KADER HOLDINGS COMPANY LIMITED

INTERIM REPORT 2005

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2005

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") for the six months ended 30th June 2005, together with comparative figures for the corresponding period in 2004 are as follows:–

CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2005

		Unaudited Six months ended 30th June	
	Note	**2005**	2004 Restated
		HK$'000	*HK$'000*
Turnover	*3*	**199,923**	173,184
Loss on disposal of investment properties		**(1,805)**	–
Other revenue		**5,607**	4,418
Other net income/(expenses)		**2,389**	(2,034)
Changes in inventories of finished goods and work in progress		**18,357**	17,434
Cost of purchase of finished goods		**(11,886)**	(9,260)
Raw materials and consumables used		**(61,899)**	(51,447)
Staff costs		**(74,312)**	(62,135)
Depreciation and amortisation expenses		**(10,214)**	(9,994)
Other operating expenses		**(56,479)**	(54,424)
Profit from operations	*3*	**9,681**	5,742
Finance costs	*5*	**(7,220)**	(6,764)
Share of loss of associates		**(4,508)**	(5,712)
Loss before taxation	*5*	**(2,047)**	(6,734)
Income tax	*6*	**2,834**	(894)
Profit/(loss) after taxation		**787**	(7,628)
Attributable to:–			
Equity holders of the parent		**787**	(7,628)
Minority interests		**–**	–
Profit/(loss) after taxation		**787**	(7,628)
Earnings/(loss) per share			
Basic	*7*	**0.12¢**	(1.15¢)

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 30th June 2005

	Note	**Unaudited Six months ended 30th June 2005** *HK$'000*	2004 Restated *HK$'000*
Total equity at 1st January			
Attributable to equity holders of the parent (as previously reported at 31st December)		**505,968**	441,532
Prior period adjustments arising from changes in accounting policies	*2(a)(i) & (ii), 13*	**435**	411
At 1st January, after prior period adjustments		**506,403**	441,943
Net (expenses)/income for the period recognised directly in equity:–			
Exchange differences on translation of the financial statements of foreign entities	*13*	**(5,029)**	1,209
Surplus on revaluation of land and buildings held for own use	*13*	**42,430**	–
Net income for the period recognised directly in equity		**37,401**	1,209
Net profit/(loss) for the period:			
Attributable to equity holders of the parent (as previously reported)			(7,640)
Prior period adjustments arising from changes in accounting policies	*2(a)(iii)*		12
Net profit/(loss) for the period (2004: as restated)		**787**	(7,628)
Total recognised income and expenses for the period (2004: as restated) Attributable to equity holders of the parent		**38,188**	(6,419)
Total equity at 30th June		**544,591**	435,524

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

CONSOLIDATED BALANCE SHEET

At 30th June 2005

	Note	**Unaudited At 30th June 2005**	Audited At 31st December 2004 Restated
		HK$'000	*HK$'000*
Non-current assets			
Fixed assets			
– Investment properties	*8*	**466,066**	464,030
– Other property, plant and equipment	*8*	**141,013**	104,035
		607,079	568,065
Interest in leasehold land held for own use under an operating lease		**931**	4,891
Investments in associates		**165,445**	166,538
Other non-current financial assets		**100**	2,487
Deferred tax assets		**14,573**	12,444
		788,128	754,425
Current assets			
Inventories	*9*	**149,300**	120,710
Properties held for resale		**1,547**	1,547
Tax recoverable		**1,556**	1,496
Trade and other receivables	*10*	**74,953**	89,414
Cash and cash equivalents		**11,460**	18,814
		238,816	231,981
Less: Current liabilities			
Bank overdrafts and current portion of interest-bearing bank loans		**(158,628)**	(152,184)
Trade and other payables	*11*	**(87,680)**	(71,434)
Current portion of obligations under finance leases		**(379)**	(1,410)
Tax payable		**(3,086)**	(7,930)
		(249,773)	(232,958)
Net current liabilities		**(10,957)**	(977)
Total assets less current liabilities carried forward		**777,171**	753,448

CONSOLIDATED BALANCE SHEET *(CONTINUED)*

At 30th June 2005

	Note	Unaudited At 30th June 2005	Audited At 31st December 2004 Restated
		HK$'000	*HK$'000*
Total assets less current liabilities brought forward		**777,171**	753,448
Non-current liabilities			
Interest-bearing borrowings		**(199,772)**	(212,111)
Rental deposits		**(4,383)**	(5,685)
Obligations under finance leases		**(1,090)**	(898)
Deferred tax liabilities		**(25,878)**	(26,820)
Accrued employee benefits		**(1,457)**	(1,531)
		(232,580)	(247,045)
NET ASSETS		**544,591**	506,403
CAPITAL AND RESERVES			
Share capital	*12*	**66,541**	66,541
Reserves	*13*	**478,050**	439,862
Total equity attributable to equity holders of the parent		**544,591**	506,403
Minority interests		**–**	–
TOTAL EQUITY		**544,591**	506,403

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2005

	Unaudited	
	Six months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
Cash generated from operations	**17,836**	13,882
Tax paid	**(5,141)**	(6,871)
Net cash from operating activities	**12,695**	7,011
Net cash used in investing activities	**(6,778)**	(21,619)
Net cash (used in)/from financing activities	**(12,588)**	1,591
Net decrease in cash and cash equivalents	**(6,671)**	(13,017)
Cash and cash equivalents at 1st January	**18,814**	21,796
Effect of foreign exchange rates changes	**(683)**	–
Cash and cash equivalents at 30th June	**11,460**	8,779

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

This 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). It was authorised for issuance on 15th September 2005.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2004 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2005 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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 2004 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 Hong Kong Financial Reporting Standards (HKFRSs, which term collectively includes HKASs and Interpretations).

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

The financial information relating to the financial year ended 31st December 2004 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 31st December 2004 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 12th April 2005.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1st January 2005. 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 31st December 2005, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31st December 2005 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 report. Therefore the polices 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 following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1st January 2005 which have been reflected in this interim financial report.

(a) Summary of the effect of changes in the accounting policies

(i) Effect on opening balance of total equity at 1st January 2005 (as adjusted)

The following table sets out the adjustments that have been made to the opening balances at 1st January 2005. These are the aggregate effect of retrospective adjustments to the net assets as at 31st December 2004 and opening balance adjustments made as at 1st January 2005.

Effect of new policy (increase/ (decrease))	*Note*	**Retained profits** *HK$'000*	**Capital and other reserves** *HK$'000*	**Total equity** *HK$'000*
Prior period adjustments:				
HKAS 17				
Leasehold land and buildings held for own use	*2(b)*	**435**	**–**	**435**
HKAS 40				
Investment properties	*2(c)*	**70,040**	**(70,040)**	**–**
Total effect at 1st January 2005		**70,475**	**(70,040)**	**435**

(ii) Effect on opening balance of total equity at 1st January 2004 (as adjusted)

The following table sets out only those adjustments that have been made to the opening balances at 1st January 2004. As explained in note 2(d), certain of the changes in policy did not result in retrospective adjustments being made to the opening balances as at 1st January 2004 as this was prohibited by the relevant transitional provisions.

Effect of new policy (increase/ (decrease))	*Note*	Retained profits *HK$'000*	Capital and other reserves *HK$'000*	Total equity *HK$'000*
Prior period adjustments:				
HKAS 17				
Leasehold land and buildings held for own use	*2(b)*	411	–	411
HKAS 40				
Investment properties	*2(c)*	17,718	(17,718)	–
Total effect at 1st January 2004		18,129	(17,718)	411

(iii) Effect on profit after taxation for the six months ended 30th June 2005 (estimated) and 30th June 2004 (as adjusted)

In respect of the six months period ended 30th June 2005, the following table provides estimates of the extent to which the profits for that period are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

In respect of the six months period ended 30th June 2004, the table discloses the adjustments that have been made to the losses as previously reported for that period, in accordance with the transitional provisions of the respective HKFRSs. As retrospective adjustments have not been made for all changes in policies, as explained in note 2(d), the amounts shown for the six months period ended 30th June 2004 may not be comparable to the amounts shown for the current interim period.

Effect of new policy (increase/(decrease))		**Six months ended 30th June 2005**			Six months ended 30th June 2004		
	Note	**Equity holders of the parent**	**Minority interests**	**Total**	Equity holders of the parent	Minority interests	Total
		HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
HKAS 17							
Leasehold land and buildings held for own use	*2(b)*	**9**	**–**	**9**	12	–	12
HKFRS 3							
Amortisation of goodwill	*2(d)*	**242**	**–**	**242**	–	–	–
Total effect for the period		**251**	**–**	**251**	**12**	–	12

(b) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and accumulated impairment losses.

With the adoption of HKAS 17 as from 1st January 2005, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the carrying value of the interest in any buildings situated on the leasehold land could be separately identified from the carrying value of the leasehold interest in the land at the time the lease was first entered into by the group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Any pre-paid land premiums for acquiring the land leases, or other lease payments, are amortised on a straight line basis over the lease term. If the property is in the course of development or re-development, or the property is otherwise being used in the production of inventory, the amortisation charge is included as part of the costs of the property under development or other inventory. In all other cases the amortisation charge for the period is recognised in the income statement immediately.

Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment and stated at cost less accumulated depreciation and accumulated impairment losses.

The new accounting policies have been adopted retrospectively, with the opening balances of retained profits and the comparative information adjusted for the amounts relating to prior periods as disclosed in note 2(a) and the consolidated statement of changes in equity while the effect on the profit before tax has been disclosed on note 2(a)(iii).

(c) Investment properties (HKAS 40, Investment property, and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets)

Changes in accounting policies relating to investments properties are as follows.

(i) Timing of recognition of movements in fair value in the income statement

In prior years movements in the fair value of the group's investment properties were recognised directly in the investment properties revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in the fair value were recognised in the income statement.

Upon adoption of HKAS 40 as from 1st January 2005, all changes in the fair value of investment properties are recognised directly in the income statement in accordance with the fair value model in HKAS 40. These changes in accounting policy have been adopted retrospectively by increasing the opening balance of retained earnings as of 1st January 2005 by $70,040,000 (1st January 2004: $17,718,000).

(d) Amortisation of positive and negative goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)

In prior periods:

- positive or negative goodwill which arose prior to 1st January 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business;

- positive goodwill which arose on or after 1st January 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

- negative goodwill which arose on or after 1st January 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effect from 1st January 2005, in accordance with HKFRS 3 and HKAS 36, the group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

Also with effect from 1st January 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises.

The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1st January 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the income statement for the six months ended 30th June 2005. This has increased the group's profit after tax for the six months ended 30th June 2005 by $242,000.

Also in accordance with the transitional arrangements under HKFRS 3, goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1st January 2001) will not be recognised in the income statement on disposal or impairment of the acquired business, or under any other circumstances.

The change in policy relating to negative goodwill had no effect on the interim financial report as there was no negative goodwill deferred as at 31st December 2004.

3. SEGMENTAL INFORMATION

The entity'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.

	Toys and model trains		**Property leasing**		**Investment holding and trading**		**Unallocated**		**Inter-segment elimination**		**Consolidated**	
Six months ended 30th June	**2005**	2004 (restated)	**2005**	2004 (restated)	**2005**	2004 (restated)	**2005**	2004 (restated)	**2005**	2004 (restated)	**2005**	2004 (restated)
	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	**187,567**	160,784	**12,356**	12,400	**–**	–	**–**	–	**–**	–	**199,923**	173,184
Inter-segment revenue	**–**	–	**429**	343	**–**	–	**–**	–	**(429)**	(343)	**–**	–
Other revenue from external customers	**1,587**	1,617	**3,094**	2,479	**75**	–	**773**	87	**–**	–	**5,529**	4,183
Total	**189,154**	162,401	**15,879**	15,222	**75**	–	**773**	87	**(429)**	(343)	**205,452**	177,367
Segment result	**2,747**	(938)	**8,986**	9,565	**(2,458)**	(3,034)	**(201)**	38	**–**	–	**9,074**	5,631
Inter-segment transactions	**429**	343	**(429)**	353	**–**	(696)	**–**	–	**–**	–	**–**	–
Contribution from operations	**3,176**	(595)	**8,557**	9,918	**(2,458)**	(3,730)	**(201)**	38	**–**	–	**9,074**	5,631
Unallocated operating income and expenses											**607**	111
Profit from operations											**9,681**	5,742

4. SEASONALITY OF OPERATIONS

The Group's toys and model trains division, a separate business segment (see note 3), 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 holiday season. As such, the first half year reports lower revenues and segment results for this segment than the second half.

5. LOSS BEFORE TAXATION

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

	Six months ended 30th June	
	2005	2004 Restated
	HK$'000	*HK$'000*
Cost of inventories	**122,688**	95,363
Amortisation of positive goodwill included in the share of profits less losses of associates	**–**	242
Amortisation of land lease premium	**42**	58
Interest on borrowings	**7,220**	6,764
Depreciation	**10,172**	9,936
Impairment loss in respect of fixed assets	**–**	5,706
Net (gain)/loss on sale of fixed assets	**(205)**	4
Net realised and unrealised gain on trading and other securities carried at fair value	**–**	(5)
(Decrease)/increase in liability for long service payment	**(187)**	38
Increase /(decrease) in liability for accrued leave pay	**113**	(111)

6. INCOME TAX

	Six months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
Hong Kong taxation	**–**	363
Overseas taxation	**260**	687
Deferred taxation	**(3,094)**	(156)
	(2,834)	894

No provision for Hong Kong Profits Tax is made for the six months ended 30th June 2005 as certain group companies' accumulated tax losses brought forward exceed the estimated taxable profits for the period or they sustained losses for taxation purposes.

The provision for Hong Kong Profits Tax was calculated by applying the estimated annual effective tax rate of 17.5% to the profits for the six months ended 30th June 2004. Taxation for overseas subsidiaries is similarly calculated by using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

7. EARNINGS/(LOSS) PER SHARE

(a) **Basic earnings/(loss) per share**

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to equity holders of the parent of HK$787,000 (six months ended 30th June 2004 (restated): Loss of HK$7,628,000) and the weighted average number of ordinary shares of 665,412,000 shares (2004: 665,412,000 shares).

(b) **Diluted earnings/(loss) per share**

The diluted earnings/(loss) per share is not presented as the Company does not have dilutive potential ordinary shares outstanding during the six months ended 30th June 2005 and 30th June 2004.

8. FIXED ASSETS

During the six months ended 30th June, 2005, the Group moved its head office from 1st floor to 11th and 12th floor of Kader Building located at Kowloon Bay. Consequently, 1st floor previously held for own use was transferred to investment property at fair value of HK$48,000,000 with the revaluation surplus of HK$42,430,000 credited to the land and buildings revaluation reserve (note 13) and 11th and 12th floor were transferred from investment property to owner-occupied property at fair value of HK$14,049,000 and HK$15,381,000 respectively.

9. INVENTORIES

During six months ended 30th June 2005 HK$274,000 (six months ended 30th June 2004: HK$3,679,000) has been recognised as a reduction in the amount of inventories recognised as an expense during the period, being the amount of a write-down of inventories to estimated net realisable value.

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	At 30th June 2005	At 31st December 2004
	HK$'000	*HK$'000*
Current	**50,183**	71,821
1 to 3 months overdue	**11,490**	7,854
More than 3 months overdue but less than 12 months overdue	**1,051**	963
More than 12 months overdue	**203**	799
Total trade debtors	**62,927**	81,437
Other debtors and prepayments	**12,026**	7,977
	74,953	89,414

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.

11. TRADE AND OTHER PAYABLES

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

	At 30th June 2005 HK$'000	At 31st December 2004 HK$'000
Due within 1 month or on demand	**27,172**	12,708
Due after 1 month but within 3 months	**3,220**	6,417
Due after 3 months but within 6 months	**350**	780
Due after 6 months but within 12 months	**1,003**	123
Total trade creditors	**31,745**	20,028
Other payables	**55,935**	51,406
	87,680	71,434

12. SHARE CAPITAL

	At 30th June 2005 HK$'000	At 31st December 2004 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
665,412,000 ordinary shares of HK$0.10 each	**66,541**	66,541

13. RESERVES

	Note	Investment properties revaluation reserve HK$'000	Land & buildings revaluation reserve HK$'000	Exchange reserves HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Share premium HK$'000	Revenue reserves HK$'000	Total HK$'000
At 1st January 2004									
– as previously reported		17,718	–	5,044	169,994	10,815	109,942	61,478	374,991
– prior period adjustments in respect of									
– Leasehold land and buildings held for own use	*2(b)*	–	–	–	–	–	–	411	411
– Investment properties	*2(c)*	(17,718)	–	–	–	–	–	17,718	–
– as restated		–	–	5,044	169,994	10,815	109,942	79,607	375,402
Surplus arising on revaluation net of deferred tax		–	–	–	–	–	–	52,322	52,322
Exchange difference on translation of financial statements of foreign entities		–	–	5,313	–	–	–	–	5,313
Write off of goodwill		–	–	–	3,403	–	–	–	3,403
Profit for the year (as restated)		–	–	–	–	–	–	3,422	3,422
At 31st December 2004 (as restated)		–	–	10,357	173,397	10,815	109,942	135,351	439,862
At 1st January 2005 (as restated)		**–**	**–**	**10,357**	**173,397**	**10,815**	**109,942**	**135,351**	**439,862**
Exchange difference on translation of financial statements of foreign entities		**–**	**–**	**(5,029)**	**–**	**–**	**–**	**–**	**(5,029)**
Revaluations surplus		**–**	**42,430**	**–**	**–**	**–**	**–**	**–**	**42,430**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**787**	**787**
At 30th June 2005		**–**	**42,430**	**5,328**	**173,397**	**10,815**	**109,942**	**136,138**	**478,050**

14. MATERIAL RELATED PARTY TRANSACTIONS

(a) One of the directors of the Company is also a 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 amounted to HK$2,462,000 (2004: HK$2,282,000) during the period. The amount due to the supplier at the period end amounted to HK$2,001,000 (at 31st December 2004: HK$1,551,000).

(b) During the period, the Group had net interests in certain associates amounting to HK$172,204,000 (at 31st December 2004: HK$173,231,000) in which a director of the Company has beneficial interests.

(c) During the period, the Group has obtained funding from certain directors, shareholders, related companies and related parties to finance its operations. The outstanding balances are as follows:

	Outstanding	
	At 30th June	At 31st December
	2005	2004
	HK$'000	*HK$'000*
Directors	**93,184**	92,122
Shareholders	**58,214**	58,980
Related companies	**8,544**	8,329
Related parties	**1,200**	1,351

The above balances are unsecured, interest bearing at 3% or prime less 1% to prime plus 0.5% and repayable after 30th June 2006.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June 2005 (2004: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated turnover of HK$199,923,000, an increase of 15.44% as compared to the last corresponding period. The profit attributable to shareholders amounted to HK$787,000 (2004 restated: loss of HK$7,628,000).

BUSINESS REVIEW

Toys

During the period under review, the turnover for the Group's OEM/ODM toys business increased by 59.27% as compared to the corresponding period of last year. This remarkable improvement was attributable to the strong US economy. Prosperity has stimulated consumer confidence in the US and the Group has received bulk business orders. On the other hand, intense competition of the toys industry, continual increase of raw material costs and tight labor supply in the whole Guangdong province are still factors adversely affecting the Group's profit margin. To remain competitive, the Group will continue to improve cost effectiveness, enhancing productivity and pursue OEM products with high profit margin.

Model Trains

During the period under review, the Group's model trains business remained steady. Turnover in model trains increased by 3.08% as compared to the corresponding period of last year. The Group anticipates that with the coming of the seasonal peak sales period, there will be an increase in the turnover in model trains for the second half of the year.

With the incorporation of the latest digital technology, the Digital Command Control System into the Bachmann E-Z Control, the Group's model trains continue to be very well received in both the United States and in Europe, strengthening the Group's leading position in the model train industry. Looking ahead, the Group will focus its efforts and investments in expanding product ranges as well as broadening customer bases.

Property Investment

During the period under review, the Group's rental income remained steady as compared to the corresponding period of last year. Both the property and rental market in Hong Kong continued to improve in 2005. The Group's major rental property, the Kader Building, managed to maintain an occupancy rate at 85% as of 30th June 2005. Since then the Group has further improved the occupancy rate at better rental rate. The Group has presently achieved an occupancy rate at over 90% for Kader Building.

During the period under review, the Group took advantage of the active property market in Canada, and has disposed a portion of its rental properties in Vancouver. It is expected by the end of this year, the Group will dispose all of its rental properties in Canada.

Investment Holding

During Spring 2005, the Group's major investment holding in the United States, the Resort at Squaw Creek ("the Resort"), has successfully launched a condominium sale of existing hotel guest rooms. As of 30th June 2005, approximately 70% of the units were sold, thus providing significant liquidity to the ownership and reducing operating risk upon final sales completion.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th June 2005, the Group's current ratio was 0.96 (at 31st December 2004: 1.00). The Group's total bank borrowings have decreased from approximately HK$214 million as reported last year-end to approximately HK$209 million as at period-end. The financial gearing of the Group, based on the total bank borrowings to the shareholder's equity was 38% (at 31st December 2004: 42%). There is no significant seasonality of borrowing requirements except that during peak sales period, the Group's trade loans will be higher.

Capital Structure

During the period under review, there were no movements in the Company's share capital. The Group's capital instruments are mainly composed of bank loans and director's support, which are in HK dollars, sterling pound, US dollars and Canadian dollars at prevailing market rates.

Charges on Group Assets

As at 30th June 2005, certain investment properties, leasehold land and buildings and other assets of the Group with a total net book value of approximately HK$674 million (at 31st December 2004: HK$659 million) were pledged to banks to secure banking facilities granted to the Group.

Material Acquisitions and Disposals

There are no material acquisitions and disposals during the period ended 30th June 2005. At the moment, there are no major plans for material investments or capital assets.

Exchange Rate Exposure

Major assets, liabilities and transactions of the Group are denominated either in sterling pound, US dollars, Canadian dollars, Renminbi or Hong Kong dollars. During the period under review, the majority of the Group's sales proceeds were in Hong Kong dollars, US dollars and sterling pound while the majority of its raw materials and equipment purchases were required to be settled in HK dollars. As at 30th June 2005, the Group was not exposed to material exchange risk.

Contingent Liabilities

As at 30th June 2005, the Group did not have significant contingent liabilities except:

(a) As reported in the Group's 2003 and 2004 Annual Reports, in May 2003 an action was commenced by a supplier of resin materials against a Group company in the Hong Kong High Court for payment of a trading debt amounting to HK$643,980. HK$20,852.50 of this debt has already been paid by the Group company pursuant to an order of the court dated 23rd February 2004. About 75% of the remaining debt is not disputed by the Group company. This has not been paid because the court has ordered that this action should be tried together with a separate action commenced by the Group company against the same supplier in April 2003 for damages amounting to US$590,000 on the basis, inter alia, that bulk resin supplied by the supplier did not reasonably correspond with the sample first provided and tested by the Group company. The effect of both actions being tried together is that the court will take into account, and set-off, any damages awarded in either action to produce a net result. No trial date has been fixed, but it is expected that leave will be given to set both matters down for trial at the next Checklist hearing in November 2005. The directors believe the Group will not suffer any material loss as a result of these actions.

(b) As reported in the Group's 2004 Annual Report, during the last quarter of 2003, a Mexican company commenced a law suit in the State of Arizona against the Company on the ground 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. It was disposed of in mid 1996. The plaintiffs allege claims against Sinomex and the Company of approximately US$5,000,000 for unpaid obligations of Sinomex under the Lease Agreement plus interest (in the amount of 2% per month, or 24% annually), court costs and attorney fees.

In early January of 2004, the Company's legal counsel filed a Motion to Dismiss 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 does not have sufficient subject matter and personal jurisdiction over the Company under the guarantee for the case to continue in that court, and as such, the case should be dismissed in favour of the Company.

On 24th January, 2005, the Arizona court denied the initial motion submitted by the Company. The Company plans to continue to vigorously defend the Litigation, and to assert the defences available to it. This would eliminate or at least significantly reduce the exposure of the Company if those defences prove to be successful.

Having considered the Litigation with legal counsel to the Company, the management and the Board believe that the Company's opposition to the plaintiffs' complaint, and its defenses, including defenses to the amount of damages awardable, are meritorious. As such, the Company intends to continue to vigorously defend the Litigation. In addition, the Company has filed counterclaims against the plaintiff and a cross-claim against Sinomex in the Litigation. The Company is continuing to pursue its defenses, as well as its counterclaim and cross claim. On that basis, the Company has not made provision in relation to the Litigation.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2005, the Group employed approximately 8,400 (at 31st December 2004: 5,150) full time management, administrative and production staff in the United States, Europe, the PRC and Hong Kong. The number of production staff in the PRC will decrease after the peak season in the second half of the year. The Group remunerates its employees based on their performance, experience and prevailing industry practice. In the area of staff training, the Group encourages and supports staff to engage and participate in continuing studies or self-enhancement courses.

PROSPECTS

During the period under review, the Hong Kong economy continued to recover, thus boosting the investor and consumer confidence which was further strengthened by the improving economies of the PRC and the United States. The optimistic outlook for Hong Kong is anticipated to be fuelled with the opening of the Disney Land. Nevertheless, keen competitions and challenges still exist and high operating costs continue to adversely affect profit margin. The recent appreciation of the Renminbi has added another element of uncertainty. Moreover, the recent interest rate hikes and the persistently high oil price have yet to show its impact on the global economies.

Though the operating conditions are difficult, the Group is dedicated to strive for the best performance by implementing its strategy to produce high quality products with competitive prices. Besides, the Group will continue to strengthen its core business, streamline its existing operations and tighten cost control measures. The Group is confident all these efforts can sustain and enhance its business growth. The Board is cautiously optimistic that year 2005 will be a profitable year for the Group.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in the Share Capital of the Company and the Associated Corporations

As at 30th June 2005, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register 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 contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Interests in the Company

	Number of Ordinary Shares of HK$0.10 each				
Name of Directors	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Total number of shares held**	**% of total issued shares**
Kenneth Ting Woo-shou	94,065,385	586,629 *(i)*	244,175,800 *(ii)*	338,827,814	50.92%
Dennis Ting Hok-shou	9,692,817	275,000 *(iii)*	236,969,800 *(iv)*	246,937,617	37.11%
Patrick Leung Shing-cheung	40,338	–	–	40,338	0.006%
Moses Cheng Mo-chi	11,000	–	–	11,000	0.002%
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 are each having a 45% controlling interest; and 34,504,800 shares of the Company held by its substantial shareholder, Glory Town Limited which is wholly owned by Mr. Kenneth Ting Woo-shou.

(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 are each having a 45% controlling interest; and 2,669,800 shares of the Company held by Golden Tree Investment Company Limited, 24,629,000 shares of the Company held by Kimpont Limited, in which Dr. Dennis Ting Hok-shou has a controlling interest of 25% and 12.5% respectively in these two companies.

Interests in associated corporations

Name of associated corporation	Beneficial interests	Class of shares	No. of shares held: Personal Interests	Family Interests	Corporate Interests	% of interests in associated corporation
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%
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable *(iii)*	–	–	–	62% *(iv)*
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable *(iii)*	–	–	–	8% *(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. Mr. Kenneth Ting Woo-shou's beneficial interest in Allman Holdings Limited was disclosed in Note (i) above.

(iii) Squaw Creek Associates, LLC ("SCA") does not have issued share capital, percentage of interest in SCA represents interest in capital account balance.

(iv) These interests are held by Pacific Squaw Creek, Inc., Mr. Kenneth Ting Woo-shou's beneficial interests in Pacific Squaw Creek, Inc. 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 30th June 2005, no short positions were recorded in the register required to be kept under section 352 of the SFO.

Save as disclosed above, as at 30th June 2005, 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 for Securities Transactions by Directors of Listed Companies.

Directors' Rights to Acquire Shares or Debentures

At no time during the period was the Company or any of its subsidiaries 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 Interests

As at 30th June 2005, 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.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

As at 30th June 2005, the Group had certain financial assistance to affiliated companies which is disclosed below in accordance with Chapter 13 of the Listing Rules.

Advances to Affiliated Companies

As at 30th June 2005, the Company advanced a total sum of HK$81,726,000 to its affiliated companies, the details of which are as follows:–

Affiliated Companies	**Interest Rate of Advances**	**Amount of Advances as at 30th June 2005** *HK$'000*
Allman Holdings Limited and its subsidiaries	Interest-free	66,955
Hip Wah Industrial (Development) Limited	Interest-free	7,462
The Melville Street Trust	Interest-free	7,309
		81,726

All the said advances were unsecured, repayable on demand and were funded by internal resources and/or bank borrowings and were made for the purpose of providing investment funds and/or working capital.

Set out below is a proforma combined balance sheet of the above affiliated companies as at 30th June 2005 (being the latest practicable date for determining the relevant figures) required to be disclosed under Chapter 13 of the Listing Rules:–

Proforma Combined Balance Sheet as at 30th June 2005

	HK$'000
Fixed assets	976,045
Net current liabilities	(112,239)
Bank loans and shareholders' loans – long term	(585,208)
Surplus in shareholders' funds	278,598

The aggregate of the Group's advances to affiliated companies as at 30th June 2005 amounted to HK$81,726,000 which represents approximately 8.0% of the Group's total assets as at 30th June 2005.

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 six months ended 30th June 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that, in the six months ended 30th June 2005, the Group was, save as disclosed below, in compliance with the code provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

Code A.4.2 requires that 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 Code provision. 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 Company has retained a firm of legal advisers in Bermuda to advise on and undertake this.

AUDIT COMMITTEE

The Audit Committee has met with the management to review the Interim Financial Report and consider the significant accounting policies, and to discuss with the management about the Group's internal control system.

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 for Securities Transactions by Directors 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 the Order of the Board
Kenneth Ting Woo-shou
Managing Director

Hong Kong, 15th September, 2005