

# 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 2003. The consolidated turnover of the Group for the year was HK\$573,705,000 for the year, a decrease of 5% from that of the preceding year. Net Profit for the year fell by 9.6% to HK\$88,044,000, and the basic earnings per share decreased by 9.5% to Hong Kong 23.9 cents from the previous year.

## FINAL AND SPECIAL DIVIDENDS

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 2003 to the shareholders of the Company whose names appear on the register of members on 21st May 2004. 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 Group faced a tough year in Year 2003. The worldwide market was slow following the war in Iraq and the continued unrest in the Middle East. The Asian economy was particularly badly hit by the Severe Acute Respiratory Syndrome (SARS) in the first half of the year. Market improved but recoveries in the second half of the year did not fully compensate for the loss of business in the first half of 2003. Overall turnover of the Group fell short of last year's figures by about 5%.

Material costs for both plastic and die cast materials remained high during the year. Enforcement of minimum wages requirements and other labour and social regulations that came into effect last year also added pressure on the cost of production. However, with maturing production workers and continuing enhancement in efficiency and utilisation, the directors are pleased with the result of a slight improvement in the gross margin from last year.

The US economy and its currency were weak during 2003, and even some of our customers which are large and long established corporations were experiencing financial difficulties. As a consequence, additional provisions were made in order to cover for possible loss from non-recoverable debts. Despite high costs of production and other adverse factors, the Group still managed to be profitable through management's effort in containing costs at all levels and close monitoring of production efficiency.

## FINANCIAL POSITION AND CAPITAL STRUCTURE

Notwithstanding the difficult operating environment, the Group maintained a healthy financial position. The Group's monetary transactions and deposits continue 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. Bank deposit interest rates remained very low and the Group placed more funds into mainly principal protected investments on short to medium term in order to achieve better yield. Net cash and bank balances and funds placed on such investments at the balance sheet date were HK\$142.4 million and HK\$82.8 million respectively.

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. At the balance sheet date, the Group has no borrowings.

# CHAIRMAN'S STATEMENT (Cont'd)

## BUSINESS PROSPECTS

The worldwide markets are improving and orders are expected to grow accordingly. Although material prices are still high in the first quarter of the 2004, operating costs in China are stabilizing and management will continue to pay particular attention to production efficiency and automation to control production costs. The licensed business is maturing and we intend to strengthen our products and markets in this area. The Group will put more effort in new design and development activities to improve the outlook and quality of our products.

Although there will be price pressure from competitors, high manufacturing costs and unpredictable adverse factors, the management of the Group is well prepared to face the challenges and is optimistic of future prospects.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December 2003, information on sales and purchases relating to the major customers and suppliers is summarized as follows:

	2003	2002
<b>Sales (Percentage over total sales)</b>		
The largest customer	9%	9%
Five largest customers	32%	34%
<b>Purchases (Percentage over total purchases)</b>		
The largest supplier	12%	11%
Five largest suppliers	34%	35%

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 2003.

## PERSONNEL

The average number of employees of the Group during the year was approximately 5,800 (2002: 5,700) of whom 740 (2002: 770) 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

7th April 2004