

**RAINBOW INTERNATIONAL HOLDINGS LTD :
RED IS THE COLOUR OF THIS RAINBOW**

One must, really, at this point, start to wonder whether or not publicly listed Rainbow International Holdings Ltd (Code: 8079, The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd) will be able to last out the year, at the rate that it is going.

Writs are piling up, and it appears that the Company does not mind its wholly owned subsidiary, being sued for another \$HK510,000 – in addition to the \$HK2.30-million-worth of claims, rained down on this company, during the past 4 months or so.

The latest attacks on Rainbow Cosmetic Company Ltd, the subsidiary, comes from the landlord of rented shops in South Kowloon, located at Numbers 48-50, Sai Yeung Choi Street.

Evernice International Ltd is the Plaintiff, which is claiming that the rent on the premises has not been paid for the past month or so.

Three times, last year, on May 22, November 2 and December 27, Towerreed Ltd sued this same subsidiary, claiming about \$HK2.30 million in aggregate in respect of alleged overdue rent on its property: Number 518, Lockhart Road, Wanchai, Hongkong.

In the latest report of Rainbow International, signed on March 12, 2002, Ms Aldy Li Ngar Kwan, the Chairlady, talked about some of the problems that her Company was having in respect of 3 retail beauty outlets of the 8 outlets that Rainbow used to operate.

She said:

‘Three of the retail outlets, located at Lockhart Road, Mongkok Sai Yeung Choi Street South and Argyle Street, were particularly affected due to low turnover and high operating costs. In view of their continued inefficient operations ... the Directors have decided to discontinue these three outlets when their respective rental leases expire. In February 2002, Rainbow Group closed one of these retail outlets in Argyle Street and merged the operation of two nearby retail outlets in Mongkok. The Directors expect that the third retail outlet at Lockhart Road will be closed in March 2002 ...’.

Rainbow International, in this same report, announced that it had lost about \$HK3.61 million for the quarter, ended January 31, 2002.

This compared with a Loss Attributable to Shareholders of about \$HK820,000 for the comparable period in 2001.

The Interim Report showed that the Turnover for the period under review fell from the 2001 figure of about \$HK28.62 million to the 2002 figure of about \$HK22.55 million.

As at January 31, 2002, this Company had cash and bank balances, amounting to about \$HK16.72 million, against outstanding short-term loans of about \$HK36.63 million.

For the Financial Year, ended October 31, 2001, the first full year after the Company was listed on The Growth Enterprise Market, on a Turnover of \$HK110.05 million (2000: \$HK126.16 million), Rainbow International turned in a Loss Attributable to Shareholders of about \$HK25.80 million (2001: Profit of \$HK2.17 million).

On October 5, 2001, TARGET wrote, in its analysis of this Company, of the very speculative nature of Rainbow International in a report, headlined: **TALK ABOUT GAMBLES AND YOU MUST TALK OF RAINBOW INTERNATIONAL**. (Please see [TARGET Intelligence Report, Volume III, Number 186](#))

Page 131 of the Company's Prospectus stated:

'Rainbow International had outstanding bank borrowings of approximately HK\$43.04 million. The bank borrowings comprised bank overdrafts of approximately HK\$13.80 million, trust receipts and import loans of approximately HK\$14.84 million and bank loans of approximately HK\$14.39 million.'

In order to secure bank loans, everything had been put into the Rainbow International 'pot', including personal guarantees of the Chairlady, her 27-year-old nephew, Mr Elbert Lee, and Mr Lee's aunt.

Last Thursday, Rainbow International announced that Mr Elbert Ltd had resigned as an Executive Director of the Company.

It is unknown as to the matter of the personal guarantee of Mr Lee in respect of Rainbow International's bank borrowings, however.

In last Thursday's announcement, it is stated that Mr Lee's resignation '*should not affect the operation of the Company in any material aspect.*'

Rainbow International only raised about \$HK22.50 million from last October's flotation on The Growth Enterprise Market.

TARGET commented, at the time, that it would appear that that amount of money was insufficient for the Company, all things considered.

Rainbow International, since 1999, has never, really, made a Net Profit Attributable to Shareholders from operations, and the \$HK2.17-million Net Profit, shown in the Books of the Company as being the Bottom Line of the 2000 Financial Year, was only brought about due to a one-off gain, being a \$HK4.64-million insurance gain when one of its shops burnt down.

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