



KADER HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 180)



INTERIM REPORT 2007

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

	<i>Note</i>	Unaudited	
		Six months ended 30 June	
		2007	2006
		HK\$'000	HK\$'000
Turnover	5	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)
		<hr/>	<hr/>
Profit from operations	5	24,063	12,449
Finance costs	7(a)	(5,614)	(6,816)
Share of profits less losses of associates		35	3,727
Share of loss of a jointly controlled entity		–	(282)
		<hr/>	<hr/>
Profit before taxation	7	18,484	9,078
Income tax	8	(4,606)	(454)
		<hr/>	<hr/>
Profit for the period		13,878	8,624
		<hr/>	<hr/>
Attributable to:			
Equity shareholders of the Company	17	13,556	8,624
Minority interests	17	322	–
		<hr/>	<hr/>
Profit after taxation		13,878	8,624
		<hr/>	<hr/>
Dividends	9	9,981	–
		<hr/>	<hr/>
Earnings per share attributable to equity shareholders of the Company			
Basic	10(a)	2.04¢	1.30¢
		<hr/>	<hr/>
Diluted	10(b)	N/A	N/A
		<hr/>	<hr/>

The notes on pages 6 to 15 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Note	Unaudited Six months ended 30 June		
		2007 HK\$'000	2007 HK\$'000	2006 HK\$'000
Total equity at 1 January	17		653,368	611,019
Net income/(expense) for the period recognised directly in equity:–				
Exchange differences on translation of the financial statements of overseas subsidiaries	17		1,353	5,096
Share of exchange reserve of associates	17		(418)	(335)
Changes in fair value of available-for-sale securities	17		1,738	(278)
Surplus on revaluation of land and buildings held for own use, net of deferred tax	17		162	–
Net income for the period recognised directly in equity			2,835	4,483
Net profit for the period	17		13,878	8,624
Total recognised income and expense for the period			16,713	13,107
Attributable to:				
Equity shareholders of the Company		16,391		13,107
Minority interests		322		–
		16,713		13,107
Dividends declared	9		(9,981)	–
Acquisition of control over a jointly controlled entity	4, 17		2,498	–
Total equity at 30 June	17		662,598	624,126

The notes on pages 6 to 15 form part of this interim financial report.

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	11	542,019	541,212
– Other property, plant and equipment	11	129,702	124,255
– Interests in leasehold land held for own use under an operating lease		<u>887</u>	<u>898</u>
		672,608	666,365
Intangible assets			
Interests in associates		586	603
Interests in associates		66,101	51,040
Interest in a jointly controlled entity	4	–	3,554
Other non-current financial assets	12	25,687	8,349
Deferred tax assets		<u>25,951</u>	<u>22,768</u>
		790,933	752,679
Current assets			
Inventories	13	154,186	135,203
Current tax recoverable		1,317	1,317
Trade and other receivables	14	84,975	104,326
Cash and cash equivalents	15	<u>12,076</u>	<u>24,440</u>
		252,554	265,286
Current liabilities			
Trade and other payables	16	120,813	140,819
Bank loans and overdrafts		140,443	106,841
Obligations under finance leases		1,037	1,380
Current tax payable		<u>7,467</u>	<u>9,973</u>
		269,760	259,013
Net current (liabilities)/assets		<u>(17,206)</u>	<u>6,273</u>
Total assets less current liabilities carried forward		773,727	758,952

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	<i>17</i>	
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>

The notes on pages 6 to 15 form part of this interim financial report.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

		Unaudited	
		Six months ended 30 June	
		2007	2006
	<i>Note</i>	HK\$'000	HK\$'000
Cash generated from operations		48,396	23,625
Tax paid		<u>(10,285)</u>	<u>(4,626)</u>
Net cash generated from operating activities		38,111	18,999
Investing activities			
Payment for purchase of fixed assets	<i>11(a)</i>	(11,990)	(11,246)
Payment for purchase of available-for-sale securities		–	(7,800)
Payment for purchase of other financial assets	<i>12</i>	(15,600)	–
Proceeds from disposal of fixed assets	<i>11(a)</i>	92	266
Proceeds from sale of properties held for resale		–	2,741
Interest received		135	354
Decrease in investments in associates		–	24,960
(Increase)/decrease in amounts due from associates		(15,445)	74,505
Acquisition of control over a jointly controlled entity		1,026	–
Net cash (used in)/generated from investing activities		(41,782)	83,780
Financing activities			
Proceeds from new bank loans		113,465	20,864
Repayment of bank loans		(87,620)	(69,853)
Capital element of finance lease rentals paid		(682)	(650)
Decrease in amounts due to related companies		(13,907)	(2,963)
Repayment of loans from shareholders and directors		(16,312)	(46,448)
Dividend paid		(9,981)	–
Interest paid		(5,518)	(7,951)
Interest element of finance lease rentals paid		(50)	(81)
Net cash used in financing activities		(20,605)	(107,082)
Net decrease in cash and cash equivalents		(24,276)	(4,303)
Cash and cash equivalents at 1 January		(12,700)	(12,650)
Effect of foreign exchange rate changes		216	482
Cash and cash equivalents at 30 June	<i>15</i>	(36,760)	(16,471)

The notes on pages 6 to 15 form part of this interim financial report.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

1. Reporting entity

Kader Holdings Company Limited is a company domiciled in Bermuda. The consolidated interim financial report of the Company as at and 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.

The financial report of the Group as at and for the year ended 31 December 2006 are available upon request from the Company's principal office at 11/F, 22 Kai Cheung Road, Kowloon Bay, Kowloon or at <http://www.kaderholdings.com>.

2. Basis of preparation

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").

This consolidated interim financial report was approved by the Board of Directors and authorised for issue on 17 September 2007.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2007. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2007, on the basis of HKFRSs currently in issue and effective for the current accounting period. The adoption of these new and revised HKFRSs which are expected to be reflected in the 2007 annual financial statements would not have a significant impact on the Group's results of operations and financial position.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2007 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

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

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT (continued)

2. Basis of preparation (continued)

The interim financial report is unaudited, but has been reviewed by the Audit Committee.

The financial information relating to the financial year ended 31 December 2006 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2006 are available from the Company's principal office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 April 2007.

3. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2006.

4. 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.

5. 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.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT
(continued)

5. Segment reporting (continued)

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

6. Seasonality of operations

The Group's toys and model trains division, a separate business segment (see note 5), 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.

7. 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
	5,614	6,816
(b) Other items		
Cost of inventories	165,163	122,264
Amortisation of intangible assets	17	18
Net gain on disposal of fixed assets (note 11(a))	(46)	(73)
Net loss on sale of property held for resale	-	315
Interest income	(138)	(353)
Share of associate's taxation	5	-

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT
(continued)

8. 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.

9. 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 HK 1.5 cents per ordinary share (year ended 31 December 2005: HK nil cents per ordinary share)	<u>9,981</u>	<u>–</u>

10. 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.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT
(continued)

11. Fixed assets

(a) Acquisitions and disposals

During the six months ended 30 June 2007, the Group acquired items of fixed assets with a cost of HK\$11,990,000 (six months ended 30 June 2006: HK\$11,246,000). Items of fixed assets with a net book value of HK\$46,000 were disposed of during the six months ended 30 June 2007 (six months ended 30 June 2006: HK\$193,000), resulting in a gain on disposal of HK\$46,000 (six months ended 30 June 2006: HK\$73,000).

(b) Valuation

Investment properties carried at fair value were revalued at 31 December 2006 by an independent firm of surveyors, DTZ Debenham Tie Leung, who have among their staff Fellows of the Hong Kong Institute of Surveyors, on an open market value basis.

The directors have reviewed the valuation of the investment properties since the previous annual reporting date taking into account the volatility of the property market and available market data on comparable properties, and consider that the investment properties as at 30 June 2007 are carried at fair value.

12. 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 TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT
(continued)

13. Inventories

During six months ended 30 June 2007 HK\$551,000 (six months ended 30 June 2006: HK\$2,851,000) has been recognised as a reduction in the amount of inventories recognised as an expense during the period, being the amount of reversal of a write-down of inventories to estimated net realisable value.

14. Trade and other receivables

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

	Unaudited	Audited
	At 30 June	At 31 December
	2007	2006
	HK\$'000	HK\$'000
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
	<hr/>	<hr/>
Total trade debtors, net of impairment losses	69,556	91,630
Other debtors and prepayments	15,419	12,696
	<hr/>	<hr/>
	84,975	104,326
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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.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT
(continued)

15. Cash and cash equivalents

	Unaudited At 30 June 2007 <i>HK\$'000</i>	Audited At 31 December 2006 <i>HK\$'000</i>
Cash and cash equivalents in the balance sheet	12,076	24,440
Bank overdrafts	(48,836)	(37,140)
	<hr/>	<hr/>
Cash and cash equivalents in the consolidated cash flow statement	(36,760)	(12,700)
	<hr/> <hr/>	<hr/> <hr/>

16. 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
	<hr/>	<hr/>
Total trade creditors	37,621	24,319
Other payables	83,192	116,500
	<hr/>	<hr/>
	120,813	140,819
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT
(continued)

17. Capital and reserves

		Attributable to equity shareholders of the Company										
	Note	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	Fair value reserve HK\$'000	Revenue reserves HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2006		66,541	109,942	10,815	173,397	522	35,591	-	214,211	611,019	-	611,019
Exchange difference on translation of financial statements of overseas subsidiaries		-	-	-	-	12,169	-	-	-	12,169	-	12,169
Share of exchange reserve of associates		-	-	-	-	(351)	-	-	-	(351)	-	(351)
Share of exchange reserve of jointly controlled entity		-	-	-	-	110	-	-	-	110	-	110
Changes in fair value of available-for-sale securities		-	-	-	-	-	-	449	-	449	-	449
Profit for the year		-	-	-	-	-	-	-	29,972	29,972	-	29,972
At 31 December 2006		<u>66,541</u>	<u>109,942</u>	<u>10,815</u>	<u>173,397</u>	<u>12,450</u>	<u>35,591</u>	<u>449</u>	<u>244,183</u>	<u>653,368</u>	<u>-</u>	<u>653,368</u>
At 1 January 2007		66,541	109,942	10,815	173,397	12,450	35,591	449	244,183	653,368	-	653,368
Acquisition of control over a jointly controlled entity	4	-	-	-	-	-	-	-	-	-	2,498	2,498
Exchange difference on translation of financial statements of overseas subsidiaries		-	-	-	-	1,353	-	-	-	1,353	-	1,353
Share of exchange reserve of associates		-	-	-	-	(418)	-	-	-	(418)	-	(418)
Changes in fair value of available-for-sale securities		-	-	-	-	-	-	1,738	-	1,738	-	1,738
Revaluation surplus, net of deferred tax		-	-	-	-	-	162	-	-	162	-	162
Profit for the period		-	-	-	-	-	-	-	13,556	13,556	322	13,878
Dividend approved in respect of the previous year		-	-	-	-	-	-	-	(9,981)	(9,981)	-	(9,981)
At 30 June 2007		<u>66,541</u>	<u>109,942</u>	<u>10,815</u>	<u>173,397</u>	<u>13,585</u>	<u>35,753</u>	<u>2,187</u>	<u>247,758</u>	<u>659,778</u>	<u>2,820</u>	<u>662,598</u>

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT
(continued)

18. Material related party transactions

- (a) One of the directors of the Company is a non-executive director and shareholder of a supplier which sold packaging and printing materials to the Group under the same terms as those available to other customers in the ordinary course of business. Total purchases from the supplier during the period amounted to HK\$1,469,000 (six months ended 30 June 2006: HK\$2,042,000). The amount due to the supplier at the period end amounted to HK\$565,000 (at 31 December 2006: HK\$610,000).
- (b) During the period, the Group had net interests in certain associates amounting to HK\$65,496,000 (at 31 December 2006: HK\$50,608,000) in which a director of the Company has beneficial interests.
- (c) During the period, the Group has obtained funding from certain directors and related companies to finance its operations. The outstanding balances are as follows:

	Unaudited	Audited
	At 30 June	At 31 December
	2007	2006
	HK\$'000	HK\$'000
Directors	–	16,312
Related companies	2,018	15,733

Balances with related companies are unsecured, interest free and have no fixed terms of repayment.

Balances with directors as at 31 December 2006 were unsecured, interest bearing at Hong Kong dollar prime rate less 2% and had no fixed terms of repayment.

19. Contingent liabilities

- (a) The Company has issued guarantees to banks to secure banking facilities of subsidiaries amounting to HK\$372,088,000 at 30 June 2007 (at 31 December 2006: HK\$327,600,000).

The guarantees were issued by the Company at nil consideration. The transactions were not at arm's length, and it is not possible to measure reliably the fair value of these transactions in accordance with HKAS 39 had they been at arm's length. Accordingly the guarantees have not been accounted for as financial liabilities and measured at fair value.

As at the balance sheet date, the directors do not consider to be probable that a claim will be made against the Company under any of the guarantees issued. The maximum liability of the company at the balance sheet date under the guarantees issued is the amount of banking facilities drawn down by the relevant subsidiaries of HK\$175,597,000 (2006: HK\$134,313,000).

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT
(continued)

19. Contingent liabilities *(continued)*

(b) Litigation

As reported in the Group's 2004, 2005 and 2006 Annual Report, during the last quarter of 2003, a Mexican company commenced a lawsuit in the State of Arizona against the Company on the grounds that the Company is a guarantor for a Lease Agreement of factory premises occupied by Siempre Novedoso De Mexico (Sinomex) S.A. de C.V. ("Sinomex") as tenant (the "Litigation"). Sinomex was a member company of the Group at that time and it was disposed of in 1996. The plaintiffs alleged claims against Sinomex and the Company of approximately US\$5,000,000 for unpaid obligations of Sinomex under such Lease Agreement, plus interest (in the amount of 2% per month, or 24% annually), court costs and attorney fees.

In 2004, the Company filed a Motion to Dismiss ("the Motion") the complaint in the Litigation based upon the applicable laws of Arizona and those of the location of the property, Hermosillo, Mexico. In the Motion, the Company primarily argued that the Arizona court did not have sufficient subject matter and personal jurisdiction over the Company under the guaranty for the case to continue in that court, and as such, the case should be dismissed in favor of the Company. In January 2005, the Arizona court denied that initial Motion submitted by the Company.

Since then the Company has taken some discovery, responded to a motion for partial summary judgment filed by the plaintiffs, and filed a motion for summary judgment of its own. In August of 2007, the court denied the Company's motion for summary judgment and granted the plaintiffs' motion for partial summary judgment, holding the Company liable under the guaranty. The grant of partial summary judgment finds the Company to be responsible under the subject guaranty, but does not establish the amount of damages under that guaranty. The case must still proceed to trial on the issue of the amount of the damages to which plaintiffs are entitled. The company is evaluating its options and generally plans to oppose the trial court's ruling by motions and/or appeals, and will contest the amount of damages awardable to the plaintiffs at the trial to determine damages.

Having considered the Litigation with the Company's various legal counsel, the management and the Board believes that the Company's opposition to the plaintiffs' complaint, as well as the Company's defenses and appeal rights, including defenses to the amount of damages awardable, continue to be meritorious, despite the granting of partial summary judgment. As such, the Company intends to continue to vigorously defend the Litigation. On that basis, the Company has made adequate provision in relation to the Litigation.

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.

Charges on Group Assets

As at 30 June 2007, certain investment properties, leasehold land and buildings and other assets of the Group valued at approximately HK\$751.84 million (at 31 December 2006: HK\$746.21 million) were pledged to several banks to secure banking facilities granted to the Group.

Material Acquisitions and Disposals

There are no material acquisitions and disposals during the period ended 30 June 2007.

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.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company and the Associated Corporations

The directors of the Company who held office at 30 June 2007 had the following interests in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) at that date as recorded in the register of directors' and chief executives' interests and short positions required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Interests in the Company

Name of directors	Number of ordinary shares of HK\$0.10 each				% of total issued shares
	Personal interests	Family interests	Corporate interests	Total number of shares held	
Kenneth Ting Woo-shou	105,121,385	1,452,629 (i)	244,175,800 (ii)	350,749,814	52.71%
Dennis Ting Hok-shou	9,692,817	275,000 (iii)	236,969,800 (iv)	246,937,617	37.11%
Ivan Ting Tien-li	423,903	–	13,042,400	13,466,303	2.02%
Moses Cheng Mo-chi	11,000	–	–	11,000	0.00%
Liu Chee-ming	–	–	1,000,000	1,000,000	0.15%
Floyd Chan Tsoi-yin	–	–	–	–	–
Andrew Yao Cho-fai	–	–	–	–	–

Notes:

- (i) The spouse of Mr. Kenneth Ting Woo-shou is the beneficial shareholder.
- (ii) Included in the "Corporate Interests" above were 209,671,000 shares of the Company held by its substantial shareholder, H.C. Ting's Holdings Limited, in which Messrs. Dennis Ting Hok-shou and Kenneth Ting Woo-shou together have a controlling interest; and 34,504,800 shares of the Company held by its substantial shareholder, Glory Town Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest.
- (iii) The spouse of Dr. Dennis Ting Hok-shou is the beneficial shareholder.
- (iv) Included in the "Corporate Interests" above were 209,671,000 shares of the Company held by its substantial shareholder, H.C. Ting's Holdings Limited, in which Messrs. Dennis Ting Hok-shou and Kenneth Ting Woo-shou together have a controlling interest.

Interests in Associated Corporations

Name of associated corporation	Beneficial interests	Class of shares	Number of shares held			% of interests in associated corporation
			Personal interests	Family interests	Corporate interests	
Allman Holdings Limited	Kenneth Ting Woo-shou	Ordinary shares of US\$1.00 each	–	–	920 (i)	63.89%
Pacific Squaw Creek, Inc.	Kenneth Ting Woo-shou	Ordinary shares of US\$1.00 each	–	–	1,000 (ii)	100.00%
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable (iii)	–	–	–	62.00% (iv)
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable (iii)	–	–	–	8.00% (v)

Notes:

- (i) These interests are held by Tyrol Investments Limited which is wholly owned by Mr. Kenneth Ting Woo-shou.
- (ii) These interests are held by Allman Holdings Limited (“Allman”), Mr. Kenneth Ting Woo-shou’s beneficial interest in Allman was disclosed in Note (i) above.
- (iii) Squaw Creek Associates, LLC (“SCA”) does not have issued share capital, the percentage of interest in SCA represents interest in capital account balance.
- (iv) These interests are held by Pacific Squaw Creek, Inc. (“PSC”), Mr. Kenneth Ting Woo-shou’s beneficial interests in PSC was disclosed above.
- (v) These interests are held by Ting Corporation which is wholly owned by Mr. Kenneth Ting Woo-shou.

All the interests stated above represent long positions. As at 30 June 2007, no short positions were recorded in the register required to be kept under section 352 of the SFO.

Save as disclosed above, as at 30 June 2007, none of the directors or chief executives of the Company nor their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

At no time during the period was the Company or any of its associated corporations a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholder's and Other Person's Interests

As at 30 June 2007, save for certain directors' interests in the share capital of the Company as disclosed above, no other person was recorded in the register kept by the Company under section 336 of the SFO, as having an interest of 5% or more of the issued share capital of the Company.

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.

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.