

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 2002. The consolidated turnover of the Group for the year was HK\$605,405,000, an increase of 7.9% from that of the preceding year. Net profit for the year increased by 4.7% to HK\$96,192,000, and the earnings per share also increased by about 2.8% to Hong Kong 26.1 cents from the previous year.

FINAL AND SPECIAL DIVIDENDS

In view of availability of cash balance surplus to present requirement, the directors of the Company recommend a final dividend of Hong Kong 10 cents per share and a special cash dividend of Hong Kong 5 cents per share in respect of the year ended 31st December 2002 to the shareholders of the Company whose names appear on the register of members on 23rd May 2003. 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 20 cents per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The worldwide economy remained slow and was further aggravated by the strike in the US West Coast. Many exporters were unable to offload their containers in the US docks. However, the strike had only minor effects on the Group as it provided further opportunities for us to push sales through our US warehouse operations. The Group's OEM/ODM business continues to fall as a result of the continual competitions in the toys industry, but the drop in sales was offset by the steady growth of our own branded products. Overall, there were increase to the Group's sales with turnover breaking HK\$600 million for the first time.

Despite high costs at the start of the year, the costs of plastic and die cast materials remained at steady levels as compared with 2001. However, with the tightened labour laws in China and the need to maintain a high standards demanded by customers, operational costs in China are becoming higher than ever. In order to maintain our competitiveness, the Group continues to work hard on cost controls and ways to improve efficiencies.

FINANCIAL POSITION AND CAPITAL STRUCTURE

The Group is keeping stocks at a lower level, releasing more working capital for the Group's operations. The Group maintained a sound financial position and the net cash and bank balances at the balance sheet date were about HK\$196 million, an increase of about HK\$43 million from same period last year. The Group's monetary transactions and deposits continued to be in the form of US Dollars, Renminbi and HK Dollars. The Group's deposits are placed with our principal bankers at competitive time-deposit interest rates. Interest rates however remained very low and thus interest income has decreased when compared to the Year 2001.

The Group adopts a prudent approach on cash management, and all of the Group's offices and factory premises are self-owned, with all machinery and equipment financed from internal resources. At the balance sheet date, the Group has no borrowings. Other than held-to-maturity securities of approximately HK\$56 million and listed securities of approximately HK\$0.8 million, the Group has no other investments in securities.

The property market in Hong Kong and other regions in the People's Republic of China remained fairly static in the Year 2002. The Group's land and buildings were revalued at the year end date. The differences in the valuation have been reflected in the financial statements.

CHAIRMAN'S STATEMENT (Cont'd)

BUSINESS PROSPECTS

The Gulf war has caused oil price to rise higher from the start of the year 2003, and this high price is expected to remain for several months. As by-product of oil, plastic materials have also gone up in prices quite sharply since the beginning of the year. This will affect margins of nearly all plastic toy manufacturers. Prices for die cast zinc alloy, however, remained stable in the first quarter of the year.

There will be continuous pricing pressures from our customers, and with increasing manufacturing costs, management is taking steps to implement further automation and closer monitoring of machinery and equipment operation to enhance production efficiency. Product innovation will continue to be the key driver of the business and the Group intends to strengthen its "Research and Development" activities to improve the quality and design of our products. Management is confident that we shall remain competitive in the market and will continue to explore opportunities for business expansion.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December 2002, information on sales and purchases relating to the major customers and suppliers is summarized as follows:

	2002	2001
Sales (Percentage over total sales)		
The largest customer	9%	10%
Five largest customers	34%	35%
Purchases (Percentage over total purchases)		
The largest supplier	11%	11%
Five largest suppliers	35%	31%

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 2002.

PERSONNEL

The average number of employees of the Group during the year was approximately 5,700 (2001: 4,900) of whom 770 (2001: 730) 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

11th April 2003