



RBI HOLDINGS LIMITED
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

**INTERIM
REPORT
2001**



INTERIM RESULTS

The Board of Directors of RBI Holdings Limited (the “Company”) are pleased to present the Interim Report of the Company and its subsidiaries (together the “Group”) to the shareholders of the Company for the six months ended 30th June, 2001. The consolidated turnover of the Group for the period was HK\$189,094,000, which is an increase of approximately 4.2% over the same period last year. Profit attributable to the shareholders for the period rose by 1.8% to HK\$22,498,000, and the earnings per share rose by approximately 3.3% to Hong Kong 6.2 cents over the same period last year.

INTERIM DIVIDEND

The directors have resolved that an interim dividend of Hong Kong 5 cents (2000: Hong Kong 4.55 cents) per share be paid to the shareholders of the Company whose names appear in the Register of Members on 19th October, 2001. It is expected that the interim dividend will be paid on 6th November, 2001. The interim dividend per share for the six months ended 30th June, 2000 has been adjusted to take into account the effect of the bonus issue of shares made during the current period.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

		Six months ended	
		30th June, 2001 (unaudited) HK\$'000	30th June, 2000 (unaudited and restated) HK\$'000
	<i>Notes</i>		
Turnover	4	189,094	181,486
Cost of sales		(118,642)	(115,690)
Gross profit		70,452	65,796
Other revenue	5	4,718	6,502
Distribution costs		(20,178)	(17,723)
Administrative expenses		(29,087)	(29,649)
Profit from operations	6	25,905	24,926
Finance costs	7	(16)	(14)
Profit before taxation		25,889	24,912
Taxation	8	(3,391)	(2,805)
Net profit for the period		<u>22,498</u>	<u>22,107</u>
Interim dividend	9	<u>18,088</u>	<u>16,511</u>
Earnings per share			
Basic	10	<u>6.2 cents</u>	<u>6.0 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE, 2001

	<i>Notes</i>	30th June, 2001 (unaudited) HK\$'000	31st December, 2000 (audited and restated) HK\$'000
Non-current Assets			
Property, plant and equipment	11	231,884	223,952
Investment properties	11	4,600	4,600
Investment in securities		15,061	10,405
		<u>251,545</u>	<u>238,957</u>
Current Assets			
Inventories		151,074	102,605
Investments in securities		11,652	10,815
Trade and other receivables	12	44,375	46,289
Bills receivable		14,363	16,682
Deposits and prepayments		6,363	6,541
Bank balances and cash		59,675	130,472
		<u>287,502</u>	<u>313,404</u>
Current Liabilities			
Trade and other payables	13	51,391	51,960
Deposits and accruals		33,862	34,050
Tax liabilities		6,186	6,622
Bank overdrafts, secured		78	213
		<u>91,517</u>	<u>92,845</u>
Net Current Assets		<u>195,985</u>	<u>220,559</u>
		<u>447,530</u>	<u>459,516</u>
Capital and Reserves			
Share capital	14	36,181	33,008
Reserves	16	408,471	423,630
		444,652	456,638
Non-current Liabilities			
Deferred tax liabilities		2,878	2,878
		<u>447,530</u>	<u>459,516</u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES*FOR THE SIX MONTHS ENDED 30TH JUNE, 2001*

	(unaudited) HK\$'000
Net profit for the period and total recognised gains and losses	<u>22,498</u>
Prior period adjustments arising from changes in accounting policies (see Note 3)	
– increase in retained profits at 1st January, 2000	7,335
– increase in dividend reserve at 1st January, 2000	<u>33,339</u>
	<u><u>40,674</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

	(unaudited) HK\$'000
Net cash outflow from operating activities	(2,740)
Net cash outflow from returns on investments and servicing of finance	(29,398)
Tax paid	(3,827)
Net cash outflow from investing activities	<u>(2,632)</u>
Net cash outflow before financing	(38,597)
Net cash outflow from financing	<u>(1,565)</u>
Decrease in cash and cash equivalents	(40,162)
Cash and cash equivalents at 1st January, 2001	<u>99,759</u>
Cash and cash equivalents at 30th June, 2001	<u><u>59,597</u></u>
Analysis of the balances of cash and cash equivalents	
Bank balances and cash	59,675
Bank overdrafts, secured	<u>(78)</u>
	<u><u>59,597</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the relevant disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" ("SSAP 25"), except that, in this first year of implementation of the Standard, as permitted by the Listing Rules on the Stock Exchange, no comparative amounts have been presented for the condensed consolidated cash flow statement or condensed consolidated statement of recognised gains and losses.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2000, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new/revised accounting policies.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (see Note 3).

Provisions

In accordance with SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Adoption of this accounting policy has resulted in the derecognition of provisions for product liabilities which are no longer required under the new Standard. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (see Note 3).

Goodwill

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill previously eliminated against reserves. Accordingly, goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions on or after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. PRIOR PERIOD ADJUSTMENTS

The financial effects of the adoption of the new/revised accounting policies described in Note 2 are summarised below:

	Retained profits HK\$'000	Dividend reserve HK\$'000	Total HK\$'000
Balance at 1st January, 2000			
As originally stated	203,768	–	203,768
Derecognition of liability for final dividend for 1999	–	33,339	33,339
Reversal of provisions for product liabilities	7,335	–	7,335
	<u>211,103</u>	<u>33,339</u>	<u>244,442</u>
As restated			

The effects of these changes in accounting policies on the results for the current and prior periods are as follows:

	6 months ended 30th June, 2001 HK\$'000	12 months ended 31st December, 2000 HK\$'000	6 months ended 30th June, 2000 HK\$'000
Increase in net profit attributable to change of accounting policies in respect of provisions for product liabilities	<u>31</u>	<u>571</u>	<u>216</u>

4. SEGMENTAL INFORMATION

The analysis of the principal activities and geographical locations of the Group during the financial period are as follows:

	Turnover		Operating profit	
	Six months ended 30th June, 2001	2000	Six months ended 30th June, 2001	2000
Principal activities:	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Design, manufacture and sales of toys	185,362	177,176	22,910	21,080
Manufacture and sales of moulds	3,732	4,310	481	448
	<u>189,094</u>	<u>181,486</u>	<u>23,391</u>	<u>21,528</u>
Interest and other income			3,693	4,869
Unallocated corporate expenses			<u>(1,179)</u>	<u>(1,471)</u>
Profit from operations			<u>25,905</u>	<u>24,926</u>
Geographical locations:				
North America	85,789	73,120		
Europe	69,218	66,490		
Asia	22,414	31,940		
Other locations	11,673	9,936		
	<u>189,094</u>	<u>181,486</u>		

The contribution to operating results from each location is substantially in line with the overall ratio of profit to turnover.

5. OTHER REVENUE

Included in other revenue is income from investments as follows:

	Six months ended	
	30th June, 2001	30th June, 2000
	HK\$'000	HK\$'000
Interest on bank deposits	2,670	3,713
Yield on held-to-maturity securities	845	1,004
Dividends from listed securities	22	–
Rental from investment properties	156	152
	<u> </u>	<u> </u>

6. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	Six months ended	
	30th June, 2001	30th June, 2000
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	<u>20,627</u>	<u>17,832</u>

7. FINANCE COSTS

	Six months ended	
	30th June, 2001	30th June, 2000
	HK\$'000	HK\$'000
Interest on bank overdrafts	<u>16</u>	<u>14</u>

8. TAXATION

	Six months ended	
	30th June, 2001	30th June, 2000
	HK\$'000	HK\$'000
Tax on profit for the period:		
Hong Kong	2,530	1,667
Other regions in the People's Republic of China (the "PRC")	861	1,138
	<u>3,391</u>	<u>2,805</u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the period. Taxation arising in the PRC is calculated at the applicable rates prevailing in the relevant jurisdictions.

9. INTERIM DIVIDEND

The directors have resolved that an interim dividend of Hong Kong 5 cents (2000: Hong Kong 4.55 cents) per share be paid to the shareholders of the Company whose names appear in the Register of Members on 19th October, 2001. It is expected that the interim dividend will be paid on 6th November, 2001. The interim dividend per share for the six months ended 30th June, 2000 has been adjusted to take into account the effect of the bonus issue of shares made during the current period.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$22,498,000 (2000: HK\$22,107,000) and on the weighted average number of 362,124,074 (2000: 366,148,036) ordinary shares in issue during the period. The net profit for the six months period ended 30th June, 2000 and the number of ordinary shares adopted in the calculation of the earnings per share for that period have been respectively restated as a result of the changes in accounting policies as described in Note 2 and the bonus issue of shares made during the current period.

No diluted earnings per share figures have been presented for either period because the exercise price of the share options granted by the Company was higher than the average market price for the shares for the relevant periods.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group incurred approximately HK\$10 million on the construction of manufacturing plant and approximately HK\$14 million on additions to plant, machinery and moulds for toys manufacturing.

During the period, the Group has not acquired any investment properties.

There were no material disposals of property, plant and equipment or investment properties during the period.

At 30th June, 2001, the directors have considered the carrying value of the Group's leasehold land and buildings which were carried at valuation and have estimated that their carrying values did not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

12. TRADE AND OTHER RECEIVABLES

The Group normally allows credit periods ranging from 30 to 90 days to its trade customers.

The following is an aged analysis of trade and other receivables outstanding at the balance sheet date:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
0 - 30 days	28,996	16,498
31 - 60 days	10,068	10,095
61 - 90 days	4,124	18,098
> 90 days	1,187	1,598
	<u>44,375</u>	<u>46,289</u>

13. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables outstanding at the balance sheet date:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
0 - 30 days	44,237	48,114
31 - 60 days	6,151	2,860
61 - 90 days	282	241
> 90 days	721	745
	<u>51,391</u>	<u>51,960</u>

14. SHARE CAPITAL

Ordinary shares of HK\$0.10 each

	Number of shares '000	Nominal value HK\$'000
Issued and fully paid		
At 1st January, 2001	330,079	33,008
Bonus issue of shares	32,899	3,290
Shares repurchased and cancelled	(1,172)	(117)
	<u>361,806</u>	<u>36,181</u>
At 30th June, 2001		

During the period, the Company made a bonus issue of 32,899,162 shares of HK\$0.10 each to shareholders, credited as fully paid by way of capitalisation of part of the Company's share premium account, on the basis of one bonus share for every ten shares held by shareholders whose names appeared on the register of members of the Company on 25th May, 2001.

During the period, the Company repurchased 1,172,000 ordinary shares of the Company on the Stock Exchange, all of which have been cancelled, as follows:

Month	Number of ordinary shares of HK\$0.10 each	Purchase price		Total consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
2001				
January	456,000	1.33	1.25	597
February	384,000	1.34	1.30	508
March	50,000	1.33	1.28	66
April	48,000	1.42	1.30	65
May	150,000	1.39	1.25	221
June	84,000	1.32	1.25	108
	<u>1,172,000</u>			<u>1,565</u>

The repurchases were effected by the directors pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by the enhancement of the earnings per share of the Company.

None of the Company's subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the period.

15. SHARE OPTION SCHEME

In 1997, options for 6,400,000 shares were granted at no consideration to a director of the Company under the Share Option Scheme, which are exercisable during the period from 11th August, 1997 to 10th August, 2007 at the price of HK\$1.50 per share. The exercise price and the number of shares under option have been adjusted to HK\$1.3636 per share and 7,040,000 shares respectively with effect from 28th May, 2001 as a result of the aforementioned bonus issue of shares during the period. These options remained outstanding at the balance sheet date. No options were granted or exercised under the scheme during the period.

16. RESERVES

	Share premium account HK\$'000	Dividend reserve HK\$'000	Capital redemption reserve HK\$'000	Asset revaluation reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP							
At 1st January, 2000							
As originally stated	130,931	-	1,374	-	4,687	203,768	340,760
Derecognition of liability for 1999 final dividend	-	33,339	-	-	-	-	33,339
Reversal of provisions for products liabilities	-	-	-	-	-	7,335	7,335
As restated	130,931	33,339	1,374	-	4,687	211,103	381,434
Repurchase of shares	(4,520)	-	483	-	-	(1,506)	(5,543)
1999 final dividend paid	-	(33,339)	-	-	-	-	(33,339)
Revaluation increase	-	-	-	8,719	-	-	8,719
Profit for the year	-	-	-	-	-	88,299	88,299
2000 interim dividend	-	-	-	-	-	(16,511)	(16,511)
Derecognition of liability for 2000 final dividend	-	32,919	-	-	-	(32,919)	-
Reversal of provisions for product liabilities	-	-	-	-	-	571	571
Other appropriations	-	-	-	-	4,726	(4,726)	-
At 31st December, 2000	126,411	32,919	1,857	8,719	9,413	244,311	423,630
2000 final dividend paid	-	(32,919)	-	-	-	-	(32,919)
Bonus issue of shares	(3,290)	-	-	-	-	-	(3,290)
Shares repurchased	(1,097)	-	117	-	-	(468)	(1,448)
Profit for the period	-	-	-	-	-	22,498	22,498
2001 interim dividend declared	-	18,088	-	-	-	(18,088)	-
Other appropriations	-	-	-	-	1,399	(1,399)	-
At 30th June, 2001	<u>122,024</u>	<u>18,088</u>	<u>1,974</u>	<u>8,719</u>	<u>10,812</u>	<u>246,854</u>	<u>408,471</u>

17. CAPITAL COMMITMENTS

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for	<u>9,456</u>	<u>14,474</u>

18. CONTINGENCES

The Company has given guarantees to banks amounting to approximately HK\$38,500,000 (31st December, 2000: HK\$38,500,000) in respect of general banking facilities granted to the Group. Such facilities had been utilised by the Group to the extent of HK\$78,000 at 30th June, 2001 (31st December, 2000: HK\$213,000).

19. PLEDGE OF ASSETS

At 30th June, 2001, the Group had pledged its land and buildings having a net book value of HK\$23,754,000 (31st December, 2000: HK\$24,100,000) to secure general banking facilities granted to the Group.

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO SUBSCRIBE FOR SHARES

At 30th June, 2001, the beneficial interests of the directors of the Company and their associates in the shares of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as recorded in the register maintained under Section 29 of the SDI Ordinance and their interests in the share options of the Company at that date, were as follows:

	Personal interests	Family interests	Corporate interests	Total (after elimination of duplication)
Mr. Yip Yun Kuen	20,675,600	140,360,220	133,925,220	161,035,820 (Note)
Ms. Chan Pik Ha	6,435,000	154,600,820	133,925,220	161,035,820 (Note)
Mr. Chan Shun Po	4,720,320	–	–	4,720,320
Mr. Yip Yun Tim	1,100,000	–	–	1,100,000
Ms. Shiu Chun Yuen	3,300,000	110,000	–	3,410,000
Mr. Yeung Wai Kin	55,000	–	–	55,000

Note: Extrad Assets Limited, a company owned by Mr. Yip Yun Kuen and his spouse, Ms. Chan Pik Ha, was beneficially interested in 133,925,220 ordinary share of the Company.

The family interests and corporate interests of Mr. Yip Yun Kuen and Ms. Chan Pik Ha included the ordinary share held by Extrad Assets Limited.

The total interests of 161,035,820 ordinary shares of Mr. Yip Yun Kuen and Ms. Chan Pik Ha are arrived at after taking into account of the 133,925,220 shares held by Extrad Assets Limited 6,435,000 shares held by Ms. Chan Pik Ha and 20,675,600 shares held by Mr. Yip Yun Kuen.

In the year 1997, the board of Directors granted an option to Mr. Yip Yun Kuen under the Share Option Scheme of the Company the right to subscribe for up to 6,400,000 shares of the Company at the price of HK\$1.50 each at any time for a period of ten years from 11th August, 1997 to 10th August, 2007. No options had been exercised by Mr. Yip Yun Kuen during the period. Save as aforementioned, no options have been granted to any directors of the Company under the Company's share option scheme.

Following the Bonus Share Issue becoming unconditional, the abovesaid exercise price and the number of shares under the option have been adjusted to HK\$1.3636 per share and 7,040,000 shares respectively with effect from 28th May, 2001.

Save as disclosed above and for shares in certain subsidiaries held by directors in trust for their immediate holding companies, at 30th June, 2001, none of the directors and chief executive of the Company, or any of their associates, had any interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors and chief executives of the Company, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2001, the following shareholders were interested in 10 per cent. or more of the issued share capital of the Company according to the register of interests required to be kept by the Company under Section 16(1) of the SDI Ordinance:

Name	Number of shares	Percentage of holding
Extrad Assets Limited	133,925,220	37.02%
Walbeck International Limited*	92,532,352	25.58%

* *Walbeck International Limited is a subsidiary of First Shanghai Investments Limited, a company listed on the Stock Exchange.*

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th June, 2001.

MANAGEMENT DISCUSSION AND ANALYSIS

Business overview

It has been a difficult year for the toy industry because of worldwide economical recession, particularly from the downturn in the US market and the weak Eurodollar currency. When the business climate is not good, competition becomes more severe, inevitably leading to price-cutting to attract business. Customers are being more cautious in placing orders and are much more conservative in their sales projections. Buyers are also becoming more demanding, for example, requesting for special colour, special boxes and shortened delivery time, resulting in higher manufacturing cost and upsetting normal production planning.

Despite pressure on the pricing of products, the overall margin improved slightly when compared to the same period last year. Plastic materials and die cast zinc alloy are comparatively cheaper than a year ago, and this certainly helped to improve margin. On the other hand, there are cost increase mainly from operational cost in the manufacturing activities in China, particularly from the tightened social security laws like requirements on minimum wages and the upgrading of staff welfare.

Financial position and capital structure

The Group maintained a sound financial position in 2001. Net cash and bank balances at the balance sheet date were HK\$59,597,000 and bank interest income for the period amounted to HK\$2,670,000. The Group's monetary transactions and deposits continues to be in the form of US Dollars, Renminbi and HK Dollars and the Group's deposits are placed with our principal bankers at competitive time-deposit interest rates.

The Group maintains a conservative approach and all of the Group's offices, and factory premises were self-owned and all machinery and equipment were paid off from internal resources. Except for a small balance from overdraft facilities, the Group has effectively no gearing as a result from borrowings. Besides some marketable securities of approximately HK\$1.6 million and held-to-maturity securities of HK\$25.1 million, the Group has no other investments in securities.

BUSINESS PROSPECTS

The reduction in the cost of materials is expected to level off with higher operational cost in China. It is anticipated that the price level of materials will remain the same for the rest of the year and will therefore have little impact on the Group's results for the latter half of the year. Meanwhile, the Group will continue to invest money in new product development and new market. Additional investment in machinery, equipment and workshop area will be made to increase the production capacity and management will keep tight control over the operations of the Group to minimise the production cost of the Group. With the recent upheavals in the world from the tragedy in the U.S., there is likely to be an adverse impact on the overall economic conditions in the U.S.. The directors will closely monitor the effect on the toy industries and may shift business focus to other markets in order to compensate for the possible downturn in the U.S. economy.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 16th October, 2001 to Friday, 19th October, 2001, both days inclusive, during which period no transfers of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tengis Limited at 4/F Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Monday, 15th October, 2001.

PERSONNEL

The average number of employees of the Group during the period was approximately 5,200 (year ended 31st December, 2000: 4,800) of which 830 (year ended 31st December, 2000: 800) were office administration staff.

Total staff remuneration for the six months ended 30th June, 2001 was HK\$45,142,000 (1.1.2000 – 30.6.2000 HK\$41,329,000).

Bonuses are awarded based on individual performance and are made available to certain employees of the Group.

AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated interim financial statements for the six months ended 30th June, 2001.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange.

On behalf of the Board
Yip Yun Kuen
Chairman

Hong Kong, 21st September, 2001