



KADER HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Interim Results For the Six Months Ended 30th June 2000

INTERIM RESULTS

The Board of Directors of Kader Holdings Company Limited ("the Company") announces that the unaudited consolidated results of the Company and its subsidiaries for the six months ended 30th June 2000, together with comparative figures for the corresponding period in 1999 are as follows:—

	Note	Six months ended 30th June	
		2000 HK\$'000	1999 HK\$'000
Turnover		<u>113,388</u>	<u>155,828</u>
Operating loss		<u>(27,286)</u>	(5,964)
Share of losses of associated companies		<u>(1,847)</u>	<u>(1,075)</u>
Loss from ordinary activities before taxation		<u>(29,133)</u>	(7,039)
Taxation	1	<u>(560)</u>	<u>(2,189)</u>
Loss attributable to shareholders		<u>(29,693)</u>	<u>(9,228)</u>
Loss per share	2	<u>(4.5 cents)</u>	<u>(1.4 cent)</u>

Notes:

1. TAXATION

	2000 HK\$'000	1999 HK\$'000
Provision for Hong Kong Profits Tax at 16% (1999: 16%) on the estimated assessable profits for the period	116	1,050
Overseas taxation calculated at rates applicable to assessable profits prevailing in the countries in which the overseas subsidiaries operate	<u>444</u>	<u>1,139</u>
	<u>560</u>	<u>2,189</u>

2. LOSS PER SHARE

(a) Basic Loss Per Share

The calculation of basic loss per share is based on net loss for the period attributable to shareholders of HK\$29,693,000 (1999: loss of HK\$9,228,000), and on 661,819,714 (1999: 637,738,820) ordinary shares, being the weighted average number of ordinary shares outstanding during the period.

(b) Diluted Loss Per Share

There were no dilutive potential ordinary shares in existence during the six months ended 30th June 2000 and 30th June 1999.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June 2000 (1999: nil).

BUSINESS REVIEW AND PROSPECTS

During the period under review, the Group recorded a consolidated turnover of HK\$113,388,000 which represented a decrease of 27% as compared with the last corresponding period. The loss attributable to shareholders amounted to HK\$29,693,000 (1999: loss of HK\$9,228,000).

The Group's performance continued to be affected by several industrial trends, resulting in the significant contraction of the Group's turnover. Firstly, retailers in the USA, which is the largest toys market of Hong Kong, have adopted a more prudent control over their inventory in order to be more flexible and responsive in accommodating the changing and sophisticated consumers' demand. This has shortened the time between

placing orders and delivering the goods, and caused even smaller orders and shorter delivery lead time for manufacturers. Sales order for peak holiday seasons, such as Christmas, which were used to be gradually built up in the first half of the year, have been shrunken. Sales volume of the Group in the first half of 2000, therefore, have been plagued adversely. Secondly, the worldwide electronic chips shortage, coupled with the unstable supply of plastic materials, also has unfavorable impact on the performance of the Group since the production schedule during the period under review had to be delayed.

Sales of the Group's model trains continue to be positive, and turnover has improved steadily as the Group has successfully penetrated into less competitive hobbyists market with several state-of-art items. In addition, the Group, with its technical expertise and committed production management, has well positioned to strengthen the sales to the mass merchant markets in the USA with its popular model train sets. In the PRC market, the prospects of growth for the Group also look promising, fueled by the introduction of a series of new models of steam locomotives of which the Group has obtained a licence with the China National Railway Locomotive & Rolling Stock Industry Corporation.

For property investment, due to the expiry of a major tenancy of the Group's industrial building in Kowloon Bay in 1999 and the newly secured tenancy has not yet generated significant contribution because of the lenient rent-free periods and competitive rental offered, the Group's rental income in the first half of 2000 has therefore been dampened. However, as the occupancy rate has already been bounced back and stabilized at a satisfactory level, the Group expects the rental income will record a noticeable contribution in the forthcoming periods.

The operating environment in the first half of 2000 was tough but appears to be improving. Looking ahead, the Group, with the aim of further developing its own design capabilities and more value-added edges in the competitive environment, will continue to concentrate its efforts to capture opportunities and develop its business in ODM (Original Design Manufacturing) services. Likewise, in order to further expand the Group's market share into different categories of model trains, the Group has acquired a well established model trains manufacturer and retailer named Graham Farnish in Britain. The Group is optimistic that the above acquisition will remarkably improve its market shares in the model trains business in the European market. The Group expects to have an improvement in the sales turnover in the second half of 2000.

CODE OF BEST PRACTICE

No director of the Company is aware of any information that would reasonably indicate that the Company is not or was not in compliance 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 at any time during the six months ended 30th June 2000 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 the Company's Bye-laws.

In accordance with the Code of Best Practice, the Company has already established an Audit Committee with written terms of reference in 1999.

PURCHASE, SALE OR REDEMPTION OF SHARES

There has been no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the 6 months ended 30th June 2000.

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

Hong Kong, 19th September 2000