KADER HOLDINGS COMPANY LIMITED

(Stock Code : 180)

INTERIM REPORT 2006

Interim Results For the Six Months Ended 30th June 2006

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 and a jointly controlled entity for the six months ended 30th June 2006, together with comparative figures for the corresponding period in 2005 are as follows:–

CONSOLIDATED INCOME STATEMENT
For the six months ended 30th June 2006

		Unaudited	
		Six months ended 30th June	
		2006	2005
	Note	***HK$'000***	*HK$'000*
Turnover	*4*	**202,760**	199,923
Loss on disposal of investment properties		**–**	(1,805)
Other revenue		**6,112**	5,607
Other net income		**3,309**	2,389
Changes in inventories of finished goods and work in progress		**30,575**	18,357
Cost of purchase of finished goods		**(14,424)**	(11,886)
Raw materials and consumables used		**(72,753)**	(61,899)
Staff costs		**(79,436)**	(74,312)
Depreciation		**(10,509)**	(10,172)
Amortisation of land lease premium		**(11)**	(42)
Other operating expenses		**(53,174)**	(56,479)
Profit from operations	*4*	**12,449**	9,681
Finance costs	*6(a)*	**(6,816)**	(7,220)
Share of profits less losses of associates		**3,727**	(4,508)
Share of losses of a jointly controlled entity		**(282)**	–
Profit/(loss) before taxation	*6*	**9,078**	(2,047)
Income tax	*7*	**(454)**	2,834
Profit after taxation		**8,624**	787
Attributable to:			
Equity shareholders of the Company		**8,624**	787
Minority interests		**–**	–
Profit after taxation		**8,624**	787
Earnings per share			
Basic	*8(a)*	**1.30¢**	0.12¢
Diluted	*8(b)*	**N/A**	N/A

The notes on pages 6 to 13 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2006

		Unaudited	
		Six months ended 30th June	
		2006	2005
	Note	***HK$'000***	*HK$'000*
Total equity at 1st January		**611,019**	505,502
Net income/(expense) for the period recognised directly in equity:–			
Exchange difference on translation of the financial statements of overseas subsidiaries	*14*	**5,096**	(5,029)
Share of exchange reserve of associates	*14*	**(335)**	–
Changes in fair value of available-for-sale securities	*14*	**(278)**	–
Surplus on revaluation of land and buildings held for own use, net of deferred tax		**–**	42,430
Net income for the period recognised directly in equity		**4,483**	37,401
Net profit for the period		**8,624**	787
Total recognised income and expense for the period attributable to equity shareholders of the Company		**13,107**	38,188
Total equity at 30th June		**624,126**	543,690

The notes on pages 6 to 13 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

As at 30th June 2006

	Note	Unaudited At 30th June 2006 HK$'000	Audited At 31st December 2005 HK$'000
Non-current assets			
Fixed assets			
– Investment property	9	**504,871**	504,871
– Other property, plant and equipment	9	**129,027**	127,005
– Interests in leasehold land held for own use under an operating lease		**909**	920
		634,807	632,796
Intangible assets		**619**	637
Interests in associates		**65,133**	161,205
Interest in a jointly controlled entity		**2,271**	2,536
Other non-current financial assets		**7,623**	100
Deferred tax assets		**23,017**	18,202
		733,470	815,476
Current assets			
Inventories	10	**155,522**	116,799
Properties held for resale		**1,547**	4,509
Current tax recoverable		**1,270**	1,386
Trade and other receivables	11	**70,079**	86,122
Cash and cash equivalents	12	**14,531**	36,491
		242,949	245,307
Current liabilities			
Trade and other payables	13	**138,083**	95,775
Bank loans and overdrafts		**82,173**	140,485
Obligations under finance leases		**1,349**	1,318
Current tax payable		**–**	4,123
		221,605	241,701
Net current assets		**21,344**	3,606
Total assets less current liabilities carried forward		**754,814**	819,082

CONSOLIDATED BALANCE SHEET *(Continued)*

As at 30th June 2006

	Note	Unaudited At 30th June 2006 *HK$'000*	Audited At 31st December 2005 *HK$'000*
Total assets less current liabilities brought forward		**754,814**	819,082
Non-current liabilities			
Bank borrowings		**41,855**	50,480
Other interest-bearing borrowings		**23,366**	97,220
Rental deposits		**5,944**	4,738
Obligations under finance leases		**1,778**	2,460
Deferred tax liabilities		**56,305**	51,667
Accrued employee benefits		**1,440**	1,498
		130,688	208,063
NET ASSETS		**624,126**	611,019
CAPITAL AND RESERVES	*14*		
Share capital		**66,541**	66,541
Reserves		**557,585**	544,478
Total equity attributable to equity shareholders of the Company		**624,126**	611,019
Minority interests		**–**	–
TOTAL EQUITY		**624,126**	611,019

The notes on pages 6 to 13 form part of this interim financial report.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2006

		Unaudited	
		Six months ended 30th June	
		2006	2005
	Note	***HK$'000***	*HK$'000*
Cash generated from operations		**23,653**	17,836
Tax paid		**(4,626)**	(5,141)
Net cash generated from operating activities		**19,027**	12,695
Net cash generated from/(used in) investing activities		**83,752**	(6,778)
Financing activities			
Proceeds from new bank loans		**20,864**	89,483
Repayment of bank loans		**(69,853)**	(88,981)
Capital element of finance lease rentals paid		**(650)**	(1,254)
Decrease in amounts due to related companies		**(2,963)**	–
Increase in amount due to director		**–**	222
Repayment of loans from shareholders and directors		**(46,448)**	(1,200)
Interest paid		**(7,951)**	(5,754)
Interest element of finance lease rentals paid		**(81)**	(35)
Net cash used in financing activities		**(107,082)**	(7,519)
Net decrease in cash and cash equivalents		**(4,303)**	(1,602)
Cash and cash equivalents at 1st January		**(12,650)**	(5,485)
Effect of foreign exchange rate changes		**482**	(683)
Cash and cash equivalents at 30th June	*12*	**(16,471)**	(7,770)

The notes on pages 6 to 13 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. Reporting entity

Kader Holdings Company Limited is a company domiciled in Bermuda. The consolidated interim financial report of the Company as at and for the six months ended 30th June 2006 comprises the Company and its subsidiaries and the Group's interests in associates and a jointly controlled entity.

The financial report of the Group as at and for the year ended 31st December 2005 are available upon request from the Company's principal office at 11/F, 22 Kai Cheung Road, Kowloon Bay, Kowloon or at http://www.kaderholdings.com.

2. Basis of preparation

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").

This consolidated interim financial report were approved by the Board of Directors and authorised for issue on 14th September 2006.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1st January 2006. 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 2006, on the basis of HKFRSs currently in issue and effective for the current accounting period. The adoption of these new and revised HKFRSs which are expected to be reflected in the 2006 annual financial statements would not have a significant impact on the Group's results of operations and financial position.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31st December 2006 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 financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainly at the date of issuance of this interim financial report.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements.

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 2005 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 HKFRSs.

2. Basis of preparation *(Continued)*

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 2005 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 2005 are available from the Company's principal office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19th April 2006.

3. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31st December 2005.

4. 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 partnership and trading of listed securities.

4. Segment reporting *(Continued)*

	Toys and model trains		Property investment		Investment holding		Unallocated		Inter-segment elimination		Consolidated	
Six months ended 30th June	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	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	**190,519**	187,567	**12,241**	12,356	**–**	–	**–**	–	**–**	–	**202,760**	199,923
Inter-segment revenue	**–**	–	**489**	429	**–**	–	**–**	–	**(489)**	(429)	**–**	–
Other revenue from external customers	**2,906**	1,587	**3,264**	3,094	**480**	75	**–**	773	**–**	–	**6,650**	5,529
Total	**193,425**	189,154	**15,994**	15,879	**480**	75	**–**	773	**(489)**	(429)	**209,410**	205,452
Segment result	**23**	3,176	**12,522**	8,557	**694**	(2,458)	**(1,216)**	(201)	**–**	–	**12,023**	9,074
Unallocated operating income and expenses											**426**	607
Profit from operations											**12,449**	9,681

5. Seasonality of operations

The Group's toys and model trains division, a separate business segment (see note 4), 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.

6. Profit/(loss) before taxation

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

		Unaudited Six months ended 30th June	
		2006	2005
		HK$'000	*HK$'000*
(a)	**Finance costs**		
	Finance charges on obligations under finance leases	**81**	36
	Interest on other borrowings	**6,735**	7,184
		6,816	7,220
(b)	**Other items**		
	Cost of inventories	**122,264**	122,688
	Amortisation of intangible assets	**18**	–
	Net gain on disposal of fixed assets	**(73)**	(205)
	Net loss on sale of property held for resale	**315**	–

7. Income tax

	Unaudited Six months ended 30th June	
	2006	2005
	HK$'000	*HK$'000*
Hong Kong taxation	**–**	–
Overseas taxation	**620**	260
Deferred taxation	**(166)**	(3,094)
Income tax charge/(credit)	**454**	(2,834)

No provision for Hong Kong Profits Tax has been recorded for the six months ended 30th June 2006 as accumulated tax losses brought forward exceed the estimated assessable profits for the period or they sustained losses for taxation purposes. 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.

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$8,624,000 (six months ended 30th June 2005: HK$787,000) and the weighted average number of ordinary shares of 665,412,000 (2005: 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. Fixed assets

(a) Acquisitions and disposals

During the six months ended 30th June 2006, the Group acquired items of fixed assets with a cost of HK$11,246,000 (six months ended 30th June 2005: HK$17,992,000). Items of fixed assets with a net book value of HK$193,000 were disposed of during the six months ended 30th June 2006 (six months ended 30th June 2005: HK$13,422,000), resulting in a loss on disposal of HK$73,000 (six months ended 30th June 2005: HK$1,600,000).

(b) Valuation

Investment properties carried at fair value were revalued at 31st December 2005 by an independent firm of surveyors, DTZ Debenham Tie Leung, who have among their staff Fellows of the Hong Kong Institute of Surveyors, on an open market value basis.

The directors have reviewed the valuation of the investment properties since the previous annual reporting date taking into account the volatility of the property market and available market data on comparable properties, and consider that the investment properties as at 30th June 2006 are carried at fair value.

10. Inventories

During six months ended 30th June 2006 HK$2,851,000 (six months ended 30th June 2005: write-down HK$274,000) has been recognised as a reduction (six months ended 30th June 2005: addition) in the amount of inventories recognised as a expense during the period, being the reversal of a write-down (six months ended 30th June 2005: write down) of inventories to estimated net realisable value.

11. Trade and other receivables

Included in trade and other receivables are trade debtors (net of impairment losses) with the following ageing analysis:

	At 30th June 2006	At 31st December 2005
	HK$'000	*HK$'000*
Current	**45,435**	67,116
1 to 3 months overdue	**6,358**	10,519
More than 3 months overdue but less than 12 months overdue	**733**	630
More than 12 months overdue	**–**	202
Total trade debtors, net of impairment losses	**52,526**	78,467
Other debtors and prepayments	**17,553**	7,655
	70,079	86,122

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.

12. Cash and cash equivalents

	At 30th June 2006	At 31st December 2005
	HK$'000	*HK$'000*
Cash and cash equivalents in the balance sheet	**14,531**	36,491
Bank overdrafts	**(31,002)**	(49,141)
Cash and cash equivalents in the consolidated cash flow statement	**(16,471)**	(12,650)

13. Trade and other payables

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

	At 30th June 2006	At 31st December 2005
	HK$'000	*HK$'000*
Due within 1 month or on demand	**32,223**	8,218
Due after 1 month but within 3 months	**3,388**	8,812
Due after 3 months but within 6 months	**82**	264
Due after 6 months	**1,375**	1,239
Total trade creditors	**37,068**	18,533
Other payables	**101,015**	77,242
	138,083	95,775

14. Capital and reserves

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital reserve	Contributed surplus	Exchange reserve	Fair value reserve	Land and buildings revaluation reserve	Revenue reserves	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2005	66,541	109,942	10,815	173,397	10,357	–	586	133,864	505,502	–	505,502
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	(9,835)	–	–	–	(9,835)	–	(9,835)
Revaluation surplus, net of deferred tax	–	–	–	–	–	–	35,005	–	35,005	–	35,005
Profit for the year	–	–	–	–	–	–	–	80,347	80,347	–	80,347
At 31st December 2005	66,541	109,942	10,815	173,397	522	–	35,591	214,211	611,019	–	611,019
At 1st January 2006	**66,541**	**109,942**	**10,815**	**173,397**	**522**	**-**	**35,591**	**214,211**	**611,019**	**-**	**611,019**
Exchange difference on translation of financial statements of overseas subsidiaries	**-**	**-**	**-**	**-**	**5,096**	**-**	**-**	**-**	**5,096**	**-**	**5,096**
Share of exchange reserve of associates	**-**	**-**	**-**	**-**	**(335)**	**-**	**-**	**-**	**(335)**	**-**	**(335)**
Changes in fair value of available-for-sale securities	**-**	**-**	**-**	**-**	**-**	**(278)**	**-**	**-**	**(278)**	**-**	**(278)**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,624**	**8,624**	**-**	**8,624**
At 30th June 2006	**66,541**	**109,942**	**10,815**	**173,397**	**5,283**	**(278)**	**35,591**	**222,835**	**624,126**	**-**	**624,126**

15. Material related party transactions

(a) One of the directors of the Company is a non-executive 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 during the period amounted to HK$2,042,000 (six months ended 30th June 2005: HK$2,462,000). The amount due to the supplier at the period end amounted to HK$754,000 (at 31st December 2005: HK$1,311,000).

(b) During the period, the Group had net interests in certain associates amounting to HK$64,370,000 (at 31st December 2005: HK$158,584,000) 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:

	At 30th June 2006 *HK$'000*	At 31st December 2005 *HK$'000*
Directors	**23,601**	59,946
Shareholders	**40,197**	46,940
Related companies	**2,445**	8,620
Related parties	**–**	1,200

The above balances are unsecured, interest bearing at 3% or Hong Kong prime rate ("prime") less 2% (2005: at 3% or prime less 1% to prime plus 0.5%) and repayable after 30th June 2007.

16. Contingent liabilities

(a) The Company has issued guarantees to banks to secure banking facilities of subsidiaries amounting to HK$342,600,000 at 30th June 2006 (at 31st December 2005: HK$363,760,000).

(b) Litigation

(i) As reported in the Group's 2003, 2004 and 2005 Annual Report, an action was commenced in 2003 by a supplier of resin materials (the "Supplier") against a Group company in the Hong Kong High Court for payment of a trading debt amounting to HK$643,980. HK$20,853 of this debt has already been paid by the Group company pursuant to a court order. About 75% of the remaining debt is not disputed by the Group company. However, this has not been paid because the court ordered that this action should be tried together with a separate action commenced by the Group company against the same supplier in 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. The trial date has been fixed for the third quarter of 2006. The directors believe the Group will not suffer any material loss as a result of these actions. In the meantime, the Group has made adequate provisions for the Group company's legal costs estimated to be incurred in taking both actions to trial.

16. Contingent liabilities *(Continued)*

(b) Litigation *(Continued)*

(ii) As reported in the Group's 2004 and 2005 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 at that time and it was disposed of in 1996. The plaintiffs allege claimed against Sinomex and the Company of approximately US$5,000,000 for unpaid obligations of Sinomex under such Lease Agreement plus interest (in the amount of 2% per month, or 24% annually), court costs and attorney fees.

In 2004, the Company filed a Motion to Dismiss ("the Motion") 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 did 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.

In 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 proved to be successful. Currently, the Company is undertaking discovery to develop the various factual and legal defenses to the lawsuit.

Having considered the Litigation with the Company's legal counsel, 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, were meritorious. As such, the Company intends to continue to vigorously defend the Litigation. On that basis, the Company has not made provision in relation to the claims under the Litigation, while anticipated legal cost has been sufficiently provided for.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June 2006 (2005: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated turnover of HK$202.76 million, a slight increase of 1.42% as compared to HK$199.92 million reported for the corresponding period last year. The profit attributable to shareholders amounted to HK$8.62 million, representing an increase of 9.96 times compared to HK$0.79 million reported for the corresponding period. The good performance was mainly attributed to the improved results of the Group's interest in associates.

BUSINESS REVIEW

Model Trains and Toys

The model trains business continued to be the key contributor to the Group's performance. During the first half year, the turnover for model trains was HK$130.11 million, represented an increase of 3.52% as compared to the corresponding period last year. With the strong base in the U.S. and Europe markets as well as the promising response in the Japan market, the Group's another focus would be on the potential of the Chinese trains series, which have been well received in the recent sales campaigns. With the growing demand for collectibles in the current booming China economy, the Group is anticipating a new milestone in its trains business.

During the period under review, the turnover for the Group's OEM/ODM toys business was approximately HK$60.41 million, a slight decrease of 2.38% as compared to the corresponding period last year. The increase in raw material, energy and labour costs affected the Group's profit margin. Meanwhile, the Group continued to exercise stringent cost control and broaden the product range to capture the market of high value-added products so that such adverse impact was moderated.

Looking ahead, to cope with the global trend of integrating electronics and new technologies into toys, the Group will keep on making efforts in research and development for its new products and at the same time, further expand its markets by broadening the product range and customer base.

Property Investment

The Group's major investment property, Kader Building, continued to generate recurring revenue for the Group. During the second half of 2005, the occupancy rate increased to over 90% and there has been a considerable increase in the rental rates upon lease renewals, its outcome began to be realised. Kader Building reported rental income of HK$11.03 million for the first six months of 2006, represents a 12.96% increment over the corresponding period in 2005. With the ever-increasing rental rates for commercial building in the central business district, tenants began to seek for more affordable alternative space in other areas such as the East Kowloon district. Benefiting from this factor, Kader Building still has room for improvement in both occupancy and rental rates, the Group anticipates that rental revenue will maintain a steady growth in the second half of 2006.

Investment in Associates

The Group's major investment holding in the United States, the resort at Squaw Creek, California, continued to sell its remaining condominium apartments and the response was encouraging. During the first six months of 2006, additional 10% of the units were sold. The sales proceeds remitted to the Company helped to reduce the Group's debt.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at the period-end, the Group's net asset value per share amounted to HK$0.94 (at 31st December 2005: HK$0.92); the current ratio was 1.10 (at 31st December 2005: 1.01); the total bank borrowings were approximately HK$124.03 million (at 31st December 2005: approximately HK$190.97 million) while the Group secured total banking facilities of approximately HK$330.10 million; the Group's financial gearing, based on the total interest bearing borrowings compared to the shareholders' equity, was 30.09% (at 31st December 2005: 49.70%). There is no significant seasonality of borrowing requirements except during peak production period in the second half year, the Group's facilities on trade finance will be substantially utilised. All borrowings are on floating interest rate terms.

The inventory turnover and trade receivable turnover days, based on the period-end figures, were steady at around 232 days and 47 days respectively (30th June 2005: 222 days and 57 days).

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 loans and director's support, which were denominated in Hong Kong Dollars, U.S. Dollars and Sterling Pounds at prevailing interest rates.

Charges on Group Assets

As at 30th June 2006, certain investment properties, leasehold land and buildings and other assets of the Group valued at approximately HK$686.48 million (at 31st December 2005: HK$732.76 million) were pledged to several 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 2006. At the moment, there are no major plans for acquiring substantial investments or capital assets.

Exchange Rate Exposure

Major assets, liabilities and transactions of the Group are denominated in Hong Kong Dollars, U.S. Dollars, Sterling Pounds, Renminbi Yuan and Canadian Dollars. During the period under review, the majority of the Group's sales revenues were denominated in Hong Kong Dollars, U.S. Dollars and Sterling Pounds while the majority of its raw materials and equipment purchases were settled in Hong Kong Dollars. As such, the Group was facing a certain degree of exchange risk; mainly arising from Sterling Pounds denominated sales transactions of which the exchange rate volatility is relatively high. Meanwhile, forward contracts were arranged and the exchange risk in this respect was substantially covered.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2006, the Group employed approximately 7,650 (at 30th June 2005: 8,400; at 31st December 2005: 6,960) full time management, administrative and production staff in Hong Kong SAR, Mainland China, the United States and Europe. The Group had seasonal fluctuation in the number of workers employed in its production plant while the number of other management and administrative staff remained 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

Despite the recent recovery on global economic condition, the competition within the toys industry remained keen while the problems hindering manufacturers' business were increasing. The volatility of raw material prices and rising energy and labour costs in Guangdong province have been the immediate concern for manufacturers. These unfavourable factors were bringing adverse impact on manufacturers' profitability.

Looking ahead, in order to enhance the competitiveness of the Group and to maintain the leading position in the industry, the Group is improving its production efficiency through stringent management controls, and at the same time implementing series of exercises on cost saving and monitoring. The Group aims to sharpen its competitive edge in terms of productivity, quality and reliability. Moreover, the Group will endeavour to keep abreast of market trends, bring new ideas to its products, explore new markets as well as maintain good relationship with the existing valued customers. The Group is cautiously optimistic to achieve good result for year 2006 as a whole.

DISCLOSURE OF INTERESTS

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

The directors and chief executives of the Company who held office at 30th June 2006 had the following interests in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) at that date as recorded in the register of directors' and chief executives' interests and short positions 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 (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

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	103,905,385	586,629 *(i)*	244,175,800 *(ii)*	348,667,814	52.40%
Dennis Ting Hok-shou	9,692,817	275,000 *(iii)*	236,969,800 *(iv)*	246,937,617	37.11%
Ivan Ting Tien-li	423,903	–	13,042,400	13,466,303	2.02%
Moses Cheng Mo-chi	11,000	–	–	11,000	0.00%
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 together have a controlling interest; and 34,504,800 shares of the Company held by its substantial shareholder, Glory Town Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest.

(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 together have a controlling interest.

Interests in associated corporations

Name of associated corporation	Beneficial interests	Class of shares	Number 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)*	100.00%
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable *(iii)*	–	–	–	62.00% *(iv)*
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable *(iii)*	–	–	–	8.00% *(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 ("Allman"), Mr. Kenneth Ting Woo-shou's beneficial interest in Allman 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. ("PSC"), Mr. Kenneth Ting Woo-shou's beneficial interests in PSC 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 2006, 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 2006, 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.

Directors' Rights to Acquire Shares or Debentures

At no time during the period was the Company or any of its associated corporations 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 2006, 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.

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 2006.

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 the CG Code A.4.2, that requires every director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. Steps are being taken to amend the bye-laws of the Company with a view to ensuring full compliance with the requirements of this CG Code. One of the major steps required is to amend or repeal The Kader Holdings Company Limited Company Act 1990 of Bermuda, which is a private act pursuant to which the Company was incorporated. The Company has retained a firm of legal advisers in Bermuda to advise on and undertake this exercise.

Apart from the above-mentioned CG Code A.4.2, none of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June 2006, in compliance with the CG Code.

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 30th June 2006.

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 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 Order of the Board
Kenneth Ting Woo-shou
Managing Director

Hong Kong, 14th September 2006

As at the date hereof, 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) and Mr. Moses Cheng Mo-chi, GBS, OBE, JP; 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.