105,847	105,998
Capital and reserves				
Share capital	*19*	**20,000**	20,000	20,000
Reserves	*20*	**127,431**	85,635	85,792
		147,431	105,635	105,792
Current liabilities				
Accruals and other payables	*22*	**3,795**	212	206
Total Equity and Liabilities		**151,226**	105,847	105,998
Net current assets		**100,460**	58,664	58,821
Total assets less current liabilities		**147,431**	105,635	105,792

Approved and authorised for issue by the board of directors on March 20, 2009

On behalf of the board

Hui Kwan Wah, Hugo – *Director* **Ng Chi Man** – *Director*

The notes on pages 32 to 73 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from April 1, 2008 to December 31, 2008

	Note	Share capital	Share premium	Capital reserve	Retained profits	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At April 1, 2007		–	–	–	56,976	56,976
Issuance of ordinary shares pursuant to group reorganisation		15,000	–	(15,000)	–	–
Issuance of ordinary shares for initial public offering		5,000	70,000	–	–	75,000
Share issuing expenses		–	(16,232)	–	–	(16,232)
Dividend paid	*9*	–	–	–	(30,000)	(30,000)
Profit for the year		–	–	–	25,540	25,540
At March 31, 2008 and April 1, 2008		20,000	53,768	(15,000)	52,516	111,284
Dividend paid	*9*	–	–	–	(18,000)	(18,000)
Profit for the period		–	–	–	10,981	10,981
At December 31, 2008		20,000	53,768	(15,000)	45,497	104,265

The notes on pages 32 to 73 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the period from April 1, 2008 to December 31, 2008

	Note	**9 months ended December 31, 2008**	12 months ended March 31, 2008
		HK$'000	*HK$'000*
Operating activities			
Profit before taxation		**12,686**	29,229
Adjustments for:			
Interest income		**(25)**	(539)
Interest expenses		**634**	2,006
Depreciation		**3,864**	4,661
Impairment loss of trade receivables		**482**	125
(Gain)/loss on disposal of property, plant and equipment		**(1)**	40
Reversal of write down of inventories		**(72)**	(601)
Operating profit before changes in working capital		**17,568**	34,921
Decrease/(Increase) in inventories		**978**	(5,118)
Decrease/(Increase) in trade receivables		**14,953**	(15,273)
(Increase) in prepayments, deposits and other receivables		**(3,772)**	(7,885)
Increase in trade and bills payable		**2,330**	6,273
Increase in accruals and other payables		**6,709**	3,020
Cash generated from operations		**38,766**	15,938
Hong Kong profits tax paid		**(1,459)**	(6,687)
Net cash generated from operating activities		**37,307**	9,251
Investing activities			
Purchase of property, plant and equipment		**(3,510)**	(2,520)
Sales proceeds of property, plant and equipment		**1**	–
Increase in loan to a director		**–**	(11,057)
Interest received		**25**	539
Net cash used in investing activities		**(3,484)**	(13,038)
Financing activities			
Proceeds from issuance of ordinary shares on initial public offering		**–**	75,000
Share issuing expenses		**–**	(16,232)
Interest paid		**(634)**	(2,006)
Repayment of bank borrowings		**(21,512)**	(34,916)
Increase in bank borrowings		**–**	22,512
Dividend paid		**(18,000)**	(9,600)
Net cash (used in)/generated from financing activities		**(40,146)**	34,758
Net (decrease)/increase in cash and cash equivalents		**(6,323)**	30,971
Cash and cash equivalents at beginning of period		**36,869**	5,898
Cash and cash equivalents at end of period	*18*	**30,546**	36,869

The notes on pages 32 to 73 form an integral part of these consolidated financial statements.

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 consolidated 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.

2. SIGNIFICANT ACCOUNTING POLICIES

a) 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 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.

b) 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 polices 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Basis of Preparation *(Continued)*

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 in note 33.

c) Amendments, new standards and interpretations issued and effective for the period ended December 31, 2008

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
HKFRS 7 & HKAS 39 (Amendments)	Reclassification of Financial Assets

Both HK (IFRIC) – Int 10, HK (IFRIC) – Int 11, HK (IFRIC) – Int 12, HK (IFRIC) – Int 14 and HKFRS 7 & HKAS 39 (Amendments) do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

d) Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended December 31, 2008

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended December 31, 2008 *(Continued)*

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 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 Statments	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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) Business Combinations under Common Control Combinations

Business combinations under common control are accounted for in accordance with the merger accounting. In applying merger accounting, the combined financial information incorporates the consolidated financial statements items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of controlling party.

The net assets of the combining entities or businesses are combined using the existing book values prior to the common control combinations from the controlling parties' perspective. No account is recognised in respect of goodwill or excess acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of common control combination.

The comparative amounts in the combined financial information are presented as if the entities or business had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of an impairment of the asset transferred.

f) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f) Subsidiaries *(Continued)*

In the Company's balance sheet an investment in a subsidiary is stated at cost less any impairment losses (see note2(m)) unless the investment is classified as held for sale.

g) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(m). Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss. On disposal of a cash generating unit or an associate during the period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

h) Revenue Recognition

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised in the profit or loss as follows:

i) Sale of goods

Revenue is recognised on the transfer of risks and rewards of ownership, which generally coincide with the time when goods are delivered to customers and title has passed. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

iii) Other income not stated above is recognised whenever received or receivable.

i) Borrowing Costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

j) Income Tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

j) Income Tax *(Continued)*

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

k) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation of property, plant and equipment is calculated to write off their cost less residual value, if any, using the straight line method over their estimated useful lives. The principal annual rates are as follows:

Leasehold improvement	4 – 5 years
Plant and machinery	2 – 5 years
Furniture, fixtures and equipment	4 – 5 years
Moulds	5 years
Motor vehicles	3 – 5 years

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

k) Property, Plant and Equipment *(Continued)*

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the profit or loss. Improvements are capitalised and depreciated over their expected useful lives. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the disposal or retirement of an item of property, plant and equipment are determined as the differences between the net sales proceeds and the carrying amount of the relevant assets and are recognised in profit or loss on the date of disposal or retirement.

l) Related Parties

For the purpose of these consolidated financial statements, parties are considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

m) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation but are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

n) Financial Instruments

Financial assets and financial liabilities are recognised on the Group's and the Company's balance sheet when the Company and its subsidiaries become a party to the contractual provisions of instrument.

o) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment losses for bad and doubtful debts (see note 2(m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses for bad and doubtful debts (see note 2(m)).

p) Trade and Other Payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

q) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that the repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

r) Operating Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases net of any incentives received from the leasing company are charged to the profit or loss on a straight-line basis over the lease term.

s) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

t) Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

u) Financial Guarantees Issued, Provisions and Contingent Liabilities

i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e., the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

u) Financial Guarantees Issued, Provisions and Contingent Liabilities *(Continued)*

i) Financial guarantees issued (Continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

ii) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

v) Translation of foreign currencies

i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

v) Translation of foreign currencies *(Continued)*

ii) Transactions and balances

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

w) Employee Benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Contributions to defined contribution retirement scheme are recognised as an expense in the profit or loss as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.

x) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format. Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Intra-segment pricing is based on similar terms as those available to other external parties. Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings and corporate and financing expenses.

3. TURNOVER

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

4. OTHER REVENUE AND OTHER NET INCOME

	9 Months ended December 31, 2008	12 Months ended March 31, 2008
	HK$'000	*HK$'000*
Other revenue		
Bank interest income	**25**	264
Other interest income *(note 28(a))*	**–**	275
Total interest income on financial assets not at fair value through profit or loss	**25**	539
Sundry income	**171**	132
	196	671
Other net income		
Net gain on disposal of property, plant and equipment	**1**	–
Net exchange gain	**1,317**	1,280
	1,318	1,280
	1,514	1,951

5. FINANCE COSTS

	9 Months ended December 31, 2008	12 Months ended March 31, 2008
	HK$'000	*HK$'000*
Interest expense on bank borrowings and bank overdrafts wholly repayable within five years	**634**	2,006
Total interest expense on financial liabilities not at fair value through profit or loss	**634**	2,006

6. 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 *(note 15(b))*	**290,758**	311,824
Depreciation *(note 13)*	**3,864**	4,661
Impairment loss of trade receivables *(note16(b))*	**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

7. 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).

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

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 unrecognised temporary difference	**(21)**	–
Tax effect of prior year's tax losses utilised in this period	**(1)**	–
Actual tax expense	**1,705**	3,689

8. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The profit attributable to equity shareholders of the Company is dealt with in the consolidated financial statements of the Company to the extent of HK$59,796,000 (March 31, 2008: loss of HK$104,000).

9. DIVIDENDS

	Note	**9 Months ended December 31, 2008**	12 Months ended March 31, 2008
		HK$'000	*HK$'000*
Interim dividend declared and paid	*20*	**5,000**	–
Final dividend proposed after the balance sheet date	*20*	**–**	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).

10. 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

10. EARNINGS PER SHARE *(Continued)*

a) Basic earnings per share *(Continued)*

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.

11. RETIREMENT BENEFITS COSTS

The Group has implemented a provident fund scheme for its staff in Hong Kong in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance") effective from December 1, 2000. The Group contributed according to the minimum requirements of the MPF Ordinance and the contributions are charged to the income statement.

12. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST PAY

a) Directors' remuneration disclosed pursuant to section 161 of Hong Kong Companies Ordinance is shown as follows:

	For the period ended December 31, 2008			
	Fees	**Basic salaries, allowance and other benefits**	**Contributions to retirement scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Hui Kwan Wah, Hugo *(Chairman)*	**–**	**1,650**	**9**	**1,659**
Ng Chi Man *(Vice Chairman and Chief Executive Officer)*	**–**	**1,650**	**9**	**1,659**
Wong Sai Ming	**–**	**1,000**	**9**	**1,009**
Wong Kwok Ting *(Resigned with effect from April 30, 2008)*	**–**	**45**	**–**	**45**
Non-executive Director				
Chan Cheuk Ming	**45**	**–**	**–**	**45**
Independent Non-executive Directors				
Cheung Wah Keung	**113**	**–**	**–**	**113**
Anthony Espina	**113**	**–**	**–**	**113**
Wong Che Keung	**113**	**–**	**–**	**113**
	384	**4,345**	**27**	**4,756**

12. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST PAY *(Continued)*

a) Directors' remuneration disclosed pursuant to section 161 of Hong Kong Companies Ordinance is shown as follows: *(Continued)*

	For the year ended March 31, 2008				
	Fees	Bonus	Basic salaries, allowance and other benefits	Contributions toretirement scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Hui Kwan Wah, Hugo *(Chairman)*	–	–	1,146	12	1,158
Ng Chi Man *(Vice Chairman and Chief Executive Officer)*	–	–	1,146	12	1,158
Wong Sai Ming	–	–	1,300	12	1,312
Wong Kwok Ting *(Resigned with effect from April 30, 2008)*	–	555	585	12	1,152
Non-executive Director					
Chan Cheuk Ming	22	–	–	–	22
Independent Non-executive Directors					
Cheung Wah Keung	55	–	–	–	55
Anthony Espina	55	–	–	–	55
Wong Che Keung	55	–	–	–	55
	187	555	4,177	48	4,967

No director waived any emoluments during the period (March 31, 2008: Nil). No inducement payment or compensation for loss of office was paid or payable to any director for the period ended December 31, 2008 and year ended March 31, 2008.

As at December 31, 2008, no share option has been granted and held by the directors under the Company's share option scheme (March 31, 2008: Nil). Details of the share option scheme are disclosed in note 19(b).

12. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST PAY *(Continued)*

b) Individuals with highest pay

Of the five individuals with the highest paid in the Group, three (March 31, 2008: four) were directors of the Company whose emoluments are disclosed in note 12(a) above. The emoluments of the remaining two (March 31, 2008: one) individual(s) were as follows:

	9 Months ended December 31, 2008	12 Months ended March 31, 2008
	HK$'000	*HK$'000*
Salaries and other benefits	**1,421**	870
Contributions to defined contribution retirement plans	**18**	12
	1,439	882

Their emoluments were all within the band of up to HK$1,000,000. During the period, no inducement payment or compensation for loss of office was paid to the five highest paid individuals.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	**Plant and machinery**	**Furniture, fixtures and equipment**	**Moulds**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At April 1, 2007	2,306	15,581	2,823	836	1,255	22,801
Additions	383	1,761	283	93	–	2,520
Disposals	–	(100)	–	–	–	(100)
At March 31, 2008 and April 1, 2008	2,689	17,242	3,106	929	1,255	25,221
Additions	1,529	614	1,281	86	–	3,510
Disposals	–	–	(2)	–	–	(2)
At December 31, 2008	4,218	17,856	4,385	1,015	1,255	28,729

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold improvement	Plant and machinery	Furniture, fixtures and equipment	Moulds	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation						
At April 1, 2007	1,000	6,350	1,388	315	827	9,880
Charge for the year	433	3,136	515	180	397	4,661
Written back on disposal	–	(60)	–	–	–	(60)
At March 31, 2008 and April 1, 2008	1,433	9,426	1,903	495	1,224	14,481
Charge for the period	578	2,563	552	147	24	3,864
Written back on disposal	–	–	(2)	–	–	(2)
At December 31, 2008	2,011	11,989	2,453	642	1,248	18,343
Net book value						
At December 31, 2008	2,207	5,867	1,932	373	7	10,386
At March 31, 2008	1,256	7,816	1,203	434	31	10,740

14. GOODWILL

	As at December 31, 2008	As at March 31, 2008
	HK$'000	*HK$'000*
At beginning and end of the period	**26,375**	26,375

All goodwill arose as a result of acquisition of business.

14. GOODWILL *(Continued)*

Impairment tests for cash-generating units containing goodwill

For the purposes of impairment testing, goodwill has been allocated to the following cash generating units ("CGU"). The carrying amount of goodwill as at the balance sheet date is allocated as follows:

	As at December 31, 2008	As at March 31, 2008
	HK$'000	*HK$'000*
Party products selling business	**16,492**	16,492
Party probucts trading business	**9,883**	9,883
	26,375	26,375

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are assumed to remain constant. The estimated growth rates used are comparable to the growth rate for the industry.

Key assumptions for party products selling business used for value-in-use calculations:

	As at December 31, 2008	As at March 31, 2008
	%	*%*
Gross margin	**10%**	11%
Growth rate	**2%**	3%
Discount rate	**17%**	12%

Key assumptions for party products trading business used for value-in-use calculations:

	As at December 31, 2008	As at March 31, 2008
	%	*%*
Gross margin	**10%**	15%
Growth rate	**2%**	5%
Discount rate	**17%**	16%

14. GOODWILL *(Continued)*

Impairment tests for cash-generating units containing goodwill *(Continued)*

Management determined the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rate used is consistent with forecasts included in industry reports. The discount rate used is pre-tax and reflect specific risks relating to the relevant segments. The carrying amount of the unit approximates to its recoverable amount. Any adverse change in the key assumption could reduce the recoverable amount below carrying amount. Based on the impairment tests performed, no impairment loss is recognised for the period (March 31, 2008: Nil).

15. 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
	Note	***HK$'000***	*HK$'000*
Carrying amount of inventories sold		**290,830**	312,425
Write-down of inventories		**(72)**	(601)
	6	**290,758**	311,824

16. 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. Further details on the Group's credit policy are set out in note 32(a)(i).

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

	Note	**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	*6*	**(482)**	(125)
		35,302	50,737

Trade receivables included HK$4,095,000 (March 31, 2008: HK$4,906,000) which were past due at December 31, 2008. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

16. TRADE RECEIVABLES *(Continued)*

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 (see note 2(m)).

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.

c) Trade receivables denominated in other currency

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

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	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*
Trade deposits paid	**13,358**	9,778	**–**	–
Prepayments	**2,189**	2,540	**226**	207
Rental, utility and sundry deposits	**1,513**	891	**–**	–
Other receivables	**826**	1,415	**–**	–
Staff advances	**718**	208	**–**	–
	18,604	14,832	**226**	207

The carrying amounts of prepayments, deposits and other receivables at the balance sheet date approximated their fair values. As at December 31, 2008 and March 31, 2008, none of the prepayments, deposits and other receivables were impaired. All of the prepayment, deposits and other receivables are expected to be recovered or recognised as expense within one year.

18. 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.

18. CASH AND CASH EQUIVALENTS *(Continued)*

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

19. SHARE CAPITAL

	The Group and the Company	
	Number of shares	**Amount**
	'000	*HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
As at December 31, 2008 and March 31, 2008	1,000,000	100,000
Issued and fully paid:		
As at December 31, 2008 and March 31, 2008	200,000	20,000

a) The Company was incorporated in the Cayman Islands on March 20, 2007. Details of the changes in par value, total number of authorised share capital and fully paid-up share capital can be found in the Company's Prospectus and previous annual report.

b) The Company has a share option scheme, under which the Company may grant options to any employees or directors to subscribe for shares in the Company, up to a maximum of 10% of the issued share capital of the Company, from time to time, excluding shares issued on exercise of share options. No options have been granted since the adoption of the share option scheme.

20. RESERVES

The Group

	Note	Share premium	Capital reserve	Retained profits	Total
		HK$'000	HK$'000	HK$'000	HK$'000
At March 31, 2007 and April 1, 2007		–	–	56,976	56,976
Issuance of ordinary shares pursuant to group reorganisation		–	(15,000)	–	(15,000)
Issuance of ordinary shares for initial public offering		70,000	–	–	70,000
Share issuing expenses		(16,232)	–	–	(16,232)
Dividend paid	9	–	–	(30,000)	(30,000)
Profit for the year		–	–	25,540	25,540
At March 31, 2008 and April 1, 2008		53,768	(15,000)	52,516	91,284
Final dividend recognised in respect of the previous financial year	9	–	–	(13,000)	(13,000)
Interim dividend paid	9	–	–	(5,000)	(5,000)
Profit for the period		–	–	10,981	10,981
At December 31, 2008		53,768	(15,000)	45,497	84,265

The Company

	Share premium	Contributed surplus	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At March 31, 2007 and April 1, 2007	–	–	–	–
Issuance of ordinary shares pursuant to group reorganisation	–	31,971	–	31,971
Issuance of ordinary shares for initial public offering	70,000	–	–	70,000
Share issuing expenses	(16,232)	–	–	(16,232)
Loss for the year	–	–	(104)	(104)
At March 31, 2008 and April 1, 2008	53,768	31,971	(104)	85,635
Final dividend recognised in respect of the previous financial year	–	–	(13,000)	(13,000)
Interim dividend paid	–	–	(5,000)	(5,000)
Profit for the period	–	–	59,796	59,796
At December 31, 2008	53,768	31,971	41,692	127,431

20. RESERVES *(Continued)*

i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

ii) Capital reserve

Capital reserve of the Group represents the difference between the nominal values of the ordinary shares issued by the Company and the share capital of Silver Pattern acquired through the share swap pursuant to the Reorganisation.

iii) Contributed surplus

Contributed surplus represents the excess of the fair value of the shares of Silver Pattern determined on the basis of the consolidated net assets of Silver Pattern at the date of the Reorganisation over the nominal value of the shares issued by the Company in exchange thereof.

iv) Distributability of reserves

At December 31, 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately HK$95,460,000 (March 31, 2008: HK$53,664,000). The board of directors of the Company did not recommend any final dividend.

21. 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

21. TRADE AND BILLS PAYABLE *(Continued)*

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

22. ACCRUALS AND OTHER PAYABLES

	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*
Interest payables	**4**	28	**–**	–
Accrued salaries and bonuses	**1,048**	1,357	**–**	–
Trade deposits received	**3,727**	1,676	**–**	–
Accrued expenses	**9,398**	4,407	**3,795**	212
	14,177	7,468	**3,795**	212

The carrying amounts of accruals and other payables at the balance sheet date approximated their fair values. All of the accruals and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

23. BANK BORROWINGS – SECURED

	As at December 31, 2008	As at March 31, 2008
	HK$'000	*HK$'000*
Short-term loans	**1,000**	22,512

23. BANK BORROWINGS – SECURED *(Continued)*

The bank borrowings and overdrafts are repayable within one year. The carrying amounts at the balance sheet date approximated their fair values. Bank borrowings of the Group consisted of fixed-rate borrowings and floating-rate borrowings. Fixed-rate borrowings bore interest at effective interest rate ranging from 1.85% to 3.95% (March 31, 2008: 3.01% to 3.04%). Floating-rate borrowings bore interest at effective interest rate ranging from 1.5% to 4.5% per annum over Hong Kong Interbank Offered Rate or Singapore Interbank Offered Rate.

The Group's bank borrowings and overdrafts were secured by corporate guarantees and, in association therewith, floating charges on monies standing to the credits of, or owing to, the Group's account with a bank, provided by the Company and its subsidiaries thereafter.

24. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

a) Taxation recoverable in the consolidated balance sheet represents:

	As at December 31, 2008	As at March 31, 2008
	HK$'000	*HK$'000*
At beginning of the period	**408**	(2,462)
Provision for Hong Kong Profits tax	**(1,822)**	(3,969)
Over-provision in prior years written back	**25**	152
Hong Kong Profits tax paid	**1,459**	6,687
At end of the period	**70**	408

b) Deferred tax liabilities recognised:

The component of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the period are as follows:

	Depreciation allowance in excess of the related depreciation
	HK$'000
At April 1, 2007	665
Credited to profit or loss	(128)
At March 31, 2008 and April 1, 2008	**537**
Credited to profit or loss	**(92)**
At December 31, 2008	**445**

25. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries represent investments in unlisted shares at cost.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Country of establishment/ incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activities
Silver Pattern Limited	British Virgin Islands	US$1	100%	Investment holdings
Rainbow Brothers Limited	Hong Kong	HK$200,000	100%	General trading
Silver Lining Limited	Hong Kong	HK$1	100%	General trading and production of party products
Cheerful Arts Limited	Hong Kong	HK$1	100%	Investment holdings
Ten Friends Overseas Trade (Shenzhen) Company Limited #	The People's Republic of China	US$500,000	100%	Hotel management and general trading

The Group's effective interest in Silver Pattern Ltd is held by the Company. Effective interest in all other subsidiaries is held by subsidiary.

\# Changed name to Ten Friends Hotel Management (Shenzhen) Company Limited subsequent to period end. This subsidiary is registered as a wholly-owned foreign enterprise under the PRC law.

26. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

27. 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.

27. SEGMENT REPORTING *(Continued)*

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

28. RELATED PARTY TRANSACTIONS

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

a) Related party transactions included in the consolidated income statement:

	9 Months ended December 31, 2008	12 Months ended March 31, 2008
	HK$'000	*HK$'000*
Interest income from a director	**–**	275
Rental expenses paid to a director	**–**	47
Rental expenses paid to close family members of a director	**42**	268

Note: 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. All these related party transactions were exempted from reporting, announcement and independent shareholders' approval requirement under the Listing Rules.

b) Compensation of key management of the Group:

	9 Months ended December 31, 2008	12 Months ended March 31, 2008
	HK$'000	*HK$'000*
Salaries, allowance and other benefits	**7,596**	8,411
Contributions to defined contribution retirement plans	**72**	140
	7,668	8,551

Note: Further details of post-employment benefits and directors' and employees' emoluments are included in note 12 to the consolidated financial statements. Total remuneration is included in "staff costs" (see note 6).

29. COMMITMENTS

a) Capital Commitments

As at December 31, 2008, the Group had the following capital commitments:

	As at December 31, 2008	As at March 31, 2008
	HK$'000	HK$'000
Contracted but not provided for	11,550	–

On January 9, 2009, such capital commitments had been wholly fulfilled by further capital injection to a wholly-owned subsidiary, Ten Friends Overseas Trade (Shenzhen) Company Limited.

b) Operating Lease Commitments

The Group leases office premises under operating lease arrangements. At each balance sheet date, the Group had future aggregate minimum lease payment under non-cancellable operating leases arrangements as follows:

	As at December 31, 2008	As at March 31, 2008
	HK$'000	HK$'000
Within one year	3,259	188
In the second to fifth year, inclusive	6,324	–
	9,583	188

30. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

At December 31, 2008, no financial guarantees were made by the Group to any non-Group companies. As at December 31, 2008, the board of directors was not aware of any possible material contingent liabilities.

The company provided a guarantee to its subsidiaries to secure the latter's banking facilities. At December 31, 2008, the loan drawn down by the subsidiaries amounted to approximately HK$1.0 million (March 31, 2008: HK$22.5 million).

31. BANKING FACILITIES

The Group's banking facilities were secured and supported by corporate guarantees granted by the Company and its subsidiaries. As at December 31, 2008, the amount of unused banking facilities was approximately HK$73.0 million (March 31, 2008: HK$49.1 million).

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Financial risk factors

The Group's major financial instruments include, cash and cash equivalents, trade and other receivables, trade and bills payable, other payables and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk. The Group does not hold or issue derivate financial instruments either for hedging or trading purposes. The policies on how to mitigate these risks are set out as below.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

i) Credit risk

Credit risk arises from the possibility that the counterparty to transaction is unwilling or unable to fulfill its obligation thereby incurring financial loss to the Group.

– Trade and other receivables
As at December 31, 2008, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

In respect of trade and other receivables, in order to minimise risk, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of customers' financial position and condition are performed on all customers periodically. In addition, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are usually due within 90 days from the date of billing. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collaterals from customers.

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At December 31, 2008, the Group has a certain concentration of credit risk as approximately equals to 24.5% (March 31, 2008: 54%) and 54.6% (March 31, 2008: 77%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

a) Financial risk factors *(Continued)*

i) Credit risk (Continued)

– Deposits with banks
The Group mitigates its exposure to credit risk by placing deposits with the financial institutions with established credit rating. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

– Financial guarantee
This is no financial guarantee outstanding as at December 31, 2008. Therefore, no credit risk in respect thereof existed. Details of financial guarantee are disclosed in note 30.

ii) Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due.

The Group is responsible for its own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity risk tables set out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the balance sheet date) and the earliest date the Group is required to pay:

	December 31, 2008			March 31, 2008		
	Within 1 year or on demand	**Total contractual undiscounted cash flow**	**Carrying amount**	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Secured bank borrowings and overdrafts	**1,006**	**1,006**	**1,000**	22,832	22,832	22,512
Trade and bills payable	**14,497**	**14,497**	**14,497**	12,167	12.167	12,167
Accruals other payables	**14,177**	**14,177**	**14,177**	7,468	7,468	7,468
	29,680	**29,680**	**29,674**	42,467	42,467	42,147

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

a) Financial risk factors *(Continued)*

iii) Fair value and cash flow interest rate risk

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Group's exposure on ongoing basis and will consider hedging the interest rate should the need arise.

1) Exposure to fair value and cash flow interest rate risk
The Group's fair value interest rate risk relates primarily to short-term bank borrowings carrying at fixed interest rates and cash flow interest rate risk in relation to short-term bank borrowings and bank deposits carrying at floating interest rates. The directors consider the Group's exposure of the bank borrowings to fair value interest rate risk is not significant as bank borrowings are within short maturity period. Details of the interest rate are disclosed in note 23.

The Group manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from floating volatility. The Group also monitors interest rate exposure by borrowing at fixed rate, instead of floating rate.

2) Sensitivity analysis
All of the bank borrowings of the Group which are fixed rate instruments are insensitive in any change in interest rates. A change in interest rates at the balance sheet date would not affect profit or loss. At December 31, 2008, it is estimated that a general increase/decrease 100 basis points in interest rates for variable rate borrowings and bank deposits, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profit by approximately HK$255,000 (March 31, 2008: HK$366,000). Other components of equity would not be affected (March 31, 2008: Nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for March 31, 2008.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

a) Financial risk factors *(Continued)*

iv) Currency risk

Presently, there is no hedging policy with respect to the Group's foreign exchange exposure. The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of operation to which they relate.

1) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency which is Hong Kong dollar of the entity to which they relate. The Group is mainly exposed to the fluctuation of United States dollar and Renminbi.

	December 31, 2008	
	US$'000	***RMB'000***
Cash and cash equivalents	**2,271**	**180**
Trade and other receivables	**3,697**	**3,372**
Trade and other payables	**(700)**	**(7,422)**
Overall exposure arising from Recognised assets and liabilities	**5,268**	**(3,870)**

	March 31, 2008	
	US$'000	*RMB'000*
Cash and cash equivalents	1,529	446
Trade and other receivables	6,655	2,377
Trade and other payables	(499)	(4,783)
Overall exposure arising from Recognised assets and liabilities	7,685	(1,960)

Management closely monitors currency risk position to ensure that the net exposure is kept at an acceptable level.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

a) Financial risk factors *(Continued)*

iv) Currency risk (Continued)

2) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and retained profits) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

	December 31, 2008		March 31, 2008	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
	%	**HK$'000**	%	HK$'000
Renminbi	**5%**	**(183)**	5%	(89)
	(5%)	**183**	(5%)	89

Other components of consolidated equity would not be affected (March 31, 2008: nil) by the changes in foreign exchange rates.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for non–derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entitles profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for March 31, 2008.

v) Fair values

The fair values of cash and cash equivalents, bank deposits, trade and other receivables, trade and bills payable and other payables are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The carrying amount of bank borrowings and overdrafts approximated its fair value.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

b) Capital risk management

The primary objective of the Group's capital risk management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives or policies during the period.

The Group monitors capital on the basis of the debt-to-equity ratio, which is calculated as net debt divided by total equity. Net debt is calculated as interest-bearing bank borrowings and overdrafts less cash and cash equivalents. Total equity represents equity attributable to the equity shareholders of the Group. As at March 31, 2008 and December 31, 2008, both the Group and the Company had no net debt. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

c) Estimation of fair values

The fair values of interest-bearing bank borrowings is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

33. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts and liabilities within the next financial year, as discussed below.

i) Impairment of property, plant and equipment

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

33. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

a) Key sources of estimation uncertainty *(Continued)*

ii) Impairment of receivables

The Group maintains impairment allowance for doubtful accounts based on periodic evaluation of the recoverability of the trade and other receivables. The estimates are based on the ageing of the trade and other receivables and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

iii) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. If the recoverable amount exceeds the estimated value in use of the cash generating unit, additional impairment allowance may be required.

iv) Estimated net realisable value of inventories

The Group's management writes down slow-moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Inventories will be written down where events or changes in circumstances indicates that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of the inventories and revision on the amount of inventories written down in the period in which such estimate has been changed is required to be made.

b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

34. POST BALANCE SHEET EVENTS

a) Investment of 20% equity interest in a joint venture company

On January 7, 2009, the Company, through a wholly-owned subsidiary, has entered into a shareholders' agreement to acquire 20% equity interest in and to provide a shareholder's loan to a joint venture company. Total consideration of the 20% equity interest and the shareholder's loan amounted to HK$12,000,000. The joint venture company has been formed to conduct its sole business of developing and sale of a shopping mall property in Liaoning province, China and the Group shall mainly look for such diversification opportunities in China. As at the balance sheet date, no capital was injected to the joint venture company.

b) Acquisition of 100% equity interest in a financial planning services company

On March 10, 2009, the Company, through a wholly-owned subsidiary, entered into the sales and purchase agreement with Mr. Wong Tat Tung with a consideration of HK$9,000,000 to acquire a 100% equity interest in a financial planning services company called Channel 8 Financial Planning Limited. On the same day, the Board resolved to appoint Mr. Wong Tat Tung as a new executive director with effect from March 13, 2009.

35. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

The directors consider Direct Value Limited, a company incorporated in British Virgin Islands, to be the ultimate holding company. The directors regard Mr. Hui Kwan Wah, Hugo, through his direct shareholding in Direct Value Limited, as being the ultimate controlling party.

36. COMPARATIVE FIGURES

a) Comparative figures for the audited periods due to change of financial year end date

As a result of the change in financial year end date, as explained in note 1 to the consolidated financial statements, the audited consolidated financial statements cover the current 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 change in equity, consolidated cash flows statement and related notes.

b) Disclosure of unaudited period for reference

For the sole purpose of presenting a more meaningful comparison for users of the consolidated 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 consolidated 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 consolidated financial statements as noted in a) above for reference only.

FINANCIAL SUMMARY

The financial results of the Group for the financial years ended March 31, 2005 to 2008, period ended December 31, 2008 and the assets and liabilities of the Group as at March 31, 2005, 2006, 2007, 2008 and December 31, 2008 are as follows:

Results	**9 Months ended December 31, 2008**	12 Months ended March 31, 2008	12 Months ended March 31, 2007	12 Months ended March 31, 2006	12 Months ended March 31, 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**335,739**	371,558	314,837	210,496	185,154
Profit before taxation	**12,686**	29,229	42,464	27,940	17,309
Income tax	**(1,705)**	(3,689)	(5,191)	(4,942)	(3,110)
Profit for the period/year	**10,981**	25,540	37,273	22,998	14,199
Attributable to:					
Equity shareholders of the Company	**10,981**	25,540	37,273	22,998	14,199

	As at December 31, 2008	As at March 31, 2008	As at March 31, 2007	As at March 31, 2006	As at March 31, 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Total assets	**134,384**	153,968	107,228	71,733	54,951
Total liabilities	**(30,119)**	(42,684)	(50,252)	(52,030)	(46,446)
Total equity	**104,265**	111,284	56,976	19,703	8,505