

CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report of RBI Holdings Limited (the "Company") and its subsidiaries (together the "Group") to the shareholders of the Company for the year ended 31st December 2001. The consolidated turnover of the Group for the year was HK\$561,167,000, an increase of approximately 2% from that of the preceding year. Net profit for the year increased by 3.4% to HK\$91,920,000, and the earnings per share also increased by about 4% to Hong Kong 25.4 cents from the previous year.

DIVIDENDS

The directors of the Company recommend a final dividend of Hong Kong 10 cents per share in respect of the year ended 31st December 2001 to the shareholders of the Company whose names appear on the register of members on 24th May 2002. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Increase in the turnover of the Group did not truly reflect the severe competition in the toy industry. The market was still slow and businesses remained very competitive in the Year 2001, and this was reflected by the drop in the Group's sales of the OEM/ODM business. Meanwhile, the decreased OEM/ODM business was balanced out by the sales of the Group's own designed products, particularly through the overseas warehousing and domestic operations that were maturing in the year.

The costs of plastic and diecast materials were at low level in 2001. Besides pressures on selling prices, the increase in operating costs in China, especially on the cost of labour and the effect of general inflation also pulled down the margin. The Group's interest income also decreased substantially due to the very low prevailing bank depository rate for 2001.

Nevertheless, the low cost of materials outweighed the other adverse factors on margin and overall there is improvement to the operating results of the Group.

FINANCIAL POSITION AND CAPITAL STRUCTURE

The Group maintained sound financial position in 2001. With net cash and bank balances at the balance sheet date of HK\$152,334,000, an increase of some HK\$22 million over last year. However, bank interest income fell by some 48% to HK\$3,569,000 for the year 2001. The Group's monetary transactions and deposits continued to be 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 adopts a prudent approach on cash management. The Group's Hong Kong offices and factory premises in China are self-owned, with all machinery and equipment funded from internal resources. Except for a small overdraft balance, the Group has no other borrowings.

The property market in Hong Kong and China remained fairly static in the years 2001. The Group's land and buildings in Hong Kong and China were revalued at the year end date and there were little changes in the value of the properties as compared to last year.

CHAIRMAN'S STATEMENT (Cont'd)

BUSINESS PROSPECTS

Although many plastic material and diecast zinc alloy producers were suffering from severe pricing competition and low demand, prices are unlikely to remain at this low level for any longer, and prices have already increased substantially in the first three months of 2002. If the economic recovery continues, material prices are likely to remain at a high level this year, which will put a lot of pressure on all manufacturers. In order to remain competitive, management will put more resources to new product design and licensing businesses in order to strengthen our products and business status. Management will implement measures to enhance efficiency in the manufacturing process with better machines, higher degree of automation, keep tight control over overheads and to contain the production and administrative expenses.

With China's admission to the World Trade Organisation, the Group will explore more new businesses opportunities in the China market. Given our strong financial position, good manufacturing facilities and team of dedicated staff and management, we are confident that we will remain very competitive in the market and the directors are optimistic with the results in the coming year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December 2001, information on sales and purchases relating to the major customers and suppliers is summarized as follows:

	2001	2000
Sales (Percentage over total sales)		
The largest customer	10%	13%
Five largest customers	35%	39%
Purchases (Percentage over total purchases)		
The largest supplier	11%	9%
Five largest suppliers	31%	28%

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 2001.

PERSONNEL

The average number of employees of the Group during the year was approximately 4,900 (2000: 4,800) of which 730 (2000: 800) 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 our staff and workers for all their hard work in the past year.

Yip Yun Kuen
Chairman

19th April 2002