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MAJOR TRANSACTIONS – DISPOSAL OF A PRC SUBSIDIARY; AND PROPOSED FINANCIAL ASSISTANCE

On 20 May 2009, HK Tung Fat, the Purchasers and DG Tung Fat entered into the Equity Transfer Agreement pursuant to which HK Tung Fat has agreed to sell, and the Purchasers have agreed to purchase, the Sale Interests at an aggregate consideration of RMB63,800,000 (equivalent to HK\$72,413,000).

Pursuant to the Equity Transfer Agreement, RBI Shenzhen will provide financial assistance to the Purchasers (if so requested by the Purchasers), details of which are set out in the paragraph headed “Proposed Financial Assistance” below.

Each of the Disposal and the Proposed Financial Assistance constitutes a major transaction for the Company and is subject to the approval by the shareholders of the Company pursuant to the Listing Rules.

A circular containing details of the Disposal and the Proposed Financial Assistance and further information of the Group together with the notice of SGM will be despatched to the shareholders of the Company as soon as practicable.

The Directors are pleased to announce that HK Tung Fat, the Purchasers and DG Tung Fat entered into the Equity Transfer Agreement for the sale and purchase of the Sale Interests. Major terms of the Equity Transfer Agreement are set out below.

EQUITY TRANSFER AGREEMENT

Date

20 May 2009

Parties

- (i) HK Tung Fat, an indirect wholly-owned subsidiary of the Company (as vendor);
- (ii) the Purchasers (as purchasers); and
- (iii) DG Tung Fat, an indirect wholly-owned subsidiary of the Company (as guarantor).

DG Tung Fat joined as a party to the Equity Transfer Agreement to guarantee (a) the performance of the obligations of HK Tung Fat and (b) the discharge of the existing liabilities of RBI Shenzhen under the Equity Transfer Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) each of the Purchasers and their respective ultimate beneficial owners is a third party independent of the Company and is not connected person (within the meaning of the Listing Rules) of the Company; and (ii) the principal business of the Purchasers are hotel management, trading and commerce.

Subject matter of the Equity Transfer Agreement

The Sale Interests, comprising 100% equity interests in RBI Shenzhen owned by HK Tung Fat, are sold as to 30% to the First Purchaser and 70% to the Second Purchaser.

Condition precedent

Completion of the Equity Transfer Agreement is conditional upon the Directors and the shareholders of the Company having approved the transactions contemplated by the Equity Transfer Agreement.

If the above approvals cannot be obtained, the Equity Transfer Agreement shall be terminated and all money deposited in the Joint Account (as defined below) shall be released to the Purchasers.

Completion

The Disposal will be treated as completed when all of the following matters have been completed, which shall be on or before 30 September 2009 (or such later date as the parties may agree):

- (i) the obtaining of the approval from the relevant Administration of Industry and Commerce in the PRC and the issuance of the new business licence (營業執照) of RBI Shenzhen after completion of the relevant registration procedures;
- (ii) HK Tung Fat has received the entire Consideration; and
- (iii) HK Tung Fat has delivered the assets of, and corporate documents relating to, RBI Shenzhen to the Purchasers.

Consideration

The Consideration of RMB63,800,000 (equivalent to HK\$72,413,000) was determined after arm's length negotiation between the Group and the Purchasers and on normal commercial terms with reference to (i) the valuation of the Property as at 31 December 2008, which is RMB75,500,000 (equivalent to approximately HK\$85,700,000) and (ii) the loss making position of RBI Shenzhen for the year ended 31 December 2008. The valuation of the Property was prepared by RHL Appraisal Limited, an independent valuer and represents the market value of the Property which would mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The Purchasers shall arrange for the Consideration to be deposited with bank accounts maintained in banks in the PRC and jointly operated by the Purchasers and DG Tung Fat ("**Joint Account**") in following manner:

- (i) as to RMB35,000,000 (equivalent to HK\$39,725,000) to be deposited with the Joint Account on the date when the Disposal is approved by the shareholders of the Company at the SGM (which shall not be later than the thirty-seventh day from the date of the Equity Transfer Agreement); and
- (ii) as to the remaining RMB28,800,000 (equivalent to HK\$32,688,000) to be deposited with the Joint Account on 29 June 2009.

If the shareholders' approval of the Disposal cannot be obtained on or before the thirty-seventh day from the date of the Equity Transfer Agreement, HK Tung Fat and the Purchasers agreed that such date can be postponed to a date before 15 July 2009 and the payment dates of the Consideration referred to above will be deferred accordingly.

Within 3 days from the date when the full amount of the Consideration has been deposited in the Joint Account by the Purchasers, HK Tung Fat will arrange for the transfer of the Sale Interests be registered at the relevant Administration of Industry and Commerce in the PRC. On the date of issuance of a new business licence (營業執照) of RBI Shenzhen after completion of the relevant registration procedures, the Consideration shall be released from the Joint Account and paid to DG Tung Fat.

If due to any reasons of HK Tung Fat, the transfer of the Sale Interests cannot be registered on or before 30 September 2009 (or such later date as the parties may agree) or HK Tung Fat fails to fulfill any other provisions of the Equity Transfer Agreement, HK Tung Fat shall pay RMB5,000,000 to the Purchasers as compensation.

If the Purchasers fail to pay the Consideration on time or fail to fulfill any other provisions of the Equity Transfer Agreement, the Purchasers shall pay RMB5,000,000 to HK Tung Fat as compensation.

PROPOSED FINANCIAL ASSISTANCE

When the full amount of the Consideration has been deposited in the Joint Account by the Purchasers, HK Tung Fat shall deliver the title certificates of the Property to the Purchasers. Pursuant to the Equity Transfer Agreement, RBI Shenzhen agrees to provide assistance to the Purchasers if the Purchasers apply for any banking facilities before completion of the Disposal and requires the corporate guarantee of RBI Shenzhen and/or the charge of the Property in support of such banking facilities (“**Proposed Financial Assistance**”). RBI Shenzhen will not provide the Proposed Financial Assistance if the maximum amount of banking facilities that will be secured by the Proposed Financial Assistance exceeds the amount of the Consideration. In addition, HK Tung Fat and DG Tung Fat will not be responsible for any of the liabilities arising from such banking facilities.

If completion of the Disposal does not take place before 30 September 2009 and RBI Shenzhen has provided any Proposed Financial Assistance to the Purchasers, the money standing to the credit of the Joint Account shall be used to repay the banking facilities of the Purchasers so as to release the corporate guarantee and/or the charge over the Property given by RBI Shenzhen.

If completion of the Disposal takes place in accordance with the terms of the Equity Transfer Agreement, the Group will cease to have any interests in RBI Shenzhen (and the Property) and will cease to provide any financial assistance to the Purchasers.

INFORMATION ON RBI SHENZHEN

RBI Shenzhen is a wholly foreign-owned enterprise established in Shenzhen, the PRC on 4 May 1998, currently with a registered capital of HK\$46,000,000. The business scope of RBI Shenzhen is engaged in toy manufacturing. Since late 2008, RBI Shenzhen has vigorously downsized its operation in Shenzhen in accordance with the development plan of the Group to concentrate the toy manufacturing business in the other factories of the Group in Dongguan and Heyuan. The major asset of RBI Shenzhen is the Property with total gross floor area of 70,594 sq.m..

The audited net loss of RBI Shenzhen (prepared in accordance with PRC GAAP) for the two years ended 31 December 2008 are as follows:

	For the year ended 31 December 2007	For the year ended 31 December 2008
Net loss (before taxation and extraordinary items)	HK\$1,821,000	HK\$14,080,000
Net loss (after taxation and extraordinary items)	HK\$2,032,000	HK\$13,730,000

The audited total asset value and net asset value of RBI Shenzhen (prepared in accordance with PRC GAAP) as at 31 December 2008 is approximately HK\$74,558,000 and HK\$36,507,000 respectively.

FINANCIAL EFFECT OF THE DISPOSAL

After the completion of the registration procedures with the State Administration for Industry and Commerce for the transfer of the Sale Interests, the Company will no longer hold any shareholding interest in RBI Shenzhen and therefore RBI Shenzhen will cease to be a subsidiary the Company.

Based on the audited financial statements of the Group and RBI Shenzhen for the year ended 31 December 2008 and for illustration purpose only, the Group is expected to record a book gain of approximately HK\$35,906,000 as a result of the Disposal which represents the difference between the Consideration (being HK\$72,413,000) and the audited net asset value of RBI Shenzhen (being approximately HK\$36,507,000) as at 31 December 2008 (excluding the tax expenses in connection with the Disposal).

The Company intended to use the net proceeds from the Disposal to fund the future development of and as the general working capital of the Group.

REASONS FOR THE DISPOSAL AND THE PROPOSED FINANCIAL ASSISTANCE

The Group is principally engaged in the design, manufacture and sale of toys.

The Directors expect that the global toy market in the near future will still be affected by the downturn of the global economic environment. As mentioned in the Company's 2008 annual report, in order to maintain a competitive edge under the tough economic environment, the Group has conducted an internal restructuring in 2008. The Group has vigorously downsized its operation in Shenzhen factories and has been gradually consolidating its operations in the manufacturing bases at Dongguan and Heyuan so as to improve the overall operational efficiency. The Disposal is in line with the restructuring plan of the Group and is an opportunity for the Group to dispose of a loss-making company at a reasonable price. In addition, the Group can have additional funding from the proceeds from the Disposal to prepare for the challenging business environment in the near future. The Directors also consider that the Proposed Financial Assistance, if given by RBI Shenzhen, is in the interest of the Group and will not cause any material adverse effect to the Group as in the event where completion of the Disposal fails to take place before 30 September 2009, the money standing to the credit of the Joint Account will be used to repay the banking facilities granted to the Purchasers so as to release the corporate guarantee and/or the charge over the Property given by RBI Shenzhen.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the Proposed Financial Assistance are on normal commercial terms and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

MAJOR TRANSACTIONS

Each of the Disposal and the Proposed Financial Assistance constitutes a major transaction for the Company and is subject to approval by shareholders of the Company pursuant to the Listing Rules. A circular containing details of the Disposal and the Proposed Financial Assistance and further information

of the Group together with the notice of SGM will be despatched to the shareholders of the Company as soon as practicable. The Company has confirmed with the Purchasers that none of the Purchasers nor any of their respective associates (as defined in the Listing Rules) is holding any shares in the Company. As such, no shareholder of the Company is required to abstain from voting at the SGM.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Company”	RBI Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Consideration”	the consideration payable by the Purchasers to HK Tung Fat for the Disposal in accordance with the Equity Transfer Agreement
“DG Tung Fat”	東莞東發玩具廠有限公司(Dongguan Tungfat Toy Factory Co. Ltd.), a wholly foreign-owned enterprise established in the PRC and an indirectly wholly-owned subsidiary of the Company
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Interests by HK Tung Fat to the Purchasers pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into between HK Tung Fat, the Purchasers and DG Tung Fat on 20 May 2009 in relation to the Disposal
“First Purchaser”	a domestic limited liability company established in the PRC who will purchase 30% Sale Interests pursuant to the Equity Transfer Agreement
“GAAP”	generally accepted accounting principles
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Tung Fat”	Tung Fat Toy Factory Limited, a company incorporated in Hong Kong and principally engaged in toy trading business
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Property”	the land and production plant located at Qiaotou Village, Fu Yong Town, Bao’an District, Shenzhen City, Guangdong Province, the PRC which is owned and operated by RBI Shenzhen
“Purchasers”	collectively, the First Purchaser and the Second Purchaser
“RBI Shenzhen”	紅發實業(深圳)有限公司(RBI Industries (Shenzhen) Co. Ltd), a wholly foreign-owned enterprise established in the PRC and wholly owned by HK Tung Fat, an indirectly wholly owned subsidiary of the Company, before the completion of the Disposal
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Sale Interests”	100% interests in RBI Shenzhen
“Second Purchaser”	a domestic limited liability company established in the PRC who will purchase 70% Sale Interests pursuant to the Equity Transfer Agreement
“SGM”	a special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement (including the Proposed Financial Assistance)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

In this announcement, for the purposes of illustration only, amounts quoted in RMB have been converted into HK dollars at the rate of RMB1 to HK\$1.135. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

On behalf of the Board
Chau Kai Man
Chairman

Hong Kong, 20 May 2009

As at the date of this announcement, the Company’s executive Directors are Mr. Chau Kai Man and Mr. Lee Kin Fai; the non-executive Director is Mr. Tsui Ming and the independent non-executive Directors are Mr. Kwong Kwan Ming, Mr. Wu Tak Lung, Mr. Leung Chi Kin and Mr. Chow King Lok.