

Chairman's Statement

I have pleasure in presenting to our shareholders the 2002 annual report of Kader Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group").

The Board of Directors of the Company ("the Board") announces that the audited consolidated results of the Group for the year ended 31st December, 2002 recorded an operating loss of approximately HK\$40 million. The Board has resolved not to recommend any payment of dividend for the financial year under review.

During the year under review, both the global economy and the financial situation of Hong Kong are facing severe operating conditions. Globally, the world economic downturn continued. Excessive production has led to low consumer demand and high unemployment rate. The deflation era that has begun further weakens the rate of recovery of the world's economy, exacerbating the effect of the recent outbreak of the war in Iraq. Internally, apart from weak consumer demand, high unemployment rate and continuing downturn of property market, Hong Kong is facing severe fiscal deficit. All these factors seriously hinder economic growth.

Furthermore, low consumer demand and global excessive production lead to pressure on selling prices. The military action in the Middle East causes a substantial rise in oil price, which eventually causes a surge in the prices of raw materials like plastic and paper, both are the major components of the Group's production cost. All these factors further tighten all toy manufacturers' operating margin and profit.

Amidst such a difficult and challenging operating environment, the Group recorded a drop in turnover by approximately 18%.

Looking ahead, the Group is cautiously optimistic that the global economy will stabilise after the war in Iraq, which is expected to be temporary. In the short term, the operating environment in Hong Kong remains challenging in the first half of year 2003. However, the Board is expecting a moderate economic rebound in the second half of the year. In his Policy Address delivered in January 2003, the Chief Executive outlined initiatives setting the direction for Hong Kong's future development and measures to eliminate the fiscal deficit. In fact, the official forecast of GDP growth for Hong Kong is 3% for year 2003. Thus, the Group is confident that consumer confidence and business sentiment will be resumed soon.

On behalf of the Board, I would like to take this opportunity to express our appreciation to our employees for their continuing dedication and commitment to the Group. I also take this opportunity to express our sincere thanks to our customers and shareholders for their invaluable and continuing confidence and support to the Group.

Dennis Ting Hok-shou

Chairman

Hong Kong, 11th April, 2003