Rainbow Brothers Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 33

十友控股有限公司*

* For identification purpose only

Interim Report 2010

CONTENTS

The English text of this interim 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

Non-executive Director
Chan Cheuk Ming

Independent Non-executive Directors
Cheung Wah Keung
Anthony Espina
Wong Che Keung

Executive Committee
Hui Kwan Wah, Hugo *(Chairman)*
Ng Chi Man
Wong Sai Ming
Wong Tat Tung

Audit Committee
Anthony Espina *(Chairman)*
Cheung Wah Keung
Wong Che Keung
Chan Cheuk Ming

Remuneration Committee
Cheung Wah Keung *(Chairman)*
Anthony Espina
Wong Che Keung
Chan Cheuk Ming

Authorised Representatives
Hui Kwan Wah, Hugo
Ng Chi Man

Company Secretary
Wu Kwok Choi, Chris

Registered Office
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman, KY1-1104
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 609
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.rainbowbrothers.com

(All figures are approximates)

BUSINESS REVIEW

We are delighted to report strong results for this interim period. Our core operation of dollar item business has recorded double-digit growth in turnover and slight improvement in gross profit margin. Such growth allows us time to nurture our diversifications into other areas, including the concept hotel business in China and wealth management business in Hong Kong. In February 2010, we have committed resources on preparing the second concept hotel in Shenzhen, China which has started pilot run since June 2010. In February 2010, we have committed HK$23 million to a shopping mall development project in Liaoning Province, China similar to the one we exited in late 2009 with a handsome return.

Furthermore, in line with the Company's long term strategy to diversify into a conglomerate with multiple core businesses, we have entered into an agreement to acquire a 90% equity interest in a PRC credit guarantee company called Harmonic Strait Credit Guarantee Co., Ltd (hereafter called "Harmonic Strait"). This transaction is subject to, *inter alia*, the Independent Shareholders' approval in an extraordinary general meeting. The Board considered that the prospect of the business of Harmonic Strait is bright and promising. The acquisition represents a good and unique opportunity for the Group to expand its financial services business into the PRC with substantial growth potential. In the event that the acquisition were completed within the second half of this year, there would be a material business added into the Group's present portfolio of businesses for the whole year. For further information about this transaction, its impact to the Group and basic information of Harmonic Strait, you are advised to read the relevant information by visiting the HKEX website at www.hkex.com.hk or our website at www.rainbowbrothers.com.

FINANCIAL REVIEW

During the six months ended June 30, 2010 (the "Current Half Year"), the Group's turnover was HK$203 million, representing an increase of 19% from the HK$171 million for the six months ended June 30, 2009 (the "Previous Half Year"). The increase in turnover was mainly attributable to the strong growth in the dollar item business in North America. Geographically, the sales to North America markets still dominate the overall sales of the Group.

Gross profit during the Current Half Year was HK$39 million, representing an increase of 26% from the HK$31 million for the Previous Half Year. The increase in gross profit was mainly attributable to the increase in turnover and slight improvement in the gross profit margin in some of the key customers in North America. In terms of gross profit margin, the current figure was 19%, representing an increase of one percentage point from the 18% for the Previous Half Year. The improvement in the gross profit margin was mainly achieved by continued effort in tightening our cost control in daily operation and offset by the gross loss in the hotel operation in China as it was only in its infancy stage. Operating expenses during the Current Half Year was HK$28 million, representing an increase of 14% from HK$24 million for the Previous Half Year. This increase was mainly attributable to the extra operating expenses in our second concept hotel in China and the extra 3 months operating expenses in our wealth management business in Hong Kong (note: the Group has commenced wealth management business since April 2009 upon completion of the acquisition).

Net profit during the Current Half Year was HK$10.7 million, representing an increase of 78% from the HK$6.0 million for the Previous Half Year. Net profit margin increased from 3.5% in the Previous Half Year to 5.3% in the Current Half Year due mainly to an improved overall gross profit margin and strong growth in turnover.

LIQUIDITY AND FINANCIAL RESOURCES

As at June 30, 2010, net current assets were HK$67 million (December 31, 2009: HK$93 million). The Group's current ratio was 1.8 (December 31, 2009: 3.0), based on current assets of HK$147 million and current liabilities of HK$80 million. The gearing ratio, which is total bank borrowings divided by total assets, was 21.3% as at June 30, 2010 (December 31, 2009: 4.6%). One key reason for such increase in the Group's gearing is that second half year is the peak season of our core business where significant amount of suppliers' prepayment are made and inventory are built up for the coming shipments. Another reason for such increase is that the Group has seized the opportunity to borrow cheaper medium term money through a scheme launched by the Hong Kong Government aiming to help Hong Kong enterprises amid global financial crisis.

As at June 30, 2010, the Group had cash and bank balances of HK$19 million (December 31, 2009: HK$54 million) and total bank borrowings of HK$48 million (December 31, 2009: HK$8 million). Both cash and bank balances and bank borrowings were mainly denominated in HK dollar and US dollar. For bank borrowings, HK$16 million is long term (December 31, 2009: Nil) and HK$32 million is short term (December 31, 2009: HK$8 million). The Board considered that adding an appropriate portion of long term bank borrowings in our statement of financial position could better match our maturity against our projected incoming cash flow. The bank borrowings bore both fixed interest rates and floating interest rates. The Group continued to have no structured investment products, foreign exchange contracts and investment in listed shares, bonds and debentures. The Group is not exposed to material fluctuations in exchange rate.

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 June 30, 2010, the Group had prepayments, deposits and other receivables of HK$57 million, which represented a HK$25 million (78%) increase from HK$32 million at December 31, 2009. The increase was attributable a number of factors including a HK$22 million early payment to suppliers due to a much larger order on hand, a $6 million prepayment relating to construction work of the second hotel in China, a HK$5 million money in transit and a total of HK$4 million miscellaneous extra prepayments. Such additions were offset by a HK$12 million prepayment relating to construction work of the first hotel which has been recognized as fixed assets in the Current Half Year. As at June 30, 2010, the Group had trade receivables of HK$48 million, which represented a HK$12 million (33%) increase from HK$36 million at December 31, 2009. The increase was mainly due to the growth in turnover recorded in the Current Half Year. Out of this HK$12 million increase, HK$10 million arosed from the top 5 customers. Besides, 73% of the total trade receivable, i.e. HK$35 million, was only less than 30 days' old. As at June 30, 2010, the Group had inventories of HK$24 million, which represented a HK$7 million (42%) increase from HK$17 million at December 31, 2009. The increase was mainly due to a change in the management strategy in the factory that more raw materials like paper and plastics were bought and stored for the orders to be finished in the second half of this year.

As at June 30, 2010, the Group had HK$8 million capital commitments (December 31, 2009: Nil). The operating lease commitment for the Group as at June 30, 2010 was around HK$13 million (December 31, 2009: HK$11 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 consolidated financial statements.

HUMAN RESOURCES

As at June 30, 2010, the Group had 196 employees (December 31, 2009: 163 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.

INTERIM DIVIDEND

The Board declared an interim dividend of HK3 cents per share, HK$6.0 million in aggregate, for the six months ended June 30, 2010 (June 30, 2009: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from August 30 to August 31, 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited, the Company's branch share registrar in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on August 27, 2010. The dividend warrants are expected to be sent on or about September 3, 2010.

OUTLOOK

The Group and its management have proven their reliability and solidity during the financial tsunami era. Despite the improvement in both turnover and net profit in the first half of the year, the predictability of future growth will be lower, and profit volatility will be higher, than before given the various major business diversification activities the Group has been undergoing, and announced, since early 2009.

Newly added businesses of wealth management and concept hotel are yet to enter into their mature and profitable stages. The shopping mall investment project in Liaoning in 2009 recorded a close to 100% return before the end of last year. The larger but similar investment in 2010 was structured with more safety but planned with a 2-year period of return. The proposed acquisition of the PRC guarantee company has not been completed yet, and is subject to approval. Taking also into account its large size and the costs involved in this transaction, the outlook at this stage is less certain. The above explains the reasons for the expected higher volatility and lower predictability of our profit in the near future. It must be noted that it does not mean we are not confident in these new businesses, or their long term profitability, or the Group's overall performance.

The dollar item business is expected to continue its performance in the second half of 2010. Orders on hand at this point of time for shipment through the end of 2010 already assure us growth over last year, and the outlook for the first half of 2011 for such business is promising too.

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

As at June 30, 2010, 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	Number of ordinary shares held	Percentage to the issued share capital of the Company
Mr. Hui Kwan Wah, Hugo	Interest of a controlled corporation *(Note)*	133,700,000 (long position)	66.85%
Mr. Ng Chi Man	Interest of a controlled corporation *(Note)*	133,700,000 (long position)	66.85%
Mr. Wong Sai Ming	Beneficial Owner	10,866,000 (long position)	5.43%

Note: 133,700,000 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 the Latest Practicable Date, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any Director, as at June 30, 2010, 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 ordinary shares held	Percentage of the issued share capital of the Company
Direct Value Limited ("Direct Value") *(note 1)*	Beneficial Owner	133,700,000 (long position)	66.85%
Ms. Cheng Yin Lee, Francie *(note 2)*	Interest of spouse	133,700,000 (long position)	66.85%
Ms. Lee Lai Lai *(note 3)*	Interest of spouse	133,700,000 (long position)	66.85%
Ms. Leung Mei Chun *(note 4)*	Interest of spouse	10,866,000 (long position)	5.43%
Market Speed Limited ("Market Speed") *(Note 5)*	Beneficial Owner	2,595,000,000 (long position)	1,297.50%
Mr. Tong Nai Kan *(Note 5)*	Interest of a controlled corporate	2,595,000,000 (long position)	1,297.50%

Notes:

1 133,700,000 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 133,700,000 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.

4 Ms. Leung Mei Chun is the spouse of Mr. Wong Sai Ming. By virtue of the SFO, Ms. Leung Mei Chun is also deemed, as spouse, to be interested in all the shares in which Mr. Wong Sai Ming is deemed to be interested.

5 2,595,000,000 ordinary shares to be issued pursuant to the terms and conditions of the Formal Acquisition Agreement to Market Speed, a company wholly owned by Mr. Tong Nai Kan, Mr. Tong Nai Kan is deemed to be interested in 2,595,000,000 ordinary shares to be issued to and held by Market Speed by virtue of SFO.

SHARE OPTION SCHEME

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

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or cancelled any of the Company's listed securities during the six months ended June 30, 2010.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended June 30, 2010, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiries to all directors, all directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended June 30, 2010.

EXECUTIVE COMMITTEE

The Executive Committee was established on July 15, 2008 and it assists the Board in formulating policies and supervises the management to carry out and implement the policies laid down by the Board. The Executive Committee comprises the Chairman of the Board, namely Mr. Hui Kwan Wah, Hugo (Chairman), the Chief Executive Officer of the Company, namely Mr. Ng Chi Man and two other Executive Directors of the company, namely Mr. Wong Sai Ming and Mr. Wong Tat Tung. The Executive Committee has discussed the Group's business strategy, financing arrangements and various daily operations during the six months ended June 30, 2010.

AUDIT COMMITTEE

The Audit Committee was established on October 30, 2007 and it assists the Board in discharging its responsibilities for corporate governance, financial reporting and corporate control. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Anthony Espina (Chairman), Mr. Cheung Wah Keung, Mr. Wong Che Keung and one Non-executive Director, namely Mr. Chan Cheuk Ming. The Audit Committee has reviewed the condensed consolidated financial statements of the Group for the six months ended June 30, 2010. The Audit Committee has also discussed auditing, internal control, the accounting principles and practices adopted by the Group.

REMUNERATION COMMITTEE

The Remuneration Committee was established on October 30, 2007 and its responsibilities include approving the remuneration policy for all directors and senior executives from time to time. The Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Cheung Wah Keung (Chairman), Mr. Anthony Espina and Mr. Wong Che Keung and one Non-executive Director, namely Mr. Chan Cheuk Ming. The Remuneration Committee has reviewed the remuneration matters in this interim report. The Remuneration Committee has also discussed the remuneration of directors and senior management and the annual salary review of the staff during the six months ended June 30, 2010.

By order of the Board
Rainbow Brothers Holdings Limited
Hui Kwan Wah, Hugo
Chairman

Hong Kong, August 13, 2010

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The board of directors (the "Board") of Rainbow Brothers Holdings Limited (the "Company") is pleased to present the condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended June 30, 2010, together with the comparative figures. These condensed consolidated interim financial statements have been reviewed by the Company's audit committee, but have not been reviewed by the Company's auditor.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*4*	**203,281**	170,658
Cost of sales		**(164,206)**	(139,570)
Gross profit		**39,075**	31,088
Other revenue		**935**	469
Operating expenses		**(27,641)**	(24,340)
Profit from operations		**12,369**	7,217
Finance costs	*5*	**(313)**	(356)
Profit before taxation	*6*	**12,056**	6,861
Taxation	*7*	**(1,353)**	(854)
Profit for the period		**10,703**	6,007
Other comprehensive income:			
Exchange differences on translating foreign operations		**74**	93
Other comprehensive income for the period, net of tax		**74**	93
Total comprehensive income for the period		**10,777**	6,100
Dividend	*8*	**6,000**	—
Earnings per share — Basic	*9*	**HK5.4 cents**	HK3.0 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at June 30, 2010 HK$'000 (Unaudited)	As at December 31, 2009 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**18,735**	7,161
Goodwill		**35,375**	35,375
Investment — loan and receivable	11	**23,000**	—
Deferred taxation		**1,559**	1,559
		78,669	44,095
Current assets			
Inventories		**23,969**	16,879
Trade receivables	12	**47,750**	35,950
Prepayments, deposits and other receivables		**56,508**	32,073
Cash and bank balances		**18,699**	53,928
		146,926	138,830
Total Assets		**225,595**	182,925
Equity			
Share capital	15	**20,000**	20,000
Reserves		**109,684**	116,907
		129,684	136,907
Non-current liabilities			
Bank borrowings — secured	14	**16,200**	—
Current liabilities			
Trade and bills payable	13	**14,304**	15,248
Accruals and other payables		**30,674**	21,054
Bank borrowings — secured	14	**31,954**	8,425
Tax payable		**2,779**	1,291
		79,711	46,018
Total Equity and Liabilities		**225,595**	182,925
Net current assets		**67,215**	92,812
Total assets less current liabilities		**145,884**	136,907

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Translation reserve	Capital reserve	Retained profits	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At January 1, 2009 (Audited)		20,000	53,768	—	(15,000)	45,497	104,265
Total comprehensive income for the period		—	—	93	—	6,007	6,100
At June 30, 2009 (Unaudited)		20,000	53,768	93	(15,000)	51,504	110,365
At January 1, 2010 (Audited)		**20,000**	**53,768**	**107**	**(15,000)**	**78,032**	**136,907**
Total comprehensive income for the period		**—**		**74**		**10,703**	**10,777**
Dividend paid	8	**—**	**—**	**—**	**—**	**(18,000)**	**(18,000)**
At June 30, 2010 (Unaudited)		**20,000**	**53,768**	**181**	**(15,000)**	**70,735**	**129,684**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30,	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash (outflow) /inflow from operating activities	**(38,198)**	2,502
Net cash outflow from investing activities	**(36,760)**	(23,569)
Net cash inflow from financing activities	**39,729**	19,957
Net decrease in cash and cash equivalents	**(35,229)**	(1,110)
Cash and cash equivalents at beginning of period	**53,928**	30,546
Cash and cash equivalents at end of period	**18,699**	29,436
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**18,699**	29,436

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law (2004 Revision) of the Cayman Islands as an exempted company with limited liability on March 20, 2007.

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

The Group's financial statements are presented in Hong Kong dollar ("HK$"), which is the functional currency used.

During the six months ended June 30, 2010, the Group was principally engaged in manufacturing and providing party and festivity products to dollar store business operators.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be in conjunction with the annual financial statements for the year ended December 31, 2009, which have been prepared in accordance with HKFRSs.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as describe below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2009, as described in those annual financial statements.

Tax on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

In the current interim period, the Group has applied, for the first time, the following amendments and interpretations ("New HKFRSs") issued by the HKICPA, which are effective from January 1, 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010. As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable. The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

2 Effective for annual periods beginning on or after 1 February 2010

3 Effective for annual periods beginning on or after 1 July 2010

4 Effective for annual periods beginning on or after 1 January 2011

5 Effective for annual periods beginning on or after 1 January 2013

4. TURNOVER

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

5. FINANCE COSTS

	Six months ended June 30, 2010	Six months ended June 30, 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expense on bank loans, bank overdrafts and other loans repayable within five years	**313**	356

6. PROFIT BEFORE TAXATION

	Six months ended June 30, 2010	Six months ended June 30, 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging/(crediting):		
Depreciation	**2,025**	2,829
Staff costs, including directors' emoluments	**16,573**	13,388
Impairment loss on trade receivables	**—**	670
Interest income	**(7)**	(24)

7. TAXATION

	Six months ended June 30, 2010	Six months ended June 30, 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
— Provision for the period	**1,353**	854

Hong Kong Profits Tax has been provided at 16.5% (June 30, 2009: 16.5%) on the estimated assessable profits for the interim period.

8. DIVIDEND

The Board declared an interim dividend of HK3 cents per share, HK$6.0 million in aggregate, for the six months ended June 30, 2010 (June 30, 2009: Nil).

During the six months ended June 30, 2010, a dividend of HK9 cents per share, HK$18 million in aggregate, was declared and paid as the final dividend for the financial year ended December 31, 2009.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the interim period is based on the consolidated profit attributable to equity holders of the Company of approximately HK$10.7 million (June 30, 2009: HK$6.0 million) and the weighted average number of shares in issue during the period, which was 200,000,000 shares (June 30, 2009: 200,000,000 shares). Diluted earnings per share have not been computed because there were no dilutive potential ordinary shares outstanding during the current and previous interim periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2010, the Group incurred approximately HK$13.8 million (June 30, 2009: HK$2.6 million) on acquisition of property, plant and equipment.

11. INVESTMENT — LOAN AND RECEIVABLE

	2010	2009
	HK$'000	*HK$'000*
Other loan and receivable	**23,000**	—

On February 8, 2010, the Company, through a wholly-owned subsidiary, entered into an Agreement to acquire approximately 12.4% equity interest in a joint venture company. The investment cost of HK$460 is not shown on the condensed consolidated statement of financial position as the amount has been rounded off. The Company advanced to the investee a loan of HK$22,999,540, which is unsecured, interest free and has no fixed repayment terms. The carrying amount is approximate to the amortised cost.

12. TRADE RECEIVABLES

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

	As at June 30, 2010	As at December 31, 2009
	HK$'000 **(Unaudited)**	*HK$'000* (Audited)
0 to 30 days	**34,854**	26,899
31 to 60 days	**7,169**	4,214
61 to 90 days	**1,845**	2,812
Over 90 days	**4,137**	2,390
Less: Provision for impairment	**(255)**	(365)
	47,750	35,950

For the period ended June, 30, 2010, no trade receivables of the Group were individually determined to be impaired (June 30, 2009: HK$670,000).

The carrying amounts of trade receivables approximate their fair values.

13. TRADE AND BILLS PAYABLE

	As at June 30, 2010	As at December 31, 2009
	HK\$'000 **(Unaudited)**	*HK\$'000* (Audited)
0 to 30 days	**11,644**	9,785
31 to 60 days	**594**	2,413
61 to 90 days	**391**	1,376
Over 90 days	**1,675**	1,674
	14,304	15,248

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

14. BANK BORROWINGS — SECURED

	As at June 30, 2010	As at December 31, 2009
	HK\$'000 **(Unaudited)**	*HK\$'000* (Audited)
Non-current		
Bank loan	**16,200**	—
Current		
Import trade loans	**6,204**	—
Bank loan	**25,750**	8,425
	48,154	8,425

The carrying amounts of bank borrowings approximate their fair values.

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

15. SHARE CAPITAL

	Number of shares	**Amount**
Ordinary shares of HK\$0.1 each:		
Authorised:		
As at December 31, 2009 and June 30, 2010	1,000,000,000	HK\$100,000,000
Issued and fully paid:		
As at December 31, 2009 and June 30, 2010	200,000,000	HK\$20,000,000

16. SEGMENT INFORMATION

The Group is principally engaged in manufacturing and providing party and festivity products to dollar store business operators. The directors consider there is only one business segment significant enough for disclosure. Other business segments, including the wealth management financial planning services business and hotel operation business were still at their infant stages as at June 30, 2010 and contributed less than 10% of the Group's sales and total assets for the six months ended June 30, 2010.

17. RELATED PARTY TRANSACTIONS

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

Emoluments of directors and senior management of the Group:

	Six months ended June 30,	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries, allowances and other benefits	**5,903**	5,865
Contributions to retirement scheme	**53**	52
	5,956	5,917

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

18. SUBSEQUENT EVENTS

A very substantial acquisition and connected transaction

On August 9, 2010, the Company dispatched a circular in relation to the acquisition of a 90% beneficial interest in Harmonic Strait Credit Guarantee Co., Ltd to its shareholders and, inter alia, to seek Independent Shareholders' approval for the transaction at the extraordinary general meeting dated August 24, 2010.

19. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the Board on August 13, 2010.