



# KADER HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

## 2001 RESULTS

The Board of Directors of Kader Holdings Company Limited ("the Company") announces that the audited results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2001, together with comparative figures for year 2000 are summarised as follows:—

### Consolidated Profit and Loss Account

For the year ended 31st December, 2001

	Note	2001 HK\$'000	2000 HK\$'000
Turnover	2	430,637	319,966
Other revenue		9,740	12,537
Other net income		4,643	27,640
Changes in inventories of finished goods and work in progress		(7,536)	(11,573)
Cost of purchase of finished goods		(4,374)	(9,342)
Raw materials and consumables used		(146,214)	(85,137)
Staff costs		(78,214)	(81,828)
Depreciation and amortisation expenses		(20,024)	(17,902)
Other operating expenses		(165,344)	(152,580)
Profit from operations	2	23,314	1,781
Finance costs		(31,390)	(34,611)
Share of (loss)/gain of associates		(2,035)	39,627
(Loss)/profit from ordinary activities before taxation	3	(10,111)	6,797
Taxation	4	(14,779)	(1,765)
(Loss)/profit from ordinary activities after taxation		(24,890)	5,032
Minority interests		—	—
(Loss)/profit attributable to shareholders		(24,890)	5,032
Revenue reserves at 1st January			
As previously reported		239,752	234,720
Prior period adjustment	1	(86,325)	(86,325)
As restated		153,427	148,395
Revenue reserves at 31st December		128,537	153,427
(Loss)/earnings per share			
Basic	5	(3.74¢)	0.76¢
Diluted	5	N/A	0.76¢

#### Notes:

#### 1. PRIOR YEAR ADJUSTMENT

In prior years, positive or negative goodwill arising on acquisition of subsidiaries was written off to contributed surplus or credited to capital reserve respectively.

With effect from 1st January, 2001, in order to comply with Statement of Standard Accounting Practice 30 ("SSAP 30") and 31 issued by the Hong Kong Society of Accountants, the Group adopted new accounting policies for goodwill and impairment of assets.

The Group has taken advantage of the transitional provisions set out in paragraph 88 of SSAP 30 with the effect that the new accounting policy on goodwill has been adopted prospectively and no adjustments have been made to the opening balances of retained profits and reserves and comparative information, except for the recognition of the impairment losses in respect of goodwill written off against reserves which has been treated as a change in accounting policy and has been adopted retrospectively.

As a result of the new accounting policy on impairment of assets, the Group's retained earnings have been decreased by HK\$86,325,000, with the contributed surplus being increased by the same amount. Hence, there is no impact on the Group's net assets nor profit attributable to shareholders for the periods presented. The new accounting policy on impairment of assets in respect of goodwill written off against reserves has been adopted retrospectively, with the opening balance of retained profits and contributed surplus and the comparative information adjusted for the amounts relating to prior periods.

#### 2. SEGMENT INFORMATION

The analysis of the Group's turnover and results for the years ended 31st December, 2001 and 2000 by business segments and geographical locations is as follows:

##### Business segments

For the year ended 31st December, 2001

	Toys and model trains HK'000	Property leasing HK'000	Investment holding and trading HK'000	Unallocated HK'000	Inter-segment elimination HK'000	Consolidated HK'000
Revenue from external customers	400,574	27,385	325	2,353	—	430,637
Inter-segment revenue	—	687	—	—	(687)	—
Other revenue from external customers	2,087	4,319	—	2,454	—	8,860
Total	402,661	32,391	325	4,807	(687)	439,497
Segment result	4,185	23,681	(34)	(4,059)	—	23,773
Inter-segment transactions	387	1,522	(1,909)	—	—	—
Contribution from operations	4,572	25,203	(1,943)	(4,059)	—	23,773
Unallocated operating income and expenses	—	—	—	—	—	(459)
Profit from operations	—	—	—	—	—	23,314

For the year ended 31st December, 2000

	Toys and model trains HK'000	Property leasing HK'000	Investment holding and trading HK'000	Unallocated HK'000	Inter-segment elimination HK'000	Consolidated HK'000
Revenue from external customers	281,105	29,501	9,051	309	—	319,966
Inter-segment revenue	—	687	—	—	(687)	—
Other revenue from external customers	5,474	3,333	2	1,759	—	10,568
Total	286,579	33,521	9,053	2,068	(687)	330,534
Segment result	(26,063)	7,956	32,426	(12,970)	—	1,349
Inter-segment transactions	687	785	(1,472)	—	—	—
Contribution from operations	(25,376)	8,741	30,954	(12,970)	—	1,349
Unallocated operating income and expenses	—	—	—	—	—	432
Profit from operations	—	—	—	—	—	1,781

### Geographical locations

	Hong Kong and China		North America		Europe		Others	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Revenue from external customers	192,653	103,526	145,709	138,951	82,696	72,900	9,579	4,589
Profit from operations	8,649	(28,639)	7,108	28,937	7,405	2,108	152	(625)

#### 3. (LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2001 HK\$'000	2000 HK\$'000
Cost of inventories	296,747	209,370
Amortisation of intangible assets	2,496	2,496
Interest on borrowings	31,390	34,611
Depreciation	17,528	15,406
Net loss/(gain) on sale of fixed assets	2	(82)
Dividend income from listed investments	(1)	(1)
Dividend income from unlisted investments	(8)	(5,643)
Net unrealised losses on listed investments	(184)	(363)
Gain on disposal of listed investments	(160)	(208)
Loss from partnership	(1,337)	(1,619)

#### 4. TAXATION

Taxation in the consolidated profit and loss account represents:

	2001 HK\$'000	2000 HK\$'000
Provision for Hong Kong profits tax		
— at 16% (2000: 16%) on the estimated assessable profits for the year	700	273
— over provision in respect of prior years	(36)	—
	664	273
Overseas taxation	13,276	2,317
Deferred taxation	839	(825)
	14,779	1,765

Overseas taxation is calculated at the rates applicable in the respective countries. Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all timing differences which are expected with reasonable probability to crystallise in the foreseeable future.

In 2001, the US Internal Revenue Service completed an audit of a US subsidiary of the Group. As a result of the audit, the Group has accrued approximately US\$1.3 million (HK\$10 million) of withholding taxes on intercompany interest payments. This amount is included in the overseas tax charge for 2001.

#### 5. (LOSS)/EARNINGS PER SHARE

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

The calculation of basic (loss)/earnings per share is based on the loss attributable to shareholders of HK\$24,890,000 (2000: profit HK\$5,032,000) and the weighted average of 665,254,000 ordinary shares (2000: 663,385,000 shares) in issue during the year.

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

The diluted loss per share for 2001 is not presented as the Company's potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share.

The calculation of diluted earnings per share for 2000 is based on the profit attributable to ordinary shareholders of HK\$5,032,000 and the weighted average number of ordinary shares of 665,127,000 shares after adjusting for the effects of all dilutive potential ordinary shares.

##### (c) Reconciliation

	2000 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings for share	663,385,000
Deemed issue of ordinary shares for no consideration	1,742,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	665,127,000

#### 6. DIVIDEND

The Board of Directors does not recommend the payment of a dividend for the year ended 31st December, 2001.

#### 7. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of changes in accounting policy for impairment loss, details of which are set out in note 1.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### RESULTS

The Group's turnover for the financial year ended 31st December, 2001 amounted to approximately HK\$431 million, representing a significant improvement of 35% over that reported in the previous financial year. The operating profit has increased by 1,209% during the year. However, the Group registered a loss attributable to shareholders in the financial year of 2001 of approximately HK\$25 million.

#### BUSINESS REVIEW

##### Toys

In year 2001, the sales performance in toys business has improved significantly as compared with the previous year. There is a 101% increase in terms of turnover. This remarkable achievement was greatly contributed by two hot selling television series' items, namely "Who Wants to be a Millionaire" and "Weakest Link". This year, with the cooling down of fever in these two television programmes, the Group will focus on other toy items. Sales margin is expected to be low due to a very competitive market coupled with fluctuations in major material costs, such as plastic and paper.

##### Model Trains

US and Europe remain the major markets for the Group's model train products. In year 2001, there is a 13% growth in turnover for model train products. This substantial improvement was contributed by the two hot items, the "HO-3 Truck Shay" which was awarded "Model Train of the Year" in 2001 in U.S. and "Harry Potter" train sets, a licensed product released in connection with the Harry Potter movie. New "Harry Potter" train products will be launched in conjunction with the release of the new Harry Potter movie in 2002.

Graham Farish ("Farish"), a well-established model trains manufacturer and retailer in Britain, was acquired by the Group in year 2000. After the completion of restructuring of Farish, the Group started to launch the Farish series of products in late year 2001. The initial market response is encouraging and the Group is expecting positive contribution to profits from the Farish series of products in year 2002.

The Group's licensed model trains, the "Dong Feng-11" (東風-11) and "Qian Jin" (前進), continue to enjoy favorable market response in China. Apart from that, the Group has been actively pursuing another exclusive right from the China National Railway Locomotive & Rolling Stock Industry Corporation for the production of other Chinese train products.

#### PROPERTY INVESTMENT

Rental income from the Group's investment properties amounted to approximately HK\$27 million, a 7% drop as compared to last year. This was mainly due to a decrease of rental rates of the Group's industrial building in Kowloon Bay.

After several years decline in the local property market, further drops in rental rates are not expected. With expectation of economic recovery in the second half of 2002, the rental market is expected to be active again. It is anticipated that the Group's rental property will continue to generate steadily increasing revenue following the recovery of the property market.

Early in 1990's the Group acquired a piece of land in Chashan, Dongguan Province of China. Due to unfavorable investment climate at that time, the Group had shelved its development plan. With China's accession to WTO, the Group considered it an opportune time to dispose of the land and has successfully entered into contract for the sale of the land after the balance sheet date.

#### INVESTMENT HOLDING

Last year, the burst of the technology bubble and the 11th September event in the US has had an adverse impact on the Group's major US investment, the Resort at Squaw Creek. The Resort experienced high cancellation rates on room-night bookings. The situation continued for several months and has stabilised recently. However, the impact is considered to be temporary and the Resort's market valuation is not significantly affected.

#### FINANCIAL REVIEW

##### Liquidity and Financial Resources

As at 31st December, 2001, the Group's current ratio was 0.85. The Group's total bank borrowings have slightly increased from approximately HK\$299 million as reported last year to approximately HK\$321 million as at year-end. The financial gearing of the Group, based on the total bank borrowings to the shareholder's equity was maintained at 65%, compared with last year's 59%.

##### Capital Structure

During the year ended 31st December, 2001, there was no significant change in the Company's share capital.

##### Charges on Group Assets

As at 31st December, 2001, certain investment properties, leasehold land and buildings and other assets of the Group with a total net book value of approximately HK\$686 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 year ended 31st December, 2001.

##### Exchange Rate Exposure

Major assets, liabilities and transactions of the Group are denominated either in sterling, U.S. dollars, Renminbi or Hong Kong dollars. As the exchange rate of sterling, US dollars and Renminbi against Hong Kong dollars was relatively stable during the year, the Group was not exposed to material exchange risk.

#### Contingent Liabilities

As at 31st December, 2001, the Group did not have significant contingent liabilities.

#### Employees and Remuneration Policies

As at 31st December 2001, the Group employed approximately 6,300 full time management, administrative and production staff in USA, Europe, PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing industry practice.

#### PROSPECTS

The Group anticipates that the business environment for the coming year is quite uncertain. The local economy will be affected by external factors like the 11th September event and world economy downturn. The recent Middle East crisis has already led to fluctuation in oil prices and consequently cost of major raw materials like paper and plastic. In addition, the toys market is increasingly flattened and unpredictable with shorter order lead time. All these external factors may seriously affect the current gloomy market. The Group's strategy is to put more efforts to reduce production costs, and to continue the broadening of customer base as well as improving design capabilities for Original Design Manufacturing services. Besides, the Group is inclined to focus more on model train business in which the Group is the market leader in both the US and Europe. The Group also plans to expand activities in China. The preliminary venture into the China market has been encouraging. With China's success in accession to the WTO, the business environment in China will be more favorable.

The Group remains cautiously optimistic about the coming year's economic situation, and will closely monitor every influential factor and grasp every investment opportunity. The ultimate goal is to generate the best performance for the benefit of its shareholders.

#### 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 31st December, 2001.

#### AUDIT COMMITTEE

The Audit Committee has met with the management and the external auditors to review the year-end Financial Statements and consider the significant accounting policies, and to discuss with the management about the Group's internal control system.

#### CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at Annual General Meetings in accordance with clause 189 (ix) of the Company's Bye-laws.

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

A detailed final results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Exchange") will be published on the Exchange's website (<http://www.hkex.com.hk>) in due course.

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

Hong Kong, 19th April, 2002

(website: <http://www.kaderholdings.com>)

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the shareholders of Kader Holdings Company Limited (the "Company") will be held at 12/F, 22 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong on Friday, 24th May 2002 at 12:30 noon for the following purposes:—

- To receive and consider the Audited Financial Statements and Reports of the Directors and Auditors for the year ended 31st December 2001.
- To elect directors and fix their remuneration.
- To appoint auditors and authorize the directors to fix their remuneration.
- As special business to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:—

(A) "THAT:—

- subject to paragraph (b) of this Resolution, the exercise by the directors of the Company (the "Directors") during the Relevant Period of all powers of the Company to repurchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, and that the exercise by the Directors of all powers of the Company to repurchase such shares, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;

- the aggregate nominal amount of shares of the Company repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval be limited accordingly; and

- for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:—

- the conclusion of the next annual general meeting of the Company;
- the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

(B) "THAT:—

- subject to paragraph (c) of this Resolution, the exercise by the directors of the Company (the "Directors") during the Relevant Period of all the powers of the Company to allot and issue shares in the capital of the Company or securities convertible into such shares, or options, warrants or similar rights to subscribe for any shares of the Company or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

- the approval in paragraph (a) of this Resolution shall be in addition to any other authorization given to the Directors and shall authorize the Directors during the Relevant Period to make or grant offers, agreements or options which would or might require the exercise of such powers after the end of the Relevant Period;

- the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a

Rights Issue (as hereinafter defined); or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to subscribe for shares in the Company; or (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in the Company in lieu of the whole or part of a dividend pursuant to the Bye-laws of the Company from time to time, shall not exceed the aggregate of 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval be limited accordingly;

- for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

- the conclusion of the next annual general meeting of the Company;
- the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register of members on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong)."

- "THAT" upon the passing of Resolutions No. 4(A) and 4(B) set out in the notice of the meeting of which this Resolution forms part, the general mandate granted under Resolution No. 4(B) above be extended by the addition of an amount representing the aggregate nominal amount of shares repurchased by the Company pursuant to and in accordance with the said Resolution No. 4(A) to the aggregate nominal amount of shares that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to and in accordance with the said Resolution No. 4(B)"

By Order of the Board  
**William Li Kai-wan**  
*Company Secretary*

Hong Kong, 19th April 2002

#### Notes:

- A member entitled to attend and vote at the meeting convened by this Notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.
- To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, shall be deposited at the Principal Place of Business of the Company at 22 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjourned meeting.
- An explanatory statement giving the details of item no.4 of this Notice in relation to the proposed grant of general mandates to repurchase shares and to issue and allot shares of the Company will be sent to Shareholders of the Company together with the 2001 Annual Report.