



KADER HOLDINGS COMPANY LIMITED

開達集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 180)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

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 for the six months ended 30 June 2008, together with comparative figures for the corresponding period in 2007 are as follows:–

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Note	Unaudited	
		Six months ended 2008	Six months ended 2007
		HK\$'000	HK\$'000
Turnover	3	290,793	266,148
Other revenue		6,977	6,387
Other net income		4,738	2,312
Changes in inventories of finished goods and work in progress		40,888	8,598
Cost of purchase of finished goods		(29,486)	(12,144)
Raw materials and consumables used		(113,030)	(84,561)
Staff costs		(109,018)	(87,243)
Depreciation expenses		(11,914)	(10,364)
Amortisation of interest in leasehold land held for own use		(11)	(11)
Other operating expenses		(73,046)	(65,059)
Profit from operations	3	6,891	24,063
Finance costs	5(a)	(4,313)	(5,614)
Share of profits less losses of associates		(455)	35
Profit before taxation	5	2,123	18,484
Income tax credit/(charge)	6	6,501	(4,606)
Profit for the period		8,624	13,878
Attributable to:			
Equity shareholders of the Company		8,612	13,556
Minority interests		12	322
Profit after taxation		8,624	13,878
Dividend	7	9,981	9,981
Earnings per share attributable to equity shareholders of the Company			
Basic	8(a)	1.29¢	2.04¢
Diluted	8(b)	N/A	N/A

CONSOLIDATED BALANCE SHEET*As at 30 June 2008*

		Unaudited	Audited
		At 30 June	At 31 December
		2008	2007
	<i>Note</i>	HK\$'000	HK\$'000
Non-current assets			
Fixed assets			
– Investment properties		646,307	646,307
– Other property, plant and equipment		142,701	137,976
– Interests in leasehold land held for own use under an operating lease		865	876
		789,873	785,159
Goodwill		31,200	31,200
Intangible assets		552	570
Interests in associates		48,462	48,760
Other non-current financial assets		23,829	26,249
Deferred tax assets		31,193	24,551
		925,109	916,489
Current assets			
Inventories		232,122	177,624
Current tax recoverable		2,728	–
Trade and other receivables	9	99,218	114,121
Cash and cash equivalents		35,260	26,592
		369,328	318,337
Current liabilities			
Trade and other payables	10	219,015	193,120
Bank loans and overdrafts		68,261	83,180
Obligations under finance leases		465	582
Current tax payable		9,363	6,135
		297,104	283,017
Net current assets		72,224	35,320
Total assets less current liabilities carried forward		997,333	951,809

	Unaudited	Audited
	At 30 June	At 31 December
	2008	2007
<i>Note</i>	HK\$'000	HK\$'000
Total assets less current liabilities brought forward	997,333	951,809
Non-current liabilities		
Bank loans	140,644	86,332
Rental deposits	2,797	3,661
Obligations under finance leases	276	498
Deferred tax liabilities	80,003	84,228
Accrued employee benefits	1,412	1,321
	<u>225,132</u>	<u>176,040</u>
NET ASSETS	<u>772,201</u>	<u>775,769</u>
CAPITAL AND RESERVES		
Share capital	66,541	66,541
Reserves	<u>702,399</u>	<u>706,172</u>
Total equity attributable to equity shareholders of the Company	768,940	772,713
Minority interests	<u>3,261</u>	<u>3,056</u>
TOTAL EQUITY	<u>772,201</u>	<u>775,769</u>

NOTES

1. INDEPENDENT REVIEW

The consolidated interim financial report for the six months ended 30 June 2008 is unaudited, but has been reviewed by the Audit Committee.

2. BASIS OF PREPARATION

The consolidated interim financial report for the six months ended 30 June 2008 comprise the Company and its subsidiaries and the Group's interests in associates.

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

The consolidated interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

3. 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 and trading of listed securities.

Unaudited six months ended 30 June	Toys and model trains		Property investment		Investment holding and trading		Unallocated		Inter-segment elimination		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenue from external customers	273,980	251,507	16,813	14,641	-	-	-	-	-	-	290,793	266,148
Inter-segment revenue	-	-	489	489	-	-	-	-	(489)	(489)	-	-
Other revenue from external customers	782	806	3,800	4,634	-	809	-	-	-	-	4,582	6,249
Total	274,762	252,313	21,102	19,764	-	809	-	-	(489)	(489)	295,375	272,397
Segment result	(12,600)	10,131	16,081	15,998	(738)	(2,441)	1,485	191	-	-	4,228	23,879
Unallocated operating income and expenses											2,663	184
Profit from operations											6,891	24,063

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 the holiday season. As such, the first half year reports lower revenues and segment results for this segment than the second half.

5. PROFIT BEFORE TAXATION

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

	Unaudited	
	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Finance costs		
Finance charges on obligations under finance leases	21	50
Interest on other borrowings	<u>4,292</u>	<u>5,564</u>
	<u>4,313</u>	<u>5,614</u>
(b) Other items		
Cost of inventories	198,645	165,163
Amortisation of intangible assets	18	17
Net gain on disposal of fixed assets	(1,931)	(46)
Interest income	(732)	(138)
Share of associate's taxation	-	5
Net gain on disposal of financial assets	<u>(1,244)</u>	<u>-</u>

6. INCOME TAX

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	4,792	7,394
Current tax – Overseas	(426)	370
Deferred taxation	(10,867)	(3,158)
	<hr/>	<hr/>
Income tax (credit)/charge	<u>(6,501)</u>	<u>4,606</u>

On 27 February 2008, the Financial Secretary of the Hong Kong SAR Government announced his annual Budget which proposed a cut in the profits tax rate from 17.5% to 16.5% with effect from the fiscal year 2008/09. This decrease is taken into account in the preparation of the consolidated interim financial report. Accordingly, the opening balances of the Group's deferred tax liabilities and deferred tax assets as at 1 January 2008 decreased by HK\$4,459,000 and HK\$ Nil, respectively.

The provision for Hong Kong Profits Tax for the six months ended 30 June 2008 is calculated at 16.5% of the estimated assessable profits for the period (30 June 2007: 17.5%). 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.

7. DIVIDEND

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

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Final dividend in respect of the financial year ended 31 December 2007, approved and paid during the following interim period, of HK 1.5 cents per ordinary share (year ended 31 December 2006: HK 1.5 cents per ordinary share)	<u>9,981</u>	<u>9,981</u>

8. 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\$8,612,000 (six months ended 30 June 2007: HK\$13,556,000) and the weighted average number of ordinary shares of 665,412,000 (2007: 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.

9. 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
	2008	2007
	HK\$'000	HK\$'000
Current	64,262	85,429
1 to 3 months overdue	4,168	1,551
More than 3 months overdue but less than 12 months overdue	304	751
More than 12 months overdue	503	15
	<hr/>	<hr/>
Total trade debtors, net of impairment losses	69,237	87,746
Other debtors and prepayments	29,981	26,375
	<hr/>	<hr/>
	99,218	114,121
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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.

10. TRADE AND OTHER PAYABLES

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

	Unaudited	Audited
	At 30 June	At 31 December
	2008	2007
	HK\$'000	HK\$'000
Due within 1 month or on demand	45,842	31,574
Due after 1 month but within 3 months	7,093	273
Due after 3 months but within 6 months	1,077	41
Due after 6 months	517	178
	<hr/>	<hr/>
Total trade creditors	54,529	32,066
Other payables	164,486	161,054
	<hr/>	<hr/>
	219,015	193,120
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INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated turnover of HK\$290.79 million, which increased by 9.26% as compared to HK\$266.15 million reported for the corresponding period last year. The profit attributable to equity shareholders amounted to HK\$8.61 million, representing a decrease of 36.50% as compared to HK\$13.56 million reported for the corresponding period.

BUSINESS REVIEW

Toys and Model Trains

During the first half year of 2008, the turnover for the Group's OEM/ODM toys business was HK\$122.96 million, which increased by 24.73% as compared to the corresponding period last year. However, during the period under review, toy manufacturers have been facing the appreciation of Renminbi Yuan, high crude oil prices, continued rise in raw material prices and high labour costs due to the increase in statutory minimum wages. In addition, given concerns over product safety and recalls around the world, we have continued to place more effort in enhancing safety precautions and quality control, further increasing the cost of testing for toys. On the other hand, the Group faces keen competition which continues to limit the scope of price increases. As the Group has to absorb part of these increasing costs, profit margins have been affected.

Regarding the model trains business, the turnover in the first half year of 2008 was approximately HK\$151.02 million, representing a slight decrease of 1.24% as compared to the corresponding period last year. The Group is proud to announce that the Group's subsidiary, Bachmann Europe Plc., was awarded "Manufacturer of the Year" by Model Rail Magazine in the UK in December 2007. The Group continued to gain the loyalty of customers and has maintained our leading position in the industry.

Property Investment

During the period under review, the rental income of the Group amounted to HK\$16.81 million, representing a 14.84% increment as compared to the corresponding period last year. The increase reflected the upward adjustment in rental rate upon lease renewals for Kader Building.

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\$15.01 million, representing a 15.02% increment over the corresponding period last year. As at 30 June 2008, the occupancy rate of Kader Building was over 95%.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2008, the Group's net asset value per share amounted to HK\$1.16 (at 31 December 2007: HK\$1.16); the current ratio was 1.24 (at 31 December 2007: 1.12); total bank borrowings were approximately HK\$208.91 million (at 31 December 2007: HK\$169.51 million) while the Group had total unutilised banking facilities of approximately HK\$473.69 million (at 31 December 2007: HK\$422.05 million); the Group's financial gearing, based on the total interest bearing borrowings compared to the total equity, was 27.15% (at 31 December 2007: 21.99%). There is no significant seasonality in borrowing requirements except that during the peak production period in the second half year, the Group's facilities for trade finance will be substantially utilised. The majority of 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, which were denominated in Hong Kong Dollars, United States Dollars and Sterling Pounds at prevailing interest rates.

Exchange Rate Exposure

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2008, the Group employed approximately 7,030 (at 30 June 2007: 7,201; at 31 December 2007: 5,639) full time management, administrative and production staff in Hong Kong SAR, Mainland China, the United States and Europe. The Group had 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

Looking ahead, operational conditions are challenging and manufacturing costs would continue to rise. The Group would still be facing adverse factors, such as the appreciation of the Renminbi Yuan and increased costs in administering testing of toys to enhance products safety. Hopefully the drop in crude oil price would continue in the second half year, so that raw material costs would accordingly be reduced. The Group will continue to strengthen its core business, streamline operational procedures without compromising on quality, improve operating and production efficiency and develop automated processes with a view to fulfilling the mission of “Manufacturing Trust”.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the period under review.

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 for the deviation from CG Code E.1.2.

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 3 June 2008.

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 2008.

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 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.

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

Hong Kong, 22 September 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>