

I am pleased to present the Annual Report of RBI Holdings Limited (the "Company") and its subsidiaries (together known as the "Group") to the shareholders of the Company for the year ended 31st December 2005.

DIVIDEND

The directors of the Company recommend a final dividend of Hong Kong 6 cents per share in respect of the year ended 31st December 2005 to the shareholders of the Company whose names appear on the register of members on 30th May 2006. Together with the interim dividend of Hong Kong 2 cents per share paid during the year, this makes a total dividend for the financial year of Hong Kong 8 cents per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's turnover for the year decreased by 7.4% from HK\$583,085,000 to HK\$539,688,000. Consolidated profit attributable to shareholders for the year ended 31st December 2005 decreased by 21.5% from HK\$52,082,000 to HK\$40,875,000.

The past year was a difficult time in general for the toy industry. The profit of the Group was adversely affected by spiraling raw material cost, tightness in the labour market as well as increase in minimum wages in the Pearl River Delta Region. Beside higher labour cost, unstable electricity supply and appreciation of the Renminbi had aggravated the difficult operating environment.

To compensate the adverse impact brought by the unfavorable factors, the Group had to adjust the price of products as much as it was possible, and increased effort on strengthening factory management so as to improve efficiency and reduce costs.

The first phase of the production plant in He Yuan in Guangdong Province had been substantially completed and under trial run stage since the last quarter of 2005. The management took this opportunity to conduct a thorough review on the useful life of the Group's fixed assets. According to the result of the review, the economic useful lives of the Group's plant and machineries and moulds were adjusted and the respective effect was set out in note 4 to the consolidated financial statements.

本人謹此向紅發集團有限公司(「本公司」)各股東提呈本公司及各附屬公司(合稱「本集團」)截至二零零五年十二月三十一日止年度之年報。

股息

本公司董事建議向二零零六年五月三十日名列股東名冊之本公司股東派發截至二零零五年十二月三十一日止年度之年終股息每股6港仙。連同年內派發之中期股息每股2港仙計算，本財政年度之股息合共為每股8港仙。

管理層討論及分析

業務回顧

本集團年內之營業額由583,085,000港元減少7.4%至539,688,000港元。截至二零零五年十二月三十一日止年度之綜合股東應佔溢利由52,082,000港元減少21.5%至40,875,000港元。

過去一年，玩具業整體經歷了艱困時刻。不斷上升之原料成本、勞工市場緊縮及珠三角地區之法定最低工資上升對本集團之溢利構成不利影響。除勞工成本上升外，不穩定之電力供應及人民幣升值令經營環境更形困難。

本集團已將其產品價格調整至有限程度，並加倍致力於鞏固廠房管理以提升效率及節約成本，從而抵銷不利因素帶來之負面影響。

廣東省河源市廠房第一期已大致上完成，並已由二零零五年最後一季起進行試產。管理層藉此機會對本集團固定資產之可用年期進行全面檢討。根據檢討結果，本集團廠房及機器與工具之經濟可用年期，因而更改，見有關之影響載於綜合財務報表附註4。

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

Off-Market Share Repurchase

The Company entered into an agreement on 16th June 2005 (which was supplemented by a supplemental agreement dated 8th July 2005) with Walbeck International Limited ("Walbeck"), a substantial shareholder of the Company for an off-market repurchase of 37 million shares from Walbeck at \$1.56 per share, totaling HK\$57,720,000 in cash (the "Off-Market Share Repurchase"). For further details, please refer to the circular to shareholders in connection with the Off-Market Share Repurchase dated 29th July 2005. The Off-Market Share Repurchase was approved by the independent shareholders at the special general meeting held on 22nd August 2005.

The management was of the opinion that the Off-Market Share Repurchase could enhance earning per share and benefit the shareholders of the Company in the long run.

Legal Case

The Group's policy has always been that only licensed software is used, but due to the management oversight in July 2005 the Hong Kong Customs and Excise Department investigated the Group in respect of an alleged infringement of computer software rights, resulting in a prosecution and fining of two subsidiaries of the Group for possessing insufficient licensed computer software. The excess portion of the \$1 million provision made in the 2005 interim financial statement, for potential costs that could have been incurred, was written back at the end of the financial year. In order to ensure that there are no future similar errors, sufficient and adequate licensed software has been purchased and staff reminded that the installation of unauthorised computer software into the company's computer is strictly prohibited.

管理層討論及分析 (續)

場外股份購回

本公司與本公司一主要股東 Walbeck International Limited (「Walbeck」) 於二零零五年六月十六日訂立協議 (經於二零零五年七月八日訂立之補充協議補充)，以按每股股份 1.56 元向 Walbeck 場外購回 37,000,000 股股份，合共為現金 57,720,000 港元 (「場外股份購回」)。詳情請參閱於二零零五年七月二十九日就場外股份購回而向股東寄發之通函。場外股份購回於二零零五年八月二十二日舉行之股東特別大會上獲獨立股東批准。

管理層認為，長遠而言，場外股份購回可提升本公司之每股盈利及股東利益。

法律事件

僅使用獲授權軟件一直為本集團之政策。然而，由於管理疏忽，香港海關於二零零五年七月就指稱侵犯電腦軟件版權而對本集團進行調查，導致本集團兩間附屬公司被起訴擁有不足夠獲授權之電腦軟件及須就此繳納罰款。於二零零五年中期財務報表中就可能產生之潛在成本而作出撥備 1,000,000 港元之剩餘部分已於財政年度終結時撥回。為確保日後不會發生類似錯誤，本集團已購買充足之獲授權軟件，並已提醒員工嚴禁在公司電腦內安裝未獲授權之電腦軟件。

BUSINESS PROSPECTS

Persistent high material cost and increasing operation cost in the Pearl River Delta Region are still the critical problems to the Group. In addition to effective management on automation and production planning, the establishment of He Yuan production plant is the Group's long term strategy of cost saving. The management expects that the He Yuan production plant will yield a further cost saving in production in the future.

LIQUIDITY AND FINANCIAL POSITION

Notwithstanding the difficult operating environment, the Group maintained a healthy financial position. The Group's short-term deposits are placed with our principal bankers at competitive time-deposit interest rates. Total cash and bank deposits and marketable securities amounted to \$61,600,000 and \$63,300,000 as at 31st December, 2005.

The Group adopts a prudent management approach, and all of the Group's offices and factory premises are self-owned, with all machinery and equipment paid off from internal resources. During the year, significant resources were utilized in the Off-Market Share Repurchase and expenditure for the establishment of He Yuan production plant. At the balance sheet date, the Group had no borrowings.

TREASURY POLICIES

The Group's monetary transactions and deposits continued to be in the form of US dollars, Renminbi and HK dollars. The Group adopted conversation treasury policy and did not enter into any derivatives products during the year.

業務前景

原料成本持續高企及珠三角地區之經營成本不斷上升，仍然為本集團面對之主要困難。除有效管理自動化及生產規劃外，設於河源市生產廠房亦為本集團節約成本之長遠策略。管理層預期，河源市生產廠房將於未來令成本進一步減低。

流動資金及財政狀況

儘管面對困難之經營環境，本集團仍保持穩健之財務政策。本集團之短期存款存放於本集團之主要往來銀行，並按具競爭力之定期存款利率計息。於二零零五年十二月三十一日，現金及銀行結存及可買賣證券總額分別為61,600,000港元及63,300,000港元。

本集團在管理方面採取審慎態度，本集團之所有辦公室及工廠物業均自資擁有，而所有機器及設備均以內部資源撥付。年內，場外股份購回及興建河源市生產廠房開支動用大額資源。於結算日，本集團並無任何借貸。

庫務政策

本集團之貨幣交易及存款繼續以美元、人民幣及港元結算。本集團採取審慎財務政策，並無於本年度訂立任何衍生產品。

CHAIRMAN'S STATEMENT

主席報告

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RBI HOLDINGS LIMITED 紅發集團有限公司

ANNUAL REPORT 2005 二零零五年年報

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December 2005, information on sales and purchases relating to the major customers and suppliers is summarized as follows:

Sales (Percentage over total sales)

The largest customer
Five largest customers

銷售 (佔總銷售百分比)

最大客戶
五大客戶

2005
二零零五年

2004
二零零四年

9%

7%

29%

27%

Purchases (Percentage over total purchases)

The largest supplier
Five largest suppliers

採購 (佔總採購額百分比)

最大供應商
五大供應商

11%

13%

34%

37%

None of the directors of the Company, their associates, or any shareholder which to the knowledge of the directors of the Company owns more than 5% of the Company's issued share capital had a beneficial interest in any of the Group's five largest customers or five largest suppliers for the year ended 31st December 2005.

截至二零零五年十二月三十一日止年度，本公司各董事、彼等之聯繫人士或據本公司董事所知擁有本公司已發行股本5%以上之股東概無擁有本集團五大客戶或五大供應商之實際權益。

PERSONNEL

The average number of employees of the Group during the year was approximately 5,700 (2004: 5,900) of whom 740 (2004: 740) were office administration staff. Bonuses are awarded based on individual performance and are made available to certain employees of the Group.

員工

年內，本集團僱員之平均數目約為5,700人(二零零四年：5,900人)，其中740人(二零零四年：740人)為辦公室行政人員。本集團根據個別表現而向若干僱員發放花紅以示獎勵。

APPRECIATION

I would like to thank my fellow directors, shareholders and business associates for their continued support, and to all our staff for their hard work and dedications in the past year.

致謝

本人藉此向各董事、股東及業務夥伴於過去一年對本集團之一直支持及各員工之辛勞及貢獻致以衷心感謝。

Yip Yun Kuen
Chairman

主席
葉潤權

21st April 2006

二零零六年四月二十一日