



**KADER HOLDINGS COMPANY LIMITED**  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 180)

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

The Board of Directors of Kader Holdings Company Limited (the “Company”) announces that the results of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2007 together with comparative figures for the year 2006 are summarised as follows:

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2007*

|  | Note | 2007<br>HK\$'000 | 2006<br>HK\$'000 |
|--|------|------------------|------------------|
| <b>Turnover</b>  | 3, 4 | <b>721,709</b>   | 643,216          |
| Other revenue  | 5(a) | <b>9,522</b>     | 13,412           |
| Other net income/(loss)  | 5(b) | <b>2,459</b>     | (1,526)          |
| Changes in inventories of finished goods<br>and work in progress                             |      | <b>27,568</b>    | 12,892           |
| Cost of purchase of finished goods   |      | <b>(35,058)</b>  | (25,928)         |
| Raw materials and consumables used   |      | <b>(211,319)</b> | (216,982)        |
| Staff costs  | 6(b) | <b>(211,554)</b> | (180,988)        |
| Depreciation expenses  |      | <b>(21,726)</b>  | (22,795)         |
| Amortisation of interest in leasehold land<br>held for own use                               |      | <b>(22)</b>      | (22)             |
| Other operating expenses   |      | <b>(190,683)</b> | (152,235)        |
| <b>Profit from operations</b>  |      | <b>90,896</b>    | 69,044           |
| Finance costs  | 6(a) | <b>(11,599)</b>  | (12,582)         |
| Share of losses of associates  |      | <b>(12,596)</b>  | (34,908)         |
| Share of profits of a jointly controlled entity  |      | <b>–</b>         | 597              |
| Valuation gains on investment properties   |      | <b>104,288</b>   | 36,341           |
| <b>Profit before taxation</b>  | 6    | <b>170,989</b>   | 58,492           |
| Income tax   | 7    | <b>(43,945)</b>  | (28,520)         |
| <b>Profit for the year</b>   |      | <b>127,044</b>   | 29,972           |
| <b>Attributable to:–</b>   |      |                  |                  |
| Equity shareholders of the Company   |      | <b>126,599</b>   | 29,972           |
| Minority interests   |      | <b>445</b>       | –                |
| <b>Profit for the year</b>   |      | <b>127,044</b>   | 29,972           |
| <b>Dividends payable to equity shareholders of<br/>the Company attributable to the year:</b> |      |                  |                  |
| Final dividend proposed after the<br>balance sheet date                                      | 8(a) | <b>9,981</b>     | 9,981            |
| <b>Earnings per share</b>  |      |                  |                  |
| Basic  | 9(a) | <b>19.03¢</b>    | 4.50¢            |
| Diluted  | 9(b) | <b>N/A</b>       | N/A              |

## CONSOLIDATED BALANCE SHEET

At 31 December 2007

|   | <i>Note</i> | <b>2007</b><br><b>HK\$'000</b> | 2006<br><i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| <b>Non-current assets</b>   |             |                                |                         |
| Fixed assets  |             |                                |                         |
| – Investment properties   |             | <b>646,307</b>                 | 541,212                 |
| – Other property, plant and equipment                               |             | <b>137,976</b>                 | 124,255                 |
| – Interest in leasehold land held for own use under operating lease |             | <b>876</b>                     | 898                     |
|   |             | <b>785,159</b>                 | 666,365                 |
| Intangible assets   |             |                                |                         |
| Goodwill  |             | <b>570</b>                     | 603                     |
| Interests in associates   |             | <b>31,200</b>                  | –                       |
| Interest in a jointly controlled entity                             |             | <b>48,760</b>                  | 51,040                  |
| Other non-current financial assets                                  |             | <b>–</b>                       | 3,554                   |
| Deferred tax assets   |             | <b>26,249</b>                  | 8,349                   |
|   |             | <b>24,551</b>                  | 22,768                  |
|   |             | <b>916,489</b>                 | 752,679                 |
| <b>Current assets</b>   |             |                                |                         |
| Inventories   |             | <b>177,624</b>                 | 135,203                 |
| Current tax recoverable   |             | <b>–</b>                       | 1,317                   |
| Trade and other receivables   | <i>10</i>   | <b>114,121</b>                 | 104,326                 |
| Cash and cash equivalents   |             | <b>26,592</b>                  | 24,440                  |
|   |             | <b>318,337</b>                 | 265,286                 |
| <b>Current liabilities</b>  |             |                                |                         |
| Trade and other payables  | <i>11</i>   | <b>(193,120)</b>               | (140,819)               |
| Bank loans and overdrafts   |             | <b>(83,180)</b>                | (106,841)               |
| Obligations under finance leases                                    |             | <b>(582)</b>                   | (1,380)                 |
| Current tax payable   |             | <b>(6,135)</b>                 | (9,973)                 |
|   |             | <b>(283,017)</b>               | (259,013)               |
| <b>Net current assets</b>   |             | <b>35,320</b>                  | 6,273                   |
| <b>Total assets less current liabilities carried forward</b>        |             | <b>951,809</b>                 | 758,952                 |

|  | <i>Note</i> | <b>2007</b><br><b>HK\$'000</b> | 2006<br>HK\$'000      |
|--|-------------|--------------------------------|-----------------------|
| <b>Total assets less current liabilities brought forward</b>           |             | <b>951,809</b>                 | 758,952               |
| <b>Non-current liabilities</b>   |             |                                |                       |
| Bank loans   |             | <b>(86,332)</b>                | (34,283)              |
| Rental deposits  |             | <b>(3,661)</b>                 | (3,516)               |
| Obligations under finance leases                                       |             | <b>(498)</b>                   | (1,080)               |
| Deferred tax liabilities   |             | <b>(84,228)</b>                | (65,432)              |
| Accrued employee benefits  |             | <b>(1,321)</b>                 | (1,273)               |
|  |             | <b>(176,040)</b>               | (105,584)             |
| <b>NET ASSETS</b>  |             | <b><u>775,769</u></b>          | <b><u>653,368</u></b> |
| <b>CAPITAL AND RESERVES</b>  |             |                                |                       |
| Share capital  |             | <b>66,541</b>                  | 66,541                |
| Reserves   |             | <b>706,172</b>                 | 586,827               |
| <b>Total equity attributable to equity shareholders of the Company</b> |             | <b>772,713</b>                 | 653,368               |
| <b>Minority interests</b>  |             | <b>3,056</b>                   | –                     |
| <b>TOTAL EQUITY</b>  |             | <b><u>775,769</u></b>          | <b><u>653,368</u></b> |

*Notes:–*

#### 1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and a jointly controlled entity.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties and financial instruments classified as available-for-sale are stated at their fair value.

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided in the notes to the financial statements.

The amendment to HKAS 1 introduces additional disclosure requirements to provided information about the level of capital and the Group's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3. TURNOVER

Turnover represents the sales value of goods supplied to customers, rental income, proceeds from sales of investments and investment income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

|   | 2007<br>HK\$'000 | 2006<br>HK\$'000 |
|---|------------------|------------------|
| Sale of goods   | 691,426          | 617,833          |
| Gross rentals from investment properties                | 30,283           | 25,378           |
| Investment income – dividends from unlisted investments | –                | 5                |
|   | <u>721,709</u>   | <u>643,216</u>   |

## 4. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments.

Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

### 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 and trading of listed securities.  |

**For the year ended 31 December 2007**

|  | Toys and<br>model trains<br><i>HK\$'000</i> | Property<br>investment<br><i>HK\$'000</i> | Investment<br>holding<br>and trading<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Inter-segment<br>elimination<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|--|---|---|---|--------------------------------|---|---------------------------------|
| Revenue from external customers                          | 691,426                                     | 30,283                                    | -   | -                              | -   | 721,709                         |
| Inter-segment revenue                                    | -   | 979                                       | -   | -                              | (979)   | -                               |
| Other revenue from external customers                    | 2,131                                       | 5,699                                     | 809   | -                              | -   | 8,639                           |
| Total  | <u>693,557</u>                              | <u>36,961</u>                             | <u>809</u>  | <u>-</u>                       | <u>(979)</u>                                    | <u>730,348</u>                  |
| Segment result   | 116,703                                     | 33,107                                    | (61,089)  | 598                            | -   | 89,319                          |
| Unallocated operating<br>income and expenses             |   |   |   |                                |   | <u>1,577</u>                    |
| Profit from operations                                   |   |   |   |                                |   | 90,896                          |
| Finance costs  |   |   |   |                                |   | (11,599)                        |
| Share of losses of associates                            |   |   |   | (12,596)                       |   | (12,596)                        |
| Valuation gains on investment properties                 |   | 104,288                                   |   |                                |   | 104,288                         |
| Income tax   |   |   |   |                                |   | <u>(43,945)</u>                 |
| Profit after taxation                                    |   |   |   |                                |   | <u>127,044</u>                  |
| Depreciation and<br>amortisation<br>for the year         | 21,748                                      | -   | 33  | -                              | -   | 21,781                          |
| Impairment of fixed assets                               | <u>672</u>                                  | <u>-</u>                                  | <u>-</u>  | <u>-</u>                       | <u>-</u>  | <u>672</u>                      |
| Segment assets   | 448,185                                     | 661,716                                   | 19,256  | 359,384                        | (327,026)                                       | 1,161,515                       |
| Interests in associates<br>and jointly controlled entity |   |   |   |                                |   | 48,760                          |
| Unallocated assets                                       |   |   |   |                                |   | <u>24,551</u>                   |
| Total assets   |   |   |   |                                |   | <u>1,234,826</u>                |
| Segment liabilities                                      | 431,312                                     | 38,860                                    | 144,999   | 80,549                         | (327,026)                                       | 368,694                         |
| Unallocated liabilities                                  |   |   |   |                                |   | <u>90,363</u>                   |
| Total liabilities  |   |   |   |                                |   | <u>459,057</u>                  |
| Capital expenditure incurred<br>during the year          | <u>35,962</u>                               | <u>-</u>                                  | <u>-</u>  | <u>-</u>                       | <u>-</u>  | <u>35,962</u>                   |

**For the year ended 31 December 2006**

|  | Toys and<br>model trains<br><i>HK\$'000</i> | Property<br>investment<br><i>HK\$'000</i> | Investment<br>holding<br>and trading<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Inter-segment<br>elimination<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|--|---|---|---|--------------------------------|---|---------------------------------|
| Revenue from external customers                          | 617,833                                     | 25,378                                    | 5   | –                              | –   | 643,216                         |
| Inter-segment revenue                                    | –   | 979                                       | –   | –                              | (979)   | –                               |
| Other revenue from external customers                    | <u>3,304</u>                                | <u>5,908</u>                              | <u>481</u>  | <u>173</u>                     | <u>–</u>  | <u>9,866</u>                    |
| Total  | <u>621,137</u>                              | <u>32,265</u>                             | <u>486</u>  | <u>173</u>                     | <u>(979)</u>                                    | <u>653,082</u>                  |
| Segment result   | 64,544                                      | 27,581                                    | (21,934)  | (1,953)                        | –   | 68,238                          |
| Unallocated operating<br>income and expenses             |   |   |   |                                |   | <u>806</u>                      |
| Profit from operations                                   |   |   |   |                                |   | 69,044                          |
| Finance costs  |   |   |   |                                |   | (12,582)                        |
| Share of losses of associates                            |   |   |   | (34,908)                       |   | (34,908)                        |
| Share of profits of a jointly<br>controlled entity       |   |   |   | 597                            |   | 597                             |
| Valuation gains on investment properties                 |   | 36,341                                    |   |                                |   | 36,341                          |
| Income tax   |   |   |   |                                |   | <u>(28,520)</u>                 |
| Profit after taxation                                    |   |   |   |                                |   | <u>29,972</u>                   |
| Depreciation and<br>amortisation<br>for the year         | 22,817                                      | –   | 34  | –                              | –   | 22,851                          |
| Impairment of fixed assets                               | <u>4,834</u>                                | <u>–</u>                                  | <u>–</u>  | <u>–</u>                       | <u>–</u>  | <u>4,834</u>                    |
| Segment assets   | 368,672                                     | 555,244                                   | 8,960   | 314,978                        | (308,568)                                       | 939,286                         |
| Interests in associates<br>and jointly controlled entity |   |   |   |                                |   | 54,594                          |
| Unallocated assets                                       |   |   |   |                                |   | <u>24,085</u>                   |
| Total assets   |   |   |   |                                |   | <u>1,017,965</u>                |
| Segment liabilities                                      | 361,475                                     | 42,079                                    | 77,418  | 116,788                        | (308,568)                                       | 289,192                         |
| Unallocated liabilities                                  |   |   |   |                                |   | <u>75,405</u>                   |
| Total liabilities  |   |   |   |                                |   | <u>364,597</u>                  |
| Capital expenditure incurred<br>during the year          | <u>21,973</u>                               | <u>–</u>                                  | <u>–</u>  | <u>–</u>                       | <u>–</u>  | <u>21,973</u>                   |

## Geographical segments

The Group's business is managed on a worldwide basis, but participates in four principal economic environments. Hong Kong and China is a major market for the Group's toys and model trains and property investment, and it is the location of most of its toys and model trains manufacturing. Toys and model trains are also sold to North America, Europe and other locations. The Group also has investments and investment properties in North America.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

|  | Hong Kong and China |                  | North America    |                  | Europe           |                  | Other            |                  | Total            |                  |
|--|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  | 2007<br>HK\$'000    | 2006<br>HK\$'000 | 2007<br>HK\$'000 | 2006<br>HK\$'000 | 2007<br>HK\$'000 | 2006<br>HK\$'000 | 2007<br>HK\$'000 | 2006<br>HK\$'000 | 2007<br>HK\$'000 | 2006<br>HK\$'000 |
| Revenue from external customers              | 83,684              | 75,408           | 376,609          | 355,454          | 214,774          | 172,440          | 46,642           | 39,914           | 721,709          | 643,216          |
| Segment assets                               | 1,165,795           | 999,749          | 194,061          | 137,718          | 128,685          | 110,387          | -                | -                | 1,488,541        | 1,247,854        |
| Capital expenditure incurred during the year | 26,765              | 18,816           | 8,380            | 695              | 817              | 2,462            | -                | -                | 35,962           | 21,973           |

## 5. OTHER REVENUE AND NET INCOME/(LOSS)

|   | 2007<br>HK\$'000 | 2006<br>HK\$'000 |
|---|------------------|------------------|
| <b>(a) Other revenue</b>  |                  |                  |
| Interest income   | 883              | 586              |
| Air conditioning, management and maintenance service charges from tenants | 5,150            | 5,339            |
| Waiver of amounts due to related party and related companies              | -                | 2,960            |
| Others  | 3,489            | 4,527            |
|   | <u>9,522</u>     | <u>13,412</u>    |
| <b>(b) Other net income/(loss)</b>  |                  |                  |
| Net gain on disposal of properties held for resale                        | -                | 80               |
| Net gain on disposal of fixed assets                                      | 464              | 220              |
| Gain on disposal of unlisted equity security                              | 12               | -                |
| Net exchange gain/(loss)  | 1,983            | (1,826)          |
|   | <u>2,459</u>     | <u>(1,526)</u>   |

## 6. PROFIT BEFORE TAXATION

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

|   | 2007<br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>(a) Finance costs</b>  |                         |                         |
| Interest on bank borrowings repayable within 5 years  | 11,103                  | 9,100                   |
| Interest on advances from directors   | 113                     | 1,808                   |
| Interest on advances from shareholders  | –                       | 1,325                   |
| Interest on amounts due to related companies  | –                       | 55                      |
| Interest on other loans   | 298                     | 146                     |
| Finance charges on obligations under finance leases   | 85                      | 148                     |
|   | <u>11,599</u>           | <u>12,582</u>           |
| <b>(b) Other items</b>  |                         |                         |
| Salaries, wages and other benefits  | 192,902                 | 176,006                 |
| Employer's contributions to defined contribution retirement plans, net of forfeited contributions of HK\$47,000 (2006: HK\$115,000) | 18,652                  | 4,982                   |
|   | <u>211,554</u>          | <u>180,988</u>          |
| Cost of inventories   | 426,756                 | 409,865                 |
| Amortisation of intangible assets   | 33                      | 34                      |
| Amortisation of interest in leasehold land held for own use   | 22                      | 22                      |
| Depreciation  |                         |                         |
| – owned assets  | 20,469                  | 21,787                  |
| – assets held under finance leases  | 1,257                   | 1,008                   |
| Impairment:   |                         |                         |
| – fixed assets  | 672                     | 4,834                   |
| – trade and other receivables   | 635                     | 286                     |
| Auditors' remuneration  | 2,045                   | 1,856                   |
| Operating lease charges   |                         |                         |
| – rental of land and buildings  | 11,504                  | 11,251                  |
| – other rentals   | 112                     | 157                     |
| Rentals receivable from investment properties less direct outgoings of HK\$2,338,000 (2006: HK\$2,131,000)                          | <u>(27,945)</u>         | <u>(23,247)</u>         |

Cost of inventories includes HK\$136,877,000 (2006: HK\$129,822,000) relating to staff costs, depreciation charges, impairment loss in respect of fixed assets and operating lease charges, which amount is also included in the respective total amounts disclosed separately above and in the income statement for each of these types of expenses.



## 7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

|  | 2007<br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Current tax – Hong Kong Profits Tax</b>                     |                         |                         |
| Provision for the year   | 17,801                  | –                       |
| Under-provision in respect of prior years                      | 900                     | 4                       |
|  | <u>18,701</u>           | <u>4</u>                |
| <b>Current tax – Overseas including the PRC</b>                |                         |                         |
| Provision for the year   | 7,698                   | 19,033                  |
| Under-provision in respect of prior years                      | 561                     | 249                     |
|  | <u>8,259</u>            | <u>19,282</u>           |
| <b>Deferred tax</b>  |                         |                         |
| Origination and reversal of temporary differences              | 16,960                  | 9,234                   |
| Effect of decrease in tax rate on opening deferred tax balance | 25                      | –                       |
|  | <u>16,985</u>           | <u>9,234</u>            |
|  | <u><u>43,945</u></u>    | <u><u>28,520</u></u>    |

The provision for Hong Kong Profits Tax for 2007 is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

During the year, the British Government announced a decrease in the corporation tax rate applicable to the Group's operations in the United Kingdom from 30% to 28% for 2008. This decrease is taken into account in respect of deferred tax balances in the preparation of the Group's 2007 financial statements. Accordingly, deferred tax balances relevant to the Group's operations in the United Kingdom are calculated using a corporation tax rate of 28% (2006: 30%).

## 8. DIVIDENDS

### (a) Dividends payable to equity shareholders of the Company attributable to the year

|   | 2007<br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Final dividend proposed after the balance sheet date of HK1.5 cents per ordinary share (2006: HK1.5 cents per ordinary share) | <u>9,981</u>            | <u>9,981</u>            |

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

### (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

|  |              |          |
|--|--------------|----------|
| Final dividend in respect of the previous financial year, approved and paid during the year, of HK1.5 cents per ordinary share (2006: 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\$126,599,000 (2006: HK\$29,972,000) and the weighted average of 665,412,000 ordinary shares (2006: 665,412,000 ordinary shares) in issue during the year.

### (b) Diluted earnings per share

The diluted earnings per share is not presented as the Company did not have dilutive potential ordinary shares outstanding during both 2006 and 2007.

## 10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

|  | 2007<br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Current  | 85,429                  | 89,019                  |
| 1 to 3 months past due                                       | 1,551                   | 2,064                   |
| More than 3 months past due but less than 12 months past due | 751                     | 547                     |
| More than 12 months past due                                 | <u>15</u>               | <u>—</u>                |
|  | <u>87,746</u>           | <u>91,630</u>           |

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. Debtors are due within 30 to 60 days from the date of billing. Debtors with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers in its toys and model trains business. In respect of the Group's property investment business, deposits of between two to three months rent are received from lessees.

#### 11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

|  | 2007<br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Due within 1 month or on demand        | 31,574                  | 20,695                  |
| Due after 1 month but within 3 months  | 273                     | 2,630                   |
| Due after 3 months but within 6 months | 41                      | 109                     |
| Due after 6 months                     | 178                     | 885                     |
|  | <u>32,066</u>           | <u>24,319</u>           |

#### BUSINESS REVIEW

2007 was a tough year for manufacturers. During the year under review, factors such as higher labour costs, spiraling raw material costs and the appreciation of the Renminbi Yuan led to an increase in production costs. In addition, during the second half of the year, toys made in China were adversely affected by product recalls in the United States ("US"), which caused many countries to impose higher testing standards for exports from China.

On 1 January 2008, the New Labour Contract Law of China came into effect, which has increased labour expenditure recently whilst the US sub-prime mortgage crisis has affected the US economy and other markets. In addition to the continued appreciation of the Renminbi Yuan, labour shortages and increasing commodities prices, 2008 are expected to be as challenging, if not more so.

To combat these challenges, the Group will continue to develop high value added products, further integrate technology with toys, and modernise and scrutinise production methods to increase efficiency.

The Group will celebrate its 60th Anniversary in 2008. Looking back at the Group's success, the Group's ability to weather adverse conditions has been the foundation on which the Group has built its reputation as a trusted manufacturer. Looking forward, the Group will continue its mission of forging long-term relationships with customers by continuing to provide services and products they can trust.

## **Toys**

For the financial year ended 31 December 2007, the turnover for the Group's OEM/ODM toys business was approximately HK\$278.46 million, representing an increase of 10.41% as compared to last year.

The Group continues to be committed to maintaining its competitiveness in terms of productivity, quality, reliability and delivery. Efforts have also been placed in enhancing safety precautions and quality control. The Group is adhering to and fully supports the Code of Business Practice of the International Council of Toy Industries ("ICTI") and has passed and satisfied the ICTI audit, namely, the ICTI CARE Process.

## **Model Trains**

The turnover for model trains for the year ended 31 December 2007 was approximately HK\$412.97 million, an increase of 12.95% as compared to last year.

During the year under review, there was an improvement in the performance of the Model Trains section despite an increase in manufacturing costs. The Company has continued to improve the quality of the products, develop innovative products, enrich the product line and promote the product image and brand name. This strategy has succeeded in gaining the loyalty of customers and has maintained our leading position in the industry.

The Group is proud to announce that during the year under review, our Liliput brand HO scale model train ET11 DB was awarded "Model of the Year 2007" under the category of railcar by Eisenbahn Modellbahn Magazine. In addition, our OO scale model train Class 108 and Sealion Engineers Hopper were awarded "Model of the Year 2007" by Model Rail Magazine under different categories.

The Group's model trains continued to receive encouraging response from customers. The Bachmann's E-Z Command® series continued to be the key contributor to sales growth. This is a Digital Command Control (DCC) system incorporating the latest digital technology to bring a DCC system to control speed, lighting and direction of multiple locomotives, that is easy to use and affordable for both the novice and experienced hobbyist. With the latest offerings of DCC Sound On Board locomotives, model railroads are able to come to life. The Bachmann's E-Z Command® series achieved excellent results during the year, with sales for 2007 increasing by 100% over 2006.

In the US, our subsidiary, Bachmann Industries, Inc. acquired the "Williams" name from Williams' Reproduction Limited. Williams is a model train brand for O scale model trains, which is a new scale and market sector for the Company. The Group considers that the acquisition of the "Williams" represents a good opportunity for the Group to expand its business into the "O" scale segment of the model trains market in which the Williams name is established.

## **Property Investment**

For the financial year ended 31 December 2007, the rental income of the Group amounted to HK\$30.28 million, representing a 19.33% increment over the previous year. In addition, the Group recorded a valuation gain of HK\$104.29 million on its investment properties for the year, as compared to last year's figure of HK\$36.34 million.

The Group's major rental property, Kader Building, reported rental income of approximately HK\$26.99 million in 2007, up 17.60% from 2006's HK\$22.95 million. During the year under review, the Group succeeded in keeping its occupancy rate above 90% and increased the rental rates of Kader Building upon lease renewals. With the increased rental rates upon lease renewals, the Group anticipates that rental income will increase steadily.

## **FINANCIAL REVIEW**

### **Results**

The Board of Directors have pleasure in announcing that the Group's turnover for the financial year ended 31 December 2007 amounted to approximately HK\$721.71 million, representing an increase of 12.20% over that reported last year and that profit from operations for the year 2007 amounted to HK\$90.90 million as compared to last year's figure of HK\$69.04 million. The Group's profit attributable to shareholders for the financial year ended 31 December 2007 was approximately HK\$126.60 million, which included valuation gains on investment properties amounting to HK\$104.29 million, as compared to last year's figure of HK\$29.97 million and HK\$36.34 million respectively.

### **Liquidity and Financial Resources**

As at 31 December 2007, the Group's net asset value per share was HK\$1.16 (2006: HK\$0.98); the current ratio was 1.12 (2006: 1.02); total bank borrowings were approximately HK\$169.51 million (2006: HK\$141.12 million) while the Group secured total banking facilities of approximately HK\$422.05 million; the Group's financial gearing, based on the total interest bearing borrowings compared to the total equity, was 21.99% (2006: 24.05%). There is no significant seasonality in borrowing requirements except that during the peak production period in the second half of the year the Group's facilities for trade finance will be substantially utilised. The majority of borrowings are on floating interest rate terms.

### **Exchange Rate Exposure**

Major assets, liabilities and transactions of the Group are denominated in Hong Kong Dollars, United States Dollars, Sterling Pounds, Renminbi Yuan, Euros and Canadian Dollars. During the year 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 faces a certain degree of exchange rate risk; mainly arising from Sterling Pounds denominated sales transactions for which the exchange rate volatility is relatively high.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2007, the Group employed approximately 5,639 (2006: 6,646) full time management, administrative and production staff in Hong Kong SAR, Mainland China, the United States and Europe. The Group has seasonal fluctuations in the number of workers employed in its production plant while the number of other management and administrative staff remains 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**

The Group continues to face challenges, such as the volatility of raw material prices, the ever-increasing energy and labour costs, high product safety standards, shortage of skilled workers and pressure from the appreciation of the Renminbi Yuan. The Group will continue to strengthen its core business, streamline operational procedures without sacrificing controls, improve operation and production efficiency and develop automated processes. In order to broaden revenue sources, efforts will continue to be made in looking for acquisition opportunities, expanding new product lines and widening the customer base.

Given the factors mentioned above and the underlying business environment, the Group is cautious about ongoing performance and profit margins. Notwithstanding this, the Group is confident its efforts to uplift efficiency can provide stable business returns.

## **DIVIDEND**

The Directors recommend the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2007 (2006: HK1.5 cents per share) to those shareholders whose names appear on the register of members of the Company on 3 June 2008. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 27 May 2008 to 3 June 2008, both days inclusive, during which period the registration of transfers of shares will be suspended. To rank for the final dividend, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 26 May 2008.

## **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 subsidiaries during the year ended 31 December 2007.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

Throughout the year ended 31 December 2007, the Group has complied with the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) except for the deviation from CG Code A.4.2 and E.1.2 as described below:

Under CG Code A.4.2, every director, including those appointed for a specific term, should 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 was assented and granted on 25 June 2007. At the Special General Meeting held by the Company on 9 October 2007, the Company voted to repeal the private act and passed a special resolution to amend the relevant Bye-laws of the Company in compliance with the provisions of CG Code.

Under CG Code E.1.2, the Chairman of the Board is required to attend the Company’s annual general meeting. Due to another commitment which required the Chairman’s attendance, the Chairman was not present at the annual general meeting of the Company held on 7 June 2007.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its model code for securities transactions by the Company’s Directors and relevant employees who are or may be in possession of unpublished price sensitive information. Based on specific enquiries made, all Directors have confirmed that they have complied with the Model Code throughout the year.

## **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 annual results for the year ended 31 December 2007.

## **PUBLICATION OF FINAL RESULTS ANNOUNCEMENT ON THE EXCHANGE'S WEBSITE**

A detailed final results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be submitted to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for publication on the Stock Exchange's website (<http://www.hkex.com.hk>).

By order of the Board  
**Kenneth Ting Woo-shou**  
*Managing Director*

Hong Kong, 17 April 2008

*As at the date of this announcement, 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), Mr. Moses Cheng Mo-chi, GBS, OBE, JP and Mrs. Nancy Ting Wang Wan-sun; 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.*

<http://www.kaderholdings.com>