

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Rockapetta Holdings Limited (the "Company"), I would like to present the annual report of the Company for the year ended 31st December 2001.

The management considered 2001 to be a challenging year because of the September 11th terrorist attack in USA and the global economic slowdown, economic situation in Hong Kong deteriorated significantly. Together with the huge impact from the provisions made to properties, stocks and bad debts, our business and results were inevitably affected. The Group achieved a turnover of HK\$113 million and a loss of HK\$45.9 million during the financial year 2001.

A decrease in turnover was resulted this year because our products were mainly sold to North America, which represented about 74% of total sales and suffered a 23.4% decrease in line with downtown in the US economy. However, the Group has made significant effort in securing new customers in 2001, the overall reduction in turnover was moderated to HK\$113 million, 15.7% reduction from previous year.

The Group introduced two new OEM (Original Equipment Manufacturing) customers in 2001, which constituted about 10% of our total sales. Our project sales team will continue to secure more OEM customers and the Group is targeting to diversify the customer base so as to avoid over reliance on the demand of any single OEM customer's toy items.

During the year, the Group has strengthened its control over the inventory level. The implementation of new material resources planning system together with streamlined workflow has provided the management with information in a timely manner. The Group has successfully reduced its inventory level significantly by 57.9% from HK\$60.3 million in 2000 to HK\$25.4 million in 2001.

In addition, the Group has introduced various cost control measures, so that the administrative expenses were substantially reduced.

The management of the Group expected a slight recovery in the global economy in the coming years. In addition to the markets that we have developed in past few years, we plan to further explore the domestic sales market in the PRC. We believe consumer market in PRC is full of potential and opportunity. Besides, the Group's management shall continue to review opportunities available to it for diversification. A corporate finance team has been set up to deal with such opportunities that would bring value to the Group if so arise.

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With the above measures, we hope that the Group will have an overall improvement in the operations in coming years. Lastly, I would like to take this opportunity to express my sincere thanks to the members of the board for their leadership, to all the staff members for their commitment and the continuous support of the shareholders towards the Company.

Chan Sheung Wai

Chairman

Hong Kong, 22nd April 2002

