



**RAINBOW INTERNATIONAL HOLDINGS LIMITED**

**彩虹國際控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED  
30 APRIL 2003**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This report, for which the directors (the “Directors”) of Rainbow International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## HIGHLIGHTS

- Turnover for the six months ended 30 April 2003 was approximately HK\$5.55 million (2002: HK\$38.21 million) representing a decrease of approximately 85%, as compared with the corresponding period in 2002.
- A gross profit of HK\$4.33 million (or 78% gross profit margin) (2002: HK\$17.29 million (or 45% gross profit margin)), excluding the provision for slow-moving and obsolete inventories, was achieved.
- Loss for the six months ended 30 April 2003 was approximately HK\$4.88 million (2002: HK\$13.41 million).
- As at 30 April 2003, Rainbow International Holdings Limited and its subsidiaries had cash and bank balance of approximately HK\$1.78 million (31 October 2002: HK\$0.49 million) and bank loans and other borrowings of approximately HK\$4.93 million (31 October 2002: HK\$17.1 million).
- The board of Directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 April 2003.
- A rights issue raising gross proceeds of approximately HK\$21 million was completed on 27 January 2003 and the bonus issue on the basis of five bonus shares for every two shares was completed on 6 February 2003.

## INTERIM RESULTS (UNAUDITED)

The Board is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 April 2003, together with the comparative unaudited figures for the corresponding period in 2002 as follows:

### Consolidated profit and loss account

	Note	(Unaudited) For the three months ended 30 April		(Unaudited) For the six months ended 30 April	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
TURNOVER	2	2,242	14,293	5,552	38,206
COST OF SALES		(312)	(8,045)	(1,213)	(20,912)
GROSS (LOSS)/PROFIT		1,930	6,248	4,339	17,294
OTHER REVENUE	2	1	220	90	732
OTHER EXPENSES					
Selling and distribution costs		(2,242)	(11,161)	(4,627)	(22,490)
Administrative expenses		(1,974)	(4,249)	(3,993)	(7,345)
Other operating expenses		(104)	—	(169)	—
		(4,320)	(15,410)	(8,789)	(29,835)
LOSS FROM OPERATIONS		(2,389)	(8,942)	(4,360)	(11,809)
FINANCE COSTS		(150)	(863)	(518)	(1,605)
LOSS BEFORE TAXATION	3	(2,539)	(9,805)	(4,878)	(13,414)
TAXATION	4	—	—	—	—
LOSS ATTRIBUTABLE TO SHAREHOLDERS		(2,539)	(9,805)	(4,878)	(13,414)
LOSS PER SHARE — BASIC	6	(0.11) cents	(0.45) cents	(0.21) cents	(0.61) cents
LOSS PER SHARE — DILUTED	6	(0.11) cents	(0.43) cents	(0.21) cents	(0.58) cents

## Consolidated balance sheet

		(Unaudited) As at <b>30 April 2003</b> <i>HK\$'000</i>	(Audited) As at 31 October 2002 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	7	2,694	1,496
Investment in trust funds		—	3,872
		<b>2,694</b>	<b>5,368</b>
<b>Current assets</b>			
Prepayments, deposits and other receivables		1,400	1,926
Inventories		502	946
Trade receivables	9	—	315
Cash and bank balances	8	1,777	490
		<b>3,679</b>	<b>3,677</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Due to a director	11	5,540	9,760
Bank overdrafts - secured		—	951
Current portion of interest-bearing borrowings - secured		2,290	10,855
Current portion of obligation under hire purchase contracts		206	80
Trust receipt loans - secured		—	1,638
Short-term loans		—	3,621
Trade payables	10	11,655	12,588
Other payables and accruals		14,721	14,509
Taxation payable		596	596
		<b>35,008</b>	<b>54,598</b>
<b>Net current liabilities</b>		<b>(31,329)</b>	<b>(50,921)</b>
<b>Total assets less current liabilities</b>		<b>(28,635)</b>	<b>(45,553)</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings - secured		2,639	—
Obligation under hire purchase contracts		47	54
		<b>2,686</b>	<b>54</b>
<b>NET (LIABILITIES)/ASSETS</b>		<b>(31,321)</b>	<b>(45,607)</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	12	24,500	3,500
Reserves	13	(55,821)	(49,107)
		<b>(31,321)</b>	<b>(45,607)</b>

**Condensed consolidated cash flow statement**

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 April</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash used in operating activities	<b>(9,228)</b>	(19,265)
Net cash from/(utilized in) investing activities	<b>2,199</b>	(725)
Net cash used before financing activities	<b>(7,029)</b>	(19,990)
Net cash from/(utilized in) financing activities	<b>9,267</b>	(3,201)
Net increase/(decrease) in cash and cash equivalent	<b>2,238</b>	(23,191)
Cash and cash equivalents at beginning of period	<b>(461)</b>	8,584
Cash and Cash equivalents at the end of period	<b>1,777</b>	(14,607)
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<b>1,777</b>	7,649
Bank overdrafts	<b>—</b>	(22,256)
	<b>1,777</b>	(14,607)

**Condensed consolidated statement of changes in equity**

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 April</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At beginning of the period	<b>(45,607)</b>	12,588
Loss for the period	<b>(4,878)</b>	(13,414)
Issuance of shares, net of issuing expenses	<b>19,164</b>	—
At ended of the period	<b>(31,321)</b>	(826)

## Notes to the condensed interim accounts

### 1. Basis of preparation

The unaudited condensed consolidated interim accounts (the “interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 2.125 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants, and Chapter 18 of the Listing Rules of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The interim accounts should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31 October 2002, except that the Group has adopted the new and revised SSAPs which became effective on 1 January 2002. The adoption of these new and revised SSAPs has no material effect on the Group’s results.

Certain comparative figures have been reclassified to conform with the current period’s presentation.

In accordance with SSAP 15 (revised) “Cash Flow Statements”, the Group now classified its cash flows under three headings - operating, investing and financing, rather than the previous five headings. Returns received from jointly controlled entities and infrastructure project investments, which were previously included in the heading “Returns on Investments and Servicing of Finance”, are now classified as operating cash flows. Returns from other long-term investments, dividends and interest income received, which were previously included in the aforesaid heading, are now classified as investing cash flows. Finance costs and dividends paid, which were also included in the aforesaid heading previously, are now classified as financing cash flows. Cash flows arising from taxes on income, which were previously reported under the heading “Taxation”, are now classified as financing cash flow. Cash flows arising from taxes on income, which were previously reported under the heading “Profits Tax Paid”, are now classified as operating cash flows. Certain comparative figures have been reclassified to conform to the current year’s presentation.

## 2. Turnover

Turnover represents the invoiced value of beauty products sold less discounts and sales returns and services income generated from the provision of beauty services during the period after the elimination of all material inter-company transactions within the Group.

(a)

	For the three months ended 30 April		For the six months ended 30 April	
	2003 (Unaudited)	2002 (Unaudited)	2003 (Unaudited)	2002 (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Retails and wholesales of beauty products	1,209	12,790	2,505	35,338
Beauty services	1,033	1,503	3,047	2,868
	<u>2,242</u>	<u>14,293</u>	<u>5,552</u>	<u>38,206</u>
Other revenue				
Interest income	—	30	—	129
Exchange gain	—	8	—	12
Insurance compensation income	—	181	—	181
Other	1	1	90	410
	<u>1</u>	<u>220</u>	<u>90</u>	<u>732</u>
Total revenue	<u>2,243</u>	<u>14,513</u>	<u>5,642</u>	<u>38,938</u>

(b) *Primary reporting format — business segments*

	(Unaudited)		
	For the six months ended 30 April 2003		
	Retail and wholesales of beauty products HK\$'000	Beauty services HK\$'000	Total HK\$'000
<b>TURNOVER</b>			
Sales to external customers	<u>2,505</u>	<u>3,047</u>	<u>5,552</u>
<b>LOSS FROM OPERATION</b>			
Segment results	<u>(1,022)</u>	<u>(939)</u>	(1,961)
Unallocated income			90
Unallocated expenses			(2,489)
Interest income			—
Finance costs			(518)
Loss before taxation			(4,878)
Taxation			—
Loss after taxation			<u>(4,878)</u>

	(Unaudited)		
	For the six months ended 30 April 2002		
	Retail and wholesales of beauty products	Beauty services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>TURNOVER</b>			
Sales to external customers	35,338	2,868	38,206
	<u>35,338</u>	<u>2,868</u>	<u>38,206</u>
<b>LOSS FROM OPERATION</b>			
Segment results	(12,274)	770	(11,504)
	<u>(12,274)</u>	<u>770</u>	
Unallocated income			603
Unallocated expenses			(1,037)
Interest income			129
Finance costs			(1,605)
			<u>(1,605)</u>
Loss before taxation			(13,414)
Taxation			—
			<u>—</u>
Loss after taxation			<u>(13,414)</u>

(c) *Secondary reporting format-geographical segment*

	(Unaudited)			
	For the six months ended 30 April			
	2003		2002	
	Segment Turnover	Contribution to operating loss	Segment Turnover	Contribution to operating loss
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	4,163	(4,270)	38,206	(12,967)
Macau	1,389	(90)	—	(447)
	<u>5,552</u>	<u>(4,360)</u>	<u>38,206</u>	<u>(13,414)</u>

### 3. Loss before taxation

Loss before taxation is stated after crediting and charging the following:

	For the three months ended 30 April		For the six months ended 30 April	
	2003 (Unaudited)	2002 (Unaudited)	2003 (Unaudited)	2002 (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting:				
Interest income	—	30	—	129
Exchange gain	—	8	—	12
Insurance compensation income	—	181	—	181
Other income	1	1	90	410
Charging:				
Cost of inventories sold excluding provision for slowing-moving inventory for the period)	312	8,045	1,213	20,912
Auditors' remuneration				
Current period	—	—	100	50
Over provision in the previous year	—	—	(125)	—
Depreciation				
Owned assets	230	861	405	1,641
Asset held under hire purchase contracts	21	4	42	6
Operating lease rentals in respect of land and buildings	554	6,375	1,129	13,832
Exchange Loss	5	0	70	0
Interest expenses on borrowings	100	861	455	1,602
Hire Charge	8	2	13	3
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 4. Taxation

No Hong Kong profits tax was provided for as the Group had no assessable profits arising in Hong Kong (2002: Nil). Provision for taxation by a subsidiary operating in Macau has been calculation at the rates applicable, based on existing laws, interpretations and practice, during the period (2002: Nil).

No provision for deferred taxation has been made for the Group for the period as the effect of all timing differences is not material.

### 5. Interim dividend

The directors do not recommend the payment of an interim dividend for the period (2002: HK\$Nil).

## 6. Loss Per Share

### (a) Basic

The calculation of basic loss per share for the three months and six months ended 30 April 2003 is based on the loss attributable to shareholders of approximately HK\$2,539,000 and HK\$4,878,000 respectively (three months and six months ended 30 April 2002: approximately HK\$9,805,000 and HK\$13,414,000 respectively) and on the weighted average number of 2,328,174,765 (three months and six months ended 30 April 2002: 2,192,750,000 (restated)) shares.

The weighted average number of ordinary shares in issue during the period used in the calculation of basic loss per share for the three months ended 30 April 2003 and 2002 have been adjusted to reflect the rights issue and bonus issue completed during the period.

### (b) Diluted

The calculation of diluted loss per share for the three months and six months ended 30 April 2003 is based on the loss attributable to shareholders of approximately HK\$2,539,000 and HK\$4,878,000 respectively (three months and six months ended 30 April 2002: approximately HK\$9,805,000 and HK\$13,414,000 respectively) and the 2,340,424,765 (2002: 2,297,281,525 (restated)) shares, which represented the weighted average number of shares in issue and after adjusting for the number of shares which are deemed to have been issued for no consideration under the Pre-IPO Share Option Scheme based on the subscription price per share at 50 per cent of the offer price of the Company's shares as disclosed in the prospectus dated 28 September 2001 (i.e. HK\$0.044).

## 7. Fixed assets

	As at 30 April 2003 (Unaudited) HK\$'000	As at 31 October 2002 (Audited) HK\$'000
At beginning of the period	1,496	6,740
Additions	1,766	1,672
Disposals	(121)	(4,517)
Depreciation charge	(447)	(2,399)
	<u>(2,694)</u>	<u>1,496</u>

## 8. Cash and Bank Balances

The amount of balances is including an amount of approximately HK\$137,000 (31 October 2002: HK\$287,000) which is deposited in the banks of the subsidiaries of Rainbow Cosmetic Company Limited and Harmony Century HK Limited which are frozen by the provisional liquidator by the creditor on 5 March 2003. Further details are set out in note 16.

## 9. Trade Receivables

Majority of the Group's turnover are cash or credit card sales. The entire balance of trade receivables of the Group was aged within three months as at 30 April 2003 and 31 October 2002.

## 10. Trade Payables

	As at 30 April 2003 (Unaudited) HK\$'000	As at 31 October 2002 (Audited) HK\$'000
Within three months	5	1,115
Over three months but within six months	18	1,143
Over six months	11,632	10,330
	<u>11,655</u>	<u>12,588</u>

## 11. Due to director

The amount due to a director is unsecured, interest free and repayable on demand.

## 12. Issued capital

	(Unaudited)		(Audited)	
	As at 30 April 2003		As at 31 October 2002	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01	<u>4,000,000,000</u>	<u>40,000</u>	<u>2,000,000,000</u>	<u>20,000</u>
Issue and fully paid (ordinary shares of HK\$0.01 each):				
Beginning of the year	350,000,000	3,500	350,000,000	3,500
Rights issue	350,000,000	3,500	—	—
Bonus issue	1,750,000,000	17,500	—	—
End of second quarter	<u>2,450,000,000</u>	<u>24,500</u>	<u>350,000,000</u>	<u>3,500</u>

The following changes in the share capital of the Company took place during the period:

- (a) The authorised share capital of the Company increased from HK\$20,000,000 to HK\$40,000,000 by the creation of an additional 2,000,000,000 new ordinary shares of HK\$0.01 each ranking pari passu in all respects with the existing ordinary shares of the Company; and
- (b) On 3 January 2003, an ordinary resolution in respect of the rights issue and bonus issue has been approved at the extraordinary general meeting of the Company. The Rights Issue is to raise approximately HK\$21 million by issuing 350,000,000 new shares at a subscription price of HK\$0.06 per rights share on the basis of one rights share for every share held by qualified shareholders. Bonus shares were then issued to the shareholders of the Company on the basis of five bonus shares for every two shares held on 6 February 2003.

### 13. Reserves

#### *The Group*

	Share premium HK\$'000	Accumulated losses HK\$'000	Capital reserves* HK\$'000	Total HK\$'000
At 1/11/2001	19,409	(38,648)	28,327	9,088
Loss for the year	—	(58,195)	—	(58,195)
At 31/10/2002	19,409	(96,843)	28,327	(49,107)
Premium on issue of rights shares	17,500	—	—	17,500
Bonus issue	(17,500)	—	—	(17,500)
Share issuing expenses	(1,836)	—	—	(1,836)
Loss for the period	—	(4,878)	—	(4,878)
At 30/04/2003	<u>17,573</u>	<u>(101,721)</u>	<u>28,327</u>	<u>(55,821)</u>

\* *Capital reserve of the Group represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of shares issued by the Company as consideration thereof pursuant to the reorganisation of the Group for the purpose of listing.*

### 14. Share option schemes

- (a) On 24 September 2001, pursuant to the Pre-IPO Share Option Scheme, options to subscribe for 35,000,000 shares were granted to certain directors, employees, consultants and advisers of the Group. After the issuance of the rights issue and bonus issue approved at the extraordinary general meeting of the Company on 3 January 2003, the number of option shares was adjusted to 245,000,000. The adjusted exercise price of the share options is HK\$0.044.

All of these options have an duration of three years from the commencement of the trading of the shares on the GEM.

Except for options granted to ICN as part of the remuneration for its financial advisory service rendered to the Group, each option shall lapse if the relevant grantee ceases to be a director or an employee of the Group.

During the year, no options were exercised under the Pre-IPO Share Option Scheme.

- (b) On 24 September 2001, the shareholders of the Company approved a share option scheme ("the Scheme") under which its Board of Directors may, at its discretion, offer full-time or part time employees and executive, non-executive and independent non-executive directors of the Company and/or any of its subsidiaries, options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 30% of the issued share capital of the Company. The subscription price will be determined by the Company's Board of Directors and will be the highest of (i) the nominal value of the shares; (ii) the quoted closing price of the Company's shares on the date of offer of the options; and (iii) the average of the quoted closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the options.

During the year, no option was granted by the Company under the Scheme.

- (c) During the year, 24,500,000 options granted to ICN were under dispute in relation to its validity. In addition, 105,962,500 options have lapsed and the remaining balance of 114,537,500 options (the holders of which have given irrevocable undertakings not to exercise the options within 10 years from their respective date of grant) have been regarded as unexercisable as at 30 April 2003.

#### 15. Charge to the Group's assets

During the period, the bank borrowings of the subsidiaries have been restructured successfully and all the debt-restructuring contracts for deferral payments have been signed prior to 30 April 2003. After the debt-restructure of bank borrowings, a subsidiary has discharged its bank borrowings instead of charging the Company.

At 30 April 2003, the outstanding of bank borrowings of the Group and the Company were HK\$4,929,000 (31 October 2002: HK\$13,444,000) and HK\$4,279,000 (31 October 2002: HK\$Nil) respectively and were secured by the following:

- i) Corporate guarantee executed by Nutriplus Cosmetics International Ltd. and Nutriplus (Asia) Ltd. of approximately HK\$3.4 million.
- ii) Promissory notes issued by the Company of approximately HK\$3.8 million.
- iii) Personal guarantee executed by Ms. Li Ngar Kwan, Aldy ("Ms. Aldy Li"), an executive Director.
- iv) Fixed deposits held and personal guarantee by an individual connected with Ms. Aldy Li.

#### 16. Contingent liabilities

As at the date hereof, the Group has received two winding up petitions (details of which was disclosed in the announcement of the Company dated 20 January 2003 and 6 March 2003), twelve writs of summons, forty-six claims under the Small Claims Tribunal and eleven claims under Labour Tribunal. The total gross amount claimed under all writs and claims is approximately HK\$11.39 million.

On 5 March 2003, the High Court in Hong Kong granted winding up order in respect of two winding up petitions against Rainbow Cosmetic company Limited and Harmony Century Hong Kong Limited which are insolvent subsidiaries that had ceased business operations since 1 August 2002 and 31 October 2002 respectively. The Directors do not expect that the winding up order would have any negative material effect on the existing operations of the Company.

Apart from the above, the Group and the Company had no other material litigation or contingent liabilities as at 30 April 2003 and up to the date of the approval of the unaudited results of the Group for the six months ended 30 April 2003.

The table below shows the winding up subsidiaries including in the Consolidated Income Statement and Consolidated Balance Sheet as at 30 April, 2003 which in the opinion of the Directors, principally affect the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

	<b>(Unaudited)</b> <b>As at</b> <b>30 April</b> <b>2003</b> <i>HK\$'000</i>
CURRENT ASSETS	<u><u>161</u></u>
CURRENT LIABILITIES	<u><u>(19,302)</u></u>
TURNOVER	<u><u>446</u></u>
LOSS AFTER TAXATION	<u><u>(689)</u></u>

#### 17. Commitments

As at 30 April 2003, the total future minimum lease payments under non-cancelable operating leases are payable as follows:

	<b>As at</b> <b>30 April</b> <b>2003</b> <b>(Unaudited)</b> <i>HK\$'000</i>	<b>As at</b> <b>31 October</b> <b>2002</b> <b>(Audited)</b> <i>HK\$'000</i>
Within one year	2,402	1,755
In the second to fifth years inclusive	<u>1,122</u>	<u>1,514</u>
	<u><u>3,524</u></u>	<u><u>3,269</u></u>

#### 18. Related party transactions

	<b>As at</b> <b>30 April</b> <b>2003</b> <b>(Unaudited)</b> <i>HK\$'000</i>	<b>As at</b> <b>30 April</b> <b>2002</b> <b>(Audited)</b> <i>HK\$'000</i>
Rental expenses paid to Aldy Li	<u><u>—</u></u>	<u><u>126</u></u>

The headquarter and the warehouse of the Group were located at the premises owned by Ms. Aldy Li. No rent was paid to Ms. Aldy Li for the year ended 31 October 2000 and until 1 June 2001. Ms. Aldy Li had entered into a lease agreement with a wholly-owned subsidiary of the Company for the said premises for a term of 3 years commencing from 1 June 2001 at a monthly rent of HK\$21,000. The lease agreement was terminated on 31 August 2002.

The Directors are of the opinion that the above transactions were conducted under normal commercial terms in the usual course of business.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Business review

For the six months ended 30 April 2003, turnover of the Group amounted to approximately HK\$5,552,000, representing a decrease of approximately 85% as compared with that of the corresponding period in 2002. Loss attributable to shareholders for the six months ended 30 April 2003 was approximately HK\$4,878,000, representing a decrease of approximately 64% from that of the corresponding period in 2002.

The Group is principally engaged in direct sales of branded beauty products in Hong Kong and retail sales in Macau of branded products and in the provision of beauty services in Hong Kong and Macau. The beauty products sold by the Group may be broadly divided into three main categories, namely (i) skin-care products; (ii) fragrances and cosmetics; and (iii) hair-care and personal care products and accessories.

The Group is committed to maintaining a high quality of the products and beauty services provided and, the establishment of beauty centers under the trade name of Nutriplus is an extension of this precept.

The retail environment of Hong Kong continued to be shrouded by sluggish economic outlook during the first half of 2003. The unemployment rate, bankruptcy and corporate winding up cases remained high level. In responding to this gloomy outlook, consumers have been tightening their purse strings.

Moreover, the outbreak of atypical pneumonia in Hong Kong and other regions of the world have a negative impact on the business, financial position and operations of many industries such as retail industry, restaurants and hotel accommodation industry, entertainment industry and traveling industry. The economic environment in Hong Kong continued to be undermined as a result.

Although beauty and personal care products are generally regarded as recession-resistant in an era of health-consciousness, consumers have become more price-sensitive and cautious in choosing quality brands.

## Retail operations

In retail operations, the Group is engaged in the sale of various branded beauty and personal care products, and in the exclusive distribution of some distinguished product lines for skin care.

Given the financial difficulty of the Group as a result of the current adverse economic environment in Hong Kong, the Group has decided to reallocate its resources in order to achieve higher cost efficiency and to develop direct sales business. Accordingly, eight retail outlets and one beauty services center had ceased operation during the period from February to November, 2002. The Directors consider that such decision is in the interest of the Company and its shareholders as it preserves the remaining resources of the Group for future business operation.

During the period under review, retail operations accounted for 45% of the Group's total turnover. Turnover from these operations was HK\$2,505,000 for the same period, representing a decline of 93% from that of the first half of the previous year, largely due to the unfavourable retail market environment and the closure of eight outlets and one beauty services center in February and November 2002.

## **BEAUTY SERVICES OPERATIONS**

The Group's beauty services operations maintained its growth momentum during the period under review. Turnover from this segment amounted to HK\$3,047,000 for the six months ended 30 April 2003, a slightly increasing 6% from that of the same period of the last year. In juxtaposition with the previous quarter figure, turnover from the Group's beauty services in the second quarter dropped down by 49%.

### **Financial review**

The Group is principally engaged in the sale and distribution of beauty and personal care products and in the provision of beauty services. Under the lengthy recession in Hong Kong, Rainbow Group had initiated business consolidation and new product launch to weather the adverse impact during the interim period ended 30 April 2003.

During the period under review, the Group's turnover and gross profit amounted to HK\$5,552,000 and HK\$4,339,000 respectively, representing a decreases of 85% and 75% from those of the same period of the previous year. The substantial decline in turnover was partly attributed to the overall poor performance of the Hong Kong consumer goods market.

Comparing with the results in the first quarter, the Group's turnover for the second quarter decreased by 32% to HK\$2,242,000.

### **Future plans and prospects**

It is the Group's intention to expand operations both in terms of scale and scope of business in order to achieve a rapid growth. Moreover, the Group aims to become a leading beauty products and services provider in Hong Kong.

The Board will continue to pursue the business objectives of the Group as stated in the IPO Prospectus (as defined below). The Board will use additional efforts towards positioning the Group as one of the leading beauty products and services providers in Hong Kong. With the anticipated recovery of the Hong Kong economy, together with our strong management team, the Board believes that the Group will be able to meet the challenges ahead and will become one of the leading beauty products and services providers in Hong Kong.

As at 30 April 2003, the Group has been operating two beauty services centers, two retail direct sales centers, two warehouses in Hong Kong and one retail outlet carrying on retail and provision of beauty services business in Macau.

The Directors would like to express their appreciation for the continuing support of the shareholders and the invaluable contributions made by management and staff.

## **Liquidity and financial resources**

The Group's financial position was affected by poor economic environment in Hong Kong. Cash and bank balances as of 30 April 2003 amounted to approximately HK\$1,777,000 (31 October 2002: 490,000). As of 30 April 2003, the Group had an aggregate amount of outstanding bank loan and overdraft of approximately HK\$4,929,000 (31 October 2002: HK\$17,065,000). The Aggregate trade payables and other borrowings and liabilities as of 30 April 2003 amounted to approximately HK\$32,765,000 (31 October 2002: HK\$37,587,000).

The Group's borrowing carry interest rate calculated mainly with reference to being higher of Hong Kong Dollar Prime Rate or Hong Kong Inter-Bank Offered Rate plus 2% per annum to minus 2% per annum of Hong Kong Dollar Prime Rate.

## **Hedging**

Since most of the transactions of the Group are denominated in Hong Kong dollars, no hedging or other arrangements to reduce the currency risk have been implemented.

## **Gearing ratio**

As at 30 April 2003, the directors consider that it is not meaningful to publish a gearing ratio for the Group until such time as the Group is in a positive shareholders' equity position.

## **Future plans for material investments or capital assets**

As at 30 April 2003, the Group had no future plans for material investments or capital assets other than those stated in the business plans set out in the section headed "Comparison of business objectives of the Group" below.

## **Interim dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 April 2003.

## **Incomplete books and records**

In light of the incomplete books and records maintained by the Company and its subsidiaries and the lack of supporting documentary evidence in respect of accounts payables and other payables and accruals relating to the year ended 31 October 2002, the Directors are unable to represent as to the accuracy and completeness of the relative information contained in this report which has been prepared according to the best knowledge of the Directors.

## Rights Issue and bonus issue

To improve the financial situation of the Group, the Group has carried out a rights issue to raise gross proceeds of approximately HK\$21.0 million in November 2002 (the "Rights Issue"). The Rights Issue was completed in January 2003. The Directors consider that the Rights Issue is in the best interest of the Group and the shareholders of the Company as a whole.

The net proceeds of the Rights Issue was approximately HK\$19.0 million, of which approximately HK\$4.0 million was applied to repay the shareholder's loan granted by Ms. Aldy Li, an executive Director and the Chairperson of the Company, and was then used for directly setting off the part of the subscription monies payable by Ms. Aldy Li under the Rights Issue. As at 30 April 2003, approximately HK\$17.37 million out of the proceeds from the Rights Issue has been utilized. The proposed use of the net proceeds from the Rights Issue of Company dated 3 January 2003 (the "Rights Issue Prospectus") relating to the Rights Issue and the actual use of such proceeds until 30 April 2003 are set out as below:

	<b>Proposed use of the net proceeds as disclosed in the Rights Issue Prospectus</b> <i>HK\$ million</i>	<b>Actual use of the net proceeds as at 30 April 2003</b> <i>HK\$ million</i>
Repayment of shareholder's		
Loan granted by Ms. Aldy Li	4.00	4.00
Repayment of bank loans	4.00	4.80
Repayment of outstanding staff		
Salary, severance payment and		
Mandatory provident funds	2.89	0.15
Repayment of advances from		
Ever-Long Securities		
Company Limited ( <i>Note 1</i> )	3.57	4.10
To purchase additional		
equipment for Beauty services	—	0.03
To relocate the Nutriplus beauty		
center in Hong Kong	—	0.56
General working capital ( <i>Note 2</i> )	4.54	5.36
	<u>19.00</u>	<u>19.00</u>

### Notes:

- In December 2002, Ever-Long had advanced a further of HK\$400,000 to the Group. Upon repayment of approximately HK\$4.1 million (inclusive of principal amount due and interests thereon) to Ever-Long Securities Company Limited in January 2003, there is no outstanding amount due to Ever-Long.
- The general working capital of approximately HK\$5.36 million composed of cash and bank balances of approximately HK\$1.63 million and the remaining balance was utilized to finance the operations of the Group.

Upon the completion of the Rights Issue, the Group carried out a bonus issue on the basis of five bonus shares for every two existing shares of the Company held on the book closure date on 6 February 2003.

## **Charges on the Group's assets**

Particulars of borrowings and pledge of assets of the Group as at 30 April 2003 are set out in notes 15 to the financial statements.

## **Capital structure**

During the first six months of the year, the Company issued 2,100,000,000 new ordinary shares of par value of HK\$0.01 each, comprising 350,000,000 shares allotted at HK\$0.06 each and 1,750,000,000 shares in respect of the rights issue and bonus issue approved at the extraordinary general meeting of the Company on 3 January 2003.

## **Contingent liabilities**

Details of the contingent liabilities are set out in note 16.

## **Employees**

As at 30 April 2003, the Group employs approximately 53 employees in Hong Kong and Macau of which 13 employees for head office, 2 employees for retail direct sales centers, 23 employees for beauty services centers in Hong Kong and 15 employees for retail outlet and beauty services center in Macau. The Company's remuneration packages are generally structured with reference to market terms and individual merit.

## **Share option scheme**

On 24 September 2001, the shareholders of the Company approved a share option scheme ("the Scheme") under which its Board of Directors may, at its discretion, offer full-time or part time employees and executive, non-executive and independent non-executive directors of the Company and/or any of its subsidiaries, options to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 30% of the issued share capital of the Company. The subscription price will be determined by the Company's Board of Directors and will be less than the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company's shares on the date of offer of the options, and (iii) the average of the quoted closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the options. As at 30 April 2003, no option under the Scheme has been granted by the Company.

Details of the Scheme of the Company are set out in note 14 to the financial statements.

## **Valuation of share option**

The options granted are not recognized in the financial statements until they are exercised. The Directors consider that it is not appropriate to state the value of the share options granted during the period on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders of the Company.

## COMPARISON OF BUSINESS OBJECTIVES OF THE GROUP

The Directors refer to the latest business operations and financial position of the Group and would update the Shareholders on the progress of the Group as at the date of this announcement as compared to the business objectives as stated in the prospectus of the Company dated 28th September, 2001 (the "IPO Prospectus"). The following table sets out comparison of the business objective of the Group stated in the IPO Prospectus and the actual progress of the Group:

### **Business Objective stated in the IPO Prospectus**

#### **To expand the retail business**

To expand the retail business of the Group, the Directors will continue to open new Rainbow Cosmetic outlets in prime business locations in Hong Kong. With the gradual improvement in the economy of Macau, the Directors anticipate that there will be a growing demand for beauty products, whereas the competition is relatively less intensive as compared to Hong Kong. To capitalize these potential business opportunities, the Directors also plan to set up a Rainbow Cosmetic outlet in Macau subject to satisfactory feasibility study.

### **Actual Progress of the Group as of 30 April 2003**

On 25th May, 2002, the Group opened a retail outlet by employing 13 new staffs in Macau which engages in the cosmetics and skin care products retails business. The turnover of Macau branch was HK\$1.39 million from November 2002 to April 2003. As at the Latest Practicable Date the Group closed all its eight retail outlets with relative high rental in Hong Kong as a result of current sluggish local economy and preserves the resources of the Group for future development. As at the Latest Practicable Date, the Group is still operating two beauty services centers in Hong Kong (Causeway Bay and Mongkok), two direct sales centers in Hong Kong (Causeway Bay and Mongkok) and one retail outlet with beauty services in Macau.

## **Business Objective stated in the IPO Prospectus**

### **To focus on the provision of comprehensive beauty services**

Recognizing the increasing demand for comprehensive beauty services, the Directors will continue to set up specialized beauty centers in Hong Kong under the trade name of Nutriplus and provide comprehensive beauty services, such as facial and body treatment and hair-care treatment, to women as well as men. The Directors devote to invest in additional and advanced beauty-care equipment and technology for the beauty services provided by the Group. The additional equipment expected to be acquired for the beauty-care service may include Isogei for skin treatment (專業修身美體機), Bio R-2000 for treating muscle and face lines (智能數碼美療儀器), Cellu M6 for body toning (纖體健膚儀器), Aesthi Peel for treating pigment, wrinkles, face lines and acne care and marks (金鋼磨砂皮膚更生儀器), Linfogeil for treating water retained in the body (淋巴導向去水腫排毒儀器) and Therapeutic for treating body fat (熱能振盪按摩理療艙).

### **To expand the wholesale business of the Group**

The Directors also believe that with the continuous economic development and improvement in the living standard in the PRC, there will be increasing demand for beauty products in the PRC. To capitalize these potential business opportunities, the Group intends to expand its wholesale business in the PRC subject to satisfactory feasibility study.

## **Actual Progress of the Group as of 30 April 2003**

Due to the high rental cost at prime ground locations in Hong Kong, the Group closed a retail outlet in Mongkok on 31st July, 2002 and moved the beauty center to 25th Floor, Wu Sang House, 655 Nathan Road, Kowloon with a relative lower rental and commenced its operation on 11th November, 2002.

Due to the tenancy agreement for the beauty center at Wellable Commercial Building in Causeway Bay was expired in March 2003, the Group relocated the beauty center to 23/F, Island Beverley Centre, 1 Great George Street, Causeway Bay, Hong Kong.

In order to enhance the beauty service business to meet the market demands, the Group acquired a new piece of equipment in relation to Skinlight for treatment of wrinkles and skin care in March, 2002 for HK\$150,000. The Group further purchased new piece of equipment of Revitalase Twins 12, Sygmass and Bio Oxyget Plus for the new beauty services center in Wu Sang House, Mongkok amounting to HK\$269,200 in November 2002.

Since 10th April 2002, the Group has been in negotiation with an operator which has approximately 300 supermarket stores in Beijing to set up a joint company to provide beauty service in the PRC. However, the financial position of the Group will be the key to the success for the negotiation. As at the Latest Practicable Date, no agreement has been made and negotiation was put on hold after completion of the result of the Rights Issue. The Group will seek additional finance resources if the joint venture were to proceed in future.

**Business Objective stated in the IPO Prospectus****To improve the quality of services at the Rainbow Cosmetic outlets and the beauty centers of the Group**

The Directors acknowledge that quality of services is crucial to the success of the Group. To this end, the Directors will implement a series of training programs (including in-house training and joint training programs with beauty product suppliers) to improve the standard of services and product knowledge of the sales representatives at the Rainbow Cosmetic outlets.

In addition, the Directors will recruit additional beauticians to provide beauty services at the beauty centers of the Group.

**To promote corporate image and strengthen brand loyalty of the beauty and personal-care products under the brand name of Nutriplus**

To maintain a competitive advantage over its competitors in the retail business of beauty products in Hong Kong, the Directors believe that it is important to cultivate strong brand loyalty and recognition of the Group. The Directors intend to implement a series of strategies, such as advertising, renovating the Rainbow Cosmetic outlets and the beauty centers of the Group and participating in public functions, to promote the corporate image of the Group as one of the leading providers of beauty products and services. The Group will also develop beauty products under the brand name of Nutriplus as part of its brand enhancement program.

**Actual Progress of the Group as of 30 April 2003**

To deliver a series of in-house training to the staff of the Group in Hong Kong and Macau to improve the standard of services and knowledge of the Group in the beauty services industry.

The Group have decorated the retail outlet in Macau and the beauty centre in Wu Sang House, Mongkok which was opened on 11th November 2002 and relocated the beauty center to Island Beverley, Causeway Bay in April 2003. The total decoration costs of the Macau outlet was HK\$660,000, Mongkok beauty center was approximately HK\$726,000, Causeway Bay beauty center was approximately HK\$395,000.

To maintain the competitiveness of the Group and the market share of the Group's products, the Group has regularly been advertising the products of Nutriplus in magazines published in Hong Kong every month. The Group is the sole exclusive distributor for the products of Nutriplus in Asia.

**Business Objective stated in the IPO Prospectus****Actual Progress of the Group as of 30 April 2003****To strengthen the management information system of the Group**

As at the Latest Practicable Date, only four out of the eight Rainbow Cosmetic outlets were implemented with an integrated system for inventory control. The Directors recognize the importance to implement such system at all Rainbow Cosmetic outlets so as to enable the management of the Group to respond to the changing market demand promptly and maintain an appropriate level and variety of inventory at each Rainbow Cosmetic outlet. The Directors intend to upgrade and enhance the existing inventory control systems by implementing a comprehensive electronic point-of-sales system at all Rainbow Cosmetic outlets.

The Group had initially planned to invest about HK\$1.2 million to enhance the information system of the Group for the improvement of the inventory control of the Group. Due to the current financial difficulty of the Group, the investment plan was suspended.

**CHANGE IN INDEPENDENT NON-EXECUTIVE DIRECTOR AND RESIGNATION AND APPOINTMENT OF QUALIFIED ACCOUNTANT AND COMPANY SECRETARY**

Mr. Chiu Wai resigned as an independent non-executive Director with effect from 12 February 2003 and Mr. Ko Sin Ming, Sammy was appointed as the replacement with effect from 12 February 2003.

Mr. Lee Chap Ming resigned as the Company secretary and qualified accountant of the Company on 28 February 2003. Mr. Wang Chin Mong has been appointed as the qualified accountant and company secretary with effect from 10 May 2003.

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

As at 30 April, 2003, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong) ("SFO"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### (a) Long positions in the shares of the Company

Name	Type of interest	No. of shares	Approximate percentage of interest
Ms. Li Ngar Kwan, Aldy	Personal	464,730,000	18.97%
Mr. Lai Tin Ying, Michael (alias Lai Siu Tin)	Personal	7,652,519	0.31%

### (b) Long positions in underlying shares of equity derivatives of the Company

The Directors had personal interests in share options granted by the Company during the year to subscribe for shares in the Company as follows:

Name	Number of share options granted on 24 September 2001	Cancelled/ lapsed at 11 August 2002	Outstanding at 30 April 2003
Ms. Li Ngar Kwan, Aldy	3,500,000	3,500,000	—
Mr. Liang Kwong Lim	3,500,000	3,500,000	—
Mr. Lai Tin Ying, Michael (alias Lai Siu Tin)	3,500,000	3,500,000	—

Ms. Li Ngar Kwan, Aldy, Mr. Liang Kwong Lim and Mr. Lai Tin Ying, Michael and all the other grantees except International Capital Network Ltd. ("ICN") subsequently agreed to waive and cancel unconditionally and irrevocably the above option in August 2002 given under the Pre-IPO share option scheme on 24 September 2001 before expiration.

### (c) Short positions in shares and underlying shares of equity derivatives of the Company

Save as disclosed herein above, as at 30 April 2003, none of the Directors has short positions in shares or underlying shares of equity derivatives.

**PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS OF OTHER MEMBER OF THE GROUP**

So far as is known to any Director or chief executive of the Company, as at 30 April 2003, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

**(a) Long position in the shares of the Company**

<b>Name</b>	<b>Type of interest</b>	<b>No. of shares</b>	<b>Approximate percentage of interest</b>
Ms. Li Ngar Kwan, Aldy ( <i>Note 1</i> )	Personal	464,730,000	18.97%
Ms. Lam Yin Ming, Amy ( <i>Note 2</i> )	Personal	323,674,834	13.21%
Best Time Investments Ltd. ( <i>Note 3</i> )	Corporate	637,468,440	26.02%
Digital World Holdings Limited ( <i>Note 3</i> )	Corporate	637,468,440	26.02%
Mr. Lai Tin Ying, Michael ( <i>Note 4</i> )	Personal	7,652,519	0.31%
Inworld System (HK) Ltd. ( <i>Note 5</i> )	Corporate	104,999,999	4.29%
Inworld International Limited ( <i>Note 5</i> )	Corporate	104,999,999	4.29%
Inworld Group Limited ( <i>Note 5</i> )	Corporate	104,999,999	4.29%
E-Teck Business Limited ( <i>Note 6</i> )	Corporate	273,197,778	11.15%
Ever-Long Asset Management Limited ( <i>Note 6</i> )	Corporate	273,197,778	11.15%
Ever-Long Holdings Limited ( <i>Note 6</i> )	Corporate	273,197,778	11.15%
Styland Holdings Limited ( <i>Note 7</i> )	Corporate	378,197,777	15.44%

*Notes:*

- 1) Ms. Aldy Li Ngar Kwan, an executive Director and the chairperson of the Company, disposed of 637,468,440 shares to Best Time Investments Limited on 17 April 2003.
- 2) Ms. Lam Yin Ming, Amy acquired these shares of the Company through the Rights Issue which was completed in January 2003. Presently Ms. Lam Yin Ming, Amy does not have management role nor board representation in the Group.
- 3) Best Time Investments Limited is a wholly-owned subsidiary of Digital World Holdings Limited, a company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange. Pursuant to Part XV of the SFO, Digital World Holdings Limited is taken to be interested in the shares held by Best Time Investments Ltd. in approximately 26.02% of the Company.
- 4) Mr. Lai Tin Ying, Michael is a non-executive Director of the Company. He is also an executive Director of Digital World Holdings Limited.
- 5) Inworld System (HK) Limited is beneficially owned by Inworld International Limited, which is a wholly-owned subsidiary of Inworld Group Limited whose shares are listed on GEM.

- 6) The 273,197,778 shares are beneficially owned by and registered in the name of E-Teck Business Limited. All the issued share capital of E-Teck Business Limited is beneficially owned by Ever-Long Asset Management Limited, which is a wholly-owned subsidiary of Ever-Long Holdings Limited. Ever-Long Holdings Limited is a wholly-owned subsidiary of Styland Holdings Limited which is a limited liability company incorporated in Bermuda whose shares are listed on the Main Board. Ever-Long Asset Management Limited, Ever-Long Holdings Limited and Styland Holdings Limited are all taken to be interested in the shares held by E-Teck Business Limited pursuant to Part XV of the SFO.
- 7) Styland Holdings Limited is interested in approximately 32.5% of the issued share capital of Inworld Group Limited. In addition, Ever-Long Holdings Limited is a wholly owned subsidiary of Styland Holdings Limited. Pursuant to Part XV of the SFO, Styland Holdings Limited is taken to be interested in the shares held by Inworld System (HK) Limited and E-Teck Business Limited in aggregate of approximately 15.44% of the Company.

**(b) Short positions in the shares and underlying shares of equity derivatives of the Company**

So far as the Directors are aware, save as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives.

**SPONSOR'S INTEREST**

As updated and notified by the Company's sponsor, MasterLink Securities (Hong Kong) Corporation Limited (the "Sponsor"), as at 30 April 2003, neither the Sponsor, its directors, employees nor their associates had any interest in any securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the agreement dated 18 October 2002, the Sponsor has been retained for a fee as the continuing sponsor of the Company until 31 October 2003.

**COMPLIANCE WITH RULE 5.28 TO 5.39 OF THE GEM LISTING RULES**

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures during the six months ended 30 April 2003.

**AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Society of Accountants. The audit committee comprises two independent non-executive Directors, namely Mr. Ko Sin Ming and Ms. Tam Fung Chee. Ms. Tam Fung Chee is also the chairperson of the audit committee of the board of Directors. The Group's unaudited results for the three months ended 30 April 2003 and six months ended 30 April 2003 have been reviewed and duly approved by the audit committee of the Board.

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

None of the members of the Group purchased, sold or redeemed any of the Group's listed securities during the period from 1 November 2002 to 30 April 2003.

## **COMPETING INTERESTS**

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company has an interest in a business, which competes or may compete with the business of the Group.

By order of the Board  
**Rainbow International Holdings Limited**  
**Liang Kwong Lim**  
*Director*

Hong Kong, 13 June 2003