

**RAINBOW INTERNATIONAL HOLDINGS LTD :
CRUNCH TIME IN THE HIGH COURT IS FAST APPROACHING**

No sooner had Rainbow International Holdings Ltd (Code: 8079, The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd) tried to explain one tricky financial situation than another one comes to light.

Management of the company will, now, have to try to explain this one, too, one supposes.

One has to question, at this juncture, as to what one may believe from Management with regard to this company's finances – and its future.

It was only last Thursday that Rainbow Cosmetic (Central) Company Ltd, trading as Rainbow Cosmetic, which is a wholly owned subsidiary of Rainbow International, was sued for about \$HK230,000 by Permanent Investment Company Ltd.

Permanent Investment is the Registered Owner of the Ground Floor of Parker House, Number 72, Queen's Road, Central, the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

Rainbow Cosmetic has been renting this property for some years, now, but it is clear that, today, it is having trouble finding the cash to pay the rent.

High Court Action Number 2885, simply put, alleges that Rainbow Cosmetic has failed to pay rent on the Plaintiff's property and Permanent investment would like its money and would, also, like to kick out Rainbow Cosmetic in order to secure a tenant, which pays the rent and does not breach the terms and conditions of tenancy agreements.

The gist of the allegations is contained at Paragraph 12, onwards, of the Statement of Claim, attached to the Writ of Summons:

'12. In breach of the said Clause 2.1 of the Tenancy Agreement, the Defendant (Rainbow) has since 1st April 2002 failed to pay rent, Government rates and management fees in respect of the Premises to the Plaintiff, particulars of which are as follows: -

Particulars

<i>Arrears of rent at the rate of HK\$280,000.00 per month from 01.04.2002 to 25.07.2002</i>	<i>HK\$1,065,806.45</i>
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<i>Arrears of Government rates at the rate of HK\$11,750.00 per month from 01.04.2002 to 25.07.2002</i>	<i>HK\$44,725.81</i>
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<i>Arrears of management fees at the rate of HK\$4,314.00 per month from 01.04.2002 to 25.07.2002</i>	<i><u>HK\$16,421.03</u></i>
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HK\$1,126,953.29

<i>Less: Rates Concession 2002</i>	<i><u>(HK\$3,000.00)</u></i>
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HK\$1,123,953.26

'13. Further, the Defendant is in breach of the said Clause 8.1 of the Tenancy Agreement on the ground that a Winding-up Petition has been presented against the Defendant by Newide International Limited on 3rd July 2002 in Winding-up Proceeding entitled HCCW No. 706 Of 2002.

'14. The Plaintiff has issued various notices of demand against the Defendant, including but not limited to a notice issued via its solicitors ... and dated 11th July 2002 stating the Defendant's breach of Clause 8.1 of the Tenancy Agreement as pleaded in paragraph 13 hereabove and requesting the Defendant to deliver up vacant possession of the Premises to the Plaintiff. However, up to the date hereof, the Defendant still wrongfully fails and/refuses to comply with the Plaintiff's demands/requests.

'15. Accordingly, the Plaintiff exercised its rights under Clause 9.1 of the Tenancy Agreement and set off the arrears of rent, management fees and Government rates against the rental deposit of HK\$897,192.00 on 16th July 2002.

'16. After the set-off as pleaded in paragraph 15 hereabove, as the date hereof, the Defendant is still owing to the Plaintiff in the sum of HK\$226,761.29 ...

'18. Pursuant to Clause 8.3 of the Tenancy Agreement as pleaded in paragraph 9 hereabove, the Plaintiff also claims against the Defendant for interest on the outstanding rent and mesne profits, management fees, Government rates and such other charges payable under the Tenancy Agreement from their due date of full payment ...'.

Things Are Tough

For the 6 months, ended April 30, 2002, Rainbow International lost about \$HK13.41 million.

This result compared unfavourably to the like period in 2001 when the company lost just \$HK3.45 million.

Things are getting tougher, to be sure.

It is clear that Rainbow International is in a lot of trouble, but Management would have the world believe, otherwise.

Recently, Rainbow International informed The Stock Exchange of Hongkong Ltd of part of the situation at the company.

It said, inter alia, in respect of the Winding-Up Petition against Rainbow Cosmetic, that the situation boils down to *'outstanding rental for the three months ended 30 June 2002 of approximately HK\$872,250, the amount of which is equivalent to the amount of rental deposit paid by Rainbow Cosmetic (Central) under the relevant tenancy agreement. The Directors are in negotiations with the relevant landlord on the proposed terms of settlement of the Claim, and they believe that the Claim will be settled eventually. As such, the Directors believe that neither the Winding-up Petition nor the Claim has any material adverse impact on the business operations of Rainbow Group. The Winding-up Petition will be heard by the Hong Kong High Court on 25 September 2002 ...'.*

The announcement, then ... [CLICK TO ORDER FULL ARTICLE](#)

For more on Rainbow International, please read:

[TARGET Intelligence Report, Volume IV, Number 75](#)

[TARGET Intelligence Report, Volume IV, Number 115](#)

[TARGET Intelligence Report, Volume IV, Number 118](#)

[TARGET Intelligence Report, Volume IV, Number 134](#)

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