

**RAINBOW BROTHERS HOLDINGS LTD:
THIS COMPANY WILL, ALWAYS, BE WHAT IT IS, TODAY –
SMALL AND NONDESCRIPT**

The profits of Rainbow Brothers Holdings Ltd () (Code: 33, Main Board, The Stock Exchange of Hongkong Ltd), during the 39-month period, ended July 31, 2007, in all likelihood did not fully reflect the accurate and/or true situation, because, inter alia, at least one senior Director of the Company had been in the habit of borrowing very material sums of money from the Company, material, that is, as percentages of Turnovers and Bottom Lines, during the tenure of the loans.

The Director is Mr Ng Chi Man (), one of the Controlling Shareholders, owning 22.50 percent of the Issued and Fully Paid-Up Share Capital of Rainbow Brothers Holdings Ltd, and being the current Vice Chairman and Chief Executive Officer.

Pages 86 and 87 of the Prospectus make the following statements with regard to the borrowings of this gentleman, assuming that the loans were for him, alone:

‘1. Provision of loans by the Group to Mr. Ng

‘Mr. Ng (Mr Ng Chi Man) is a Director and one of the Controlling Shareholders and is therefore a connected person of the Company for the purpose of the Listing Rules (of The Stock Exchange of Hongkong Ltd). During the Track Record Period, the Group made loans to Mr. Ng from time to time. Such loans were approved by the shareholders of the companies in the Group and were unsecured, interest bearing at commercial rates and had no fixed repayment terms. The maximum amount of such loans during each of the three financial years ended 31st March, 2007 and the four months ended 31st July, 2007 did not exceed HK\$41,795,000 and the amount of such loans as at the year end of the three financial years ended 31st March, 2007 and the four months ended 31st July, 2007 were HK\$21,648,346, HK\$846,033, HK\$9,342,770 and HK\$17,542,873 respectively and the corresponding interest charges up to and as at such year ends and four month period end were HK\$84,537, HK\$10,000, HK\$278,301 and HK\$124,031 respectively.

‘On 29th October, 2007, such loan facilities were terminated and all outstanding loans due from Mr. Ng to the Group together with accrued interest were fully satisfied and repaid and the parties have confirmed that their respective rights and obligations in respect of such loans have been released and discharged without liability.’

Notwithstanding the fact that, in **TARGET**’s opinion, the aggregate interest factor on the loans, demanded by the Company of Mr Ng Chi Man, were probably paid on October 29, 2007 – ‘such loan facilities were terminated and all outstanding loans due from Mr. Ng to the Group together with accrued interest were fully satisfied and repaid ...’, there remains the matter of Opportunity Cost loss.

There is, also, the matter as to whether or not Mr Ng Chi Man had the ability to retire his debts to the Company through his own financial resources because, at Appendix I-29 of the Public Offer and Placing Prospectus, it is stated:

‘16. Loan to a director

‘The loan to a director was made to Mr. Ng and resulted from drawings made from time to time with the approval of the board of directors (post hoc ante?). It is unsecured, interest bearing at commercial rate and has no fixed repayment terms. During the Relevant Periods,

no provision has been made. The maximum outstanding amounts are HK\$23,272,000, HK\$41,795,000, HK\$27,650,000 and HK\$17,778,000 for the years ended 31st March 2005, 2006, 2007 and the four months ended 31st July 2007 respectively. The balance as at 31st July, 2007 will be settled before Listing (on The Stock Exchange of Hongkong Ltd) of the Company by net off with part of the final dividend of the subsidiaries of the Company.'

One has to ponder the question that, had there been no dividend of \$HK30 million, recommended and paid out in respect of the 2007 Financial Year, would Mr Ng Chi Man have had the wherewithal to repay his debts to Rainbow Brothers Holdings Ltd?

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