

# CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report of the RBI Holdings Limited (the "Company") and its subsidiaries (together the "Group") to the shareholders of the Company for the year ended 31st December 2000. The consolidated turnover of the Group for the year was HK\$550,696,000 for the year, which is an increase of approximately 10% from that of the preceding year. Net profit for the year decreased by 9% to HK\$88,299,000, and the earnings per share decreased slightly by 7% to Hong Kong 26.6 cents from the previous year.

## DIVIDEND AND BONUS ISSUE

The directors of the Company recommend a final dividend of Hong Kong 10 cents per share in respect of the year ended 31st December 2000 to the shareholders of the Company whose names appear on the register of members on 25th May 2001. Together with the interim dividend of Hong Kong 5 cents per share paid during the year, this makes a total dividend for the financial year of Hong Kong 15 cents per share. The Board of Directors has also recommended the capitalisation of HK\$3,291,896 out of the Company's share premium account which will be applied for the issuance of bonus shares to shareholders on the basis of one bonus share for every ten existing shares held.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Business overview*

Competition in the toy industry is still severe despite some signs of recovery from the Asian Financial Crisis. The Group's turnover grew by about 10% in the year, but there are continued pressures from buyers for lower prices. The cost of plastic materials was significantly higher than a year ago, and the overall operating costs in China have also been increasing, particularly for the cost of labour due to inflation and expansion of the economy. As a result, the margin for the Year 2000 has been lowered.

### *Financial position and capital structure*

The Group maintained a sound financial position in 2000. Net cash and bank balances at the balance sheet date were HK\$130,259,000 and bank interest income for the year amounted to HK\$6,806,000. The Group's monetary transactions and deposits are mainly in the form of US Dollars, Renminbi and Hong Kong Dollars. The Group's deposits are placed with our principal bankers at competitive time deposit interest rates.

The Group takes a conservative approach and all of the Group's offices and factory premises are self-owned and all machinery and equipment were paid off from internal resources. Except for a small balance from overdraft facilities, the Group has no gearing from borrowings. Other than held-to-maturity securities of approximately HK\$20 million and listed securities of approximately HK\$1.2 million, the Group has no other investments in securities.

The Group's land and buildings in Hong Kong and China were revalued at the year end date and there were increase in the value of the properties as compared to last year. The increase in value has been reflected in the financial statements.

# CHAIRMAN'S STATEMENT (Cont'd)

## BUSINESS PROSPECTS

Cost of materials is expected to remain stable in the Year 2001, and the implementation of the new social security systems in China will put more burden on the cost of production. In order to maintain competitiveness, management will focus on the increase of productivity and the tightening of control over expenses to reduce production cost.

The Group is also planning to put more efforts in "ODM" business and to strengthen new products development. These new products will provide the Group with more diversified ranges of products. The completion of the last phase of the Shenzhen factory complex later this year will increase the production capacity of the Group to meet the Group's business development needs. Having the overseas warehouses will provide much better services and shorter delivery time to the domestic customers. Not only will this create new business opportunities, the ability to hold more stocks in overseas warehouses will also enable the Group to smooth out the high and low seasons of production, and will therefore be able to maximise utilization of human resources and machinery.

## CONNECTED TRANSACTIONS

During the year, the Group sold goods amounting to approximately HK\$262,800 to Goodbaby Child Products Company Limited ("Goodbaby") on normal commercial terms, a former subsidiary of a substantial shareholder of the Company, First Shanghai Investments Limited ("First Shanghai"), a company listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

As Goodbaby has become an associated company of First Shanghai during the year, Goodbaby is no longer a connected person as defined under the Rules Governing the Listing of Securities on the Stock Exchange, no further disclosure is made on these transactions.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December 2000, information on sales and purchases relating to the major customers and suppliers is summarized as follows:

	2000	1999
<b>Sales (Percentage over total sales)</b>		
The largest customer	13%	16%
Five largest customers	39%	48%
<b>Purchases (Percentage over total purchases)</b>		
The largest supplier	9%	12%
Five largest suppliers	28%	34%

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 2000.

## **CHAIRMAN'S STATEMENT** (Cont'd)

### **PERSONNEL**

The average number of employees of the Group during the year was approximately 4,800 (1999: 3,782) of which 800 (1999: 633) were office administration staff. Bonuses are awarded based on individual performance and are made available to certain employees of the Group.

### **APPRECIATION**

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

**Yip Yun Kuen**  
*Chairman*

18th April 2001