



KADER HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 180)

Announcement of Interim Results For the Six Months Ended 30 June 2007

The Board of Directors of Kader Holdings Company Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) and the Group’s interests in associates and a jointly controlled entity for the six months ended 30 June 2007, together with comparative figures for the corresponding period in 2006 are as follows :–

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		Unaudited	
		Six months ended 30 June	
		2007	2006
	Note	HK\$'000	HK\$'000
Turnover	4	266,148	202,760
Other revenue		6,387	6,112
Other net income		2,312	3,309
Changes in inventories of finished goods and work in progress		8,598	30,575
Cost of purchase of finished goods		(12,144)	(14,424)
Raw materials and consumables used		(84,561)	(72,753)
Staff costs		(87,243)	(79,436)
Depreciation		(10,364)	(10,509)
Amortisation of land lease premium		(11)	(11)
Other operating expenses		(65,059)	(53,174)
Profit from operations	4	24,063	12,449
Finance costs	6(a)	(5,614)	(6,816)
Share of profits less losses of associates		35	3,727
Share of loss of a jointly controlled entity		–	(282)
Profit before taxation	6	18,484	9,078
Income tax	7	(4,606)	(454)
Profit for the period		13,878	8,624
Attributable to :			
Equity shareholders of the Company		13,556	8,624
Minority interests		322	–
Profit after taxation		13,878	8,624
Dividends	8	9,981	–
Earnings per share attributable to equity shareholders of the Company			
Basic	9(a)	2.04¢	1.30¢
Diluted	9(b)	N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 30 June 2007

		Unaudited At 30 June 2007 HK\$'000	Audited At 31 December 2006 HK\$'000
	<i>Note</i>		
Non-current assets			
Fixed assets			
– Investment property		542,019	541,212
– Other property, plant and equipment		129,702	124,255
– Interests in leasehold land held for own use under an operating lease		887	898
		<u>672,608</u>	<u>666,365</u>
Intangible assets		586	603
Interests in associates		66,101	51,040
Interest in a jointly controlled entity	3	–	3,554
Other non-current financial assets	10	25,687	8,349
Deferred tax assets		25,951	22,768
		<u>790,933</u>	<u>752,679</u>
Current assets			
Inventories		154,186	135,203
Current tax recoverable		1,317	1,317
Trade and other receivables	11	84,975	104,326
Cash and cash equivalents		12,076	24,440
		<u>252,554</u>	<u>265,286</u>
Current liabilities			
Trade and other payables	12	120,813	140,819
Bank loans and overdrafts		140,443	106,841
Obligations under finance leases		1,037	1,380
Current tax payable		7,467	9,973
		<u>269,760</u>	<u>259,013</u>
Net current (liabilities) / assets		<u>(17,206)</u>	<u>6,273</u>
Total assets less current liabilities carried forward		<u>773,727</u>	<u>758,952</u>

CONSOLIDATED BALANCE SHEET (Continued)*As at 30 June 2007*

	Unaudited	Audited
	At 30 June	At 31 December
	2007	2006
<i>Note</i>	HK\$'000	HK\$'000
Total assets less current liabilities brought forward	773,727	758,952
Non-current liabilities		
Bank borrowings	38,296	34,283
Rental deposits	5,327	3,516
Obligations under finance leases	741	1,080
Deferred tax liabilities	65,482	65,432
Accrued employee benefits	1,283	1,273
	<u>111,129</u>	<u>105,584</u>
NET ASSETS	<u>662,598</u>	<u>653,368</u>
CAPITAL AND RESERVES		
Share capital	66,541	66,541
Reserves	593,237	586,827
Total equity attributable to equity shareholders of the Company	659,778	653,368
Minority interests	2,820	–
TOTAL EQUITY	<u>662,598</u>	<u>653,368</u>

NOTES:

1. Independent review

The consolidated interim financial report for the six months ended 30 June 2007 is unaudited, but has been reviewed by the Audit Committee.

2. Basis of preparation

The consolidated interim financial report for the six months ended 30 June 2007 comprises the Company and its subsidiaries and the Group's interests in associates and a jointly controlled entity.

This consolidated interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

3. Acquisition of control over a jointly controlled entity

During the period, the Group acquired control over a Company previously classified as a jointly controlled entity and equity account for.

The Company has been consolidated as a subsidiary from the date the Group acquired control.

The Group held a 65% interest in the Company as at 30 June 2007.

NOTES: (Continued)

4. Segment reporting

The Group's primary format for reporting segment information is business segments.

Business segments

The Group comprises the following main business segments:

Toys and model trains:	The manufacture and sale of plastic, electronic and stuffed toys and model trains.
Property investment:	The leasing of office premises, industrial building and residential units to generate rental income and to gain from the appreciation in the properties' value in the long term.
Investment holding and trading:	The investment in partnership and trading of listed securities.

Unaudited six months ended 30 June	Toys and model trains		Property investment		Investment holding		Unallocated		Inter-segment elimination		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	251,507	190,519	14,641	12,241	-	-	-	-	-	-	266,148	202,760
Inter-segment revenue	-	-	489	489	-	-	-	-	(489)	(489)	-	-
Other revenue from external customers	806	2,906	4,634	3,264	809	480	-	-	-	-	6,249	6,650
Total	252,313	193,425	19,764	15,994	809	480	-	-	(489)	(489)	272,397	209,410
Segment result	10,131	23	15,998	12,522	(2,441)	694	191	(1,216)	-	-	23,879	12,023
Unallocated operating income and expenses											184	426
Profit from operations											24,063	12,449

5. Seasonality of operations

The Group's toys and model trains division, a separate business segment (see note 4), on average experiences higher sales in the second half year, compared to the first half year, due to the increased demand of its products during the holiday season. As such, the first half year reports lower revenues and segment results for this segment than the second half.

NOTES: (Continued)

6. Profit before taxation

Profit before taxation is arrived at after charging / (crediting):

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
(a) Finance costs		
Finance charges on obligations under finance leases	50	81
Interest on other borrowings	5,564	6,735
	<u>5,614</u>	<u>6,816</u>
(b) Other items		
Cost of inventories	165,163	122,264
Amortisation of intangible assets	17	18
Net gain on disposal of fixed assets	(46)	(73)
Net loss on sale of property held for resale	–	315
Interest income	(138)	(353)
Share of associate's taxation	5	–
	<u>5</u>	<u>–</u>

7. Income tax

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Hong Kong taxation	7,394	–
Overseas taxation	370	620
Deferred taxation	(3,158)	(166)
	<u>4,606</u>	<u>454</u>
Income tax charge	<u>4,606</u>	<u>454</u>

The provision for Hong Kong Profits Tax for the six months ended 30 June 2007 is calculated at 17.5% of the estimated assessable profits for the period. No provision for Hong Kong Profits Tax was recorded for the six months ended 30 June 2006 as accumulated losses brought forward exceeded assessable profits for the period or losses were sustained for taxation purposes. Taxation for overseas subsidiaries is calculated by using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

NOTES: (Continued)

8. Dividend

Dividend attributable to the previous financial year, approved and paid during the interim period:

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Final dividend in respect of the financial year ended 31 December 2006, approved and paid during the following interim period, of HK1.5 cents per ordinary share (year ended 31 December 2005 : HK nil cents per ordinary share)	<u>9,981</u>	<u>—</u>

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$13,556,000 (six months ended 30 June 2006: HK\$8,624,000) and the weighted average number of ordinary shares of 665,412,000 (2006: 665,412,000).

(b) Diluted earnings per share

The diluted earnings per share is not presented as the Company does not have dilutive potential ordinary shares outstanding during both the current and prior periods.

10. Other non-current financial assets

On 12 March 2007, a subsidiary of the Company, Bachmann Industries Inc., acquired a 16.5% interest in The Robot Factory, LLC (“Robotgalaxy”) for cash consideration of approximately HK\$7,800,000. An additional HK\$7,800,000 was invested in Robotgalaxy via a convertible note issued by Robotgalaxy to the Group.

Robotgalaxy is a limited liability company incorporated under the laws of the State of Delaware, United States of America. Robotgalaxy is principally engaged in the sale of toys.

NOTES: (Continued)

11. Trade and other receivables

Included in trade and other receivables are trade debtors (net of impairment losses) with the following ageing analysis:

	Unaudited At 30 June 2007 <i>HK\$'000</i>	Audited At 31 December 2006 <i>HK\$'000</i>
Current	60,316	89,019
1 to 3 months overdue	7,836	2,064
More than 3 months overdue but less than 12 months overdue	1,404	547
Total trade debtors, net of impairment losses	69,556	91,630
Other debtors and prepayments	15,419	12,696
	84,975	104,326

Credit evaluations are performed on all customers requiring credit over a certain amount. Debtors are due within 30 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

12. Trade and other payables

Included in trade and other payables are trade creditors with the following ageing analysis:

	Unaudited At 30 June 2007 <i>HK\$'000</i>	Audited At 31 December 2006 <i>HK\$'000</i>
Due within 1 month or on demand	34,954	20,695
Due after 1 month but within 3 months	1,190	2,630
Due after 3 months but within 6 months	510	109
Due after 6 months	967	885
Total trade creditors	37,621	24,319
Other payables	83,192	116,500
	120,813	140,819

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated turnover of HK\$266.15 million, an increase of 31.26% as compared to HK\$202.76 million reported for the corresponding period last year. The profit attributable to equity shareholders of the Company amounted to HK\$13.56 million, representing an increase of 57.19% as compared to HK\$8.62 million reported for the corresponding period.

BUSINESS REVIEW

Toys and Model Trains

The turnover for the Group's OEM/ODM toys business in the first half year of 2007 was HK\$98.58 million, a substantial increase of 63.18% as compared to the corresponding period last year. Moreover, the turnover of Group's model trains business in the first half year of 2007 was approximately HK\$152.92 million, representing a healthy growth of 17.53% as compared to the corresponding period last year.

During the period under review, most of the toy manufacturers, including the Group, were facing the impact from the appreciation of the Renminbi Yuan, higher labour costs and spiralling raw material costs. However, the Group continued to make efforts in its stringent cost control policy and at the same time enhancing productivity. As a result, the negative impact was substantially relieved. With the increased production activities in the low season, the Group has managed to achieve satisfactory results in the first half year of 2007.

Property Investment

During the period under review, the rental income of the Group amounted to HK\$14.64 million, representing a 19.61% increment as compared to the corresponding period of last year. The increase reflected the upward adjustment of rental rates upon lease renewals for Kader Building and the Group's Shanghai properties.

The Group's major investment property, Kader Building, continued to generate recurring revenue for the Group. For the first six months of the year, the rental income of Kader Building amounted to HK\$13.05 million, representing a 18.30% increment over the corresponding period of last year. As at 30 June 2007, the occupancy rate of Kader Building was over 90%.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at the period-end, the Group's net asset value per share amounted to HK\$0.99 (at 31 December 2006: HK\$0.98); the current ratio was 0.94 (at 31 December 2006: 1.02); the total bank borrowings were approximately HK\$178.74 million (at 31 December 2006: HK\$141.12 million) while the Group secured total banking facilities of approximately HK\$372.09 million; the Group's financial gearing, based on the total interest bearing borrowings compared to the total equity, was 26.98% (at 30 June 2006: 30.09%; at 31 December 2006: 24.05%). There is no significant seasonality of borrowing requirements except that during peak production period in the second half year, the Group's facilities on trade finance will be substantially utilised. All borrowings are on floating interest rate terms.

Capital Structure

During the period under review, there were no changes in the Company's share capital. The Group's source of financing was mainly bank borrowings and advances from shareholders, which were denominated in Hong Kong Dollars, United States Dollars and Sterling Pounds at prevailing interest rates.

Exchange Rate Exposure

Major assets, liabilities and transactions of the Group are denominated in Hong Kong Dollars, United States Dollars, Sterling Pounds, Renminbi Yuan and Canadian Dollars. During the period under review, the majority of the Group's sales revenues were denominated in Hong Kong Dollars, United States Dollars and Sterling Pounds while the majority of its raw materials and equipment purchases were settled in Hong Kong Dollars. As such, the Group was facing a certain degree of exchange risk; mainly arising from Sterling Pounds denominated sales transactions of which the exchange rate volatility is relatively high. Meanwhile, forward contracts were arranged and the exchange risk in this respect was substantially covered.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, the Group employed approximately 7,201 (at 30 June 2006: 7,650; at 31 December 2006: 6,646) full time management, administrative and production staff in Hong Kong SAR, other areas of Mainland China, the United States and Europe. The Group had seasonal fluctuation in the number of workers employed in its production plant while the number of other management and administrative staff remained stable. The Group remunerates its employees based on their performance, experience and prevailing industry practices. In the area of staff training, the Group encourages staff to participate in courses on technical skills improvement and personal development.

PROSPECTS

During the first half year 2007, world economy continued to be promising and the Group has benefited from this. The Group will carry on this good start and will strive for a better return in the second half year.

Meanwhile, operating conditions remained challenging and the Group is still facing adverse factors, such as the volatility in raw material prices, the ever increasing energy and labour costs, shortage of skilled workers and pressure from the appreciation of Renminbi Yuan. However, the Group is focused on conquering such harsh conditions and sees this as an ongoing challenge. The Group will continue its strategy in exercising controls to improve efficiency and productivity through an enhanced workforce, streamlined operational procedures and development of automated processes. Meanwhile, measures and efforts will continue to be placed in enriching product lines and broadening the customer base.

Looking ahead, although operational conditions are challenging, the Group is cautiously optimistic as to the Group's ongoing performance. Based on orders already received in the first half year, it is anticipated that turnover from model trains and the OEM/ODM business will achieve a healthy growth throughout the whole year. In view of the global trend of integrating electronics and new technologies into toys, the Group will place more efforts in broadening the revenue base by strengthening the research and capabilities to develop new high margin product lines.

PURCHASE, SALE OR REDEMPTION OF SHARES

There has been no purchase, sale or redemption of the Company's shares by the Company or any of its associated corporations during the six months ended 30 June 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board regularly reviews and adopts corporate governance guidelines and developments. Throughout the period under review, the Group has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules except the CG Code A.4.2, that requires every director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. Steps are being taken to amend the bye-laws of the Company with a view to ensuring full compliance with the requirements of this CG Code. One of the major steps required is to amend or repeal The Kader Holdings Company Limited Company Act 1990 of Bermuda, which is a private act pursuant to which the Company was incorporated. The repeal of the Private Act has been assented to and was granted on 25 June 2007. A special general meeting will be convened on 9 October 2007 to obtain shareholders' approval on the amendment of the relevant bye-laws of the Company. Upon completion of the above procedures, the Company will be in full compliance with the CG Code.

Apart from the above-mentioned CG Code A.4.2, none of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2007, in compliance with the CG Code.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the key accounting policies, and discussed auditing, internal controls and financial reporting matters, including a review of the interim results for the period ended 30 June 2007.

REMUNERATION COMMITTEE

The Remuneration Committee, comprising of two independent non-executive directors of the Company and the Managing Director of the Company, is responsible for reviewing and making recommendations to the Board on the Company's policy and structure for all remunerations of directors and senior management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Throughout the period under review, all directors have confirmed, following specific enquiry by the Company, that they were in compliance with the Model Code.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange (<http://www.hkex.com.hk>) and on the website of the Company (<http://www.kaderholdings.com>). The Interim Report 2007 of the Company will be dispatched to shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Kenneth Ting Woo-shou
Managing Director

Hong Kong, 17 September 2007

As at the date hereof, the executive directors of the Company are Mr. Kenneth Ting Woo-shou, SBS, JP (Managing Director) and Mr. Ivan Ting Tien-li; the non-executive directors of the Company are Dr. Dennis Ting Hok-shou, OBE, JP (Chairman) and Mr. Moses Cheng Mo-chi, GBS, OBE, JP; and the independent non-executive directors of the Company are Mr. Liu Chee-ming, Mr. Floyd Chan Tsoi-yin and Mr. Andrew Yao Cho-fai.