Chairman's Statement

I have pleasure in presenting to our shareholders the annual report of Kader Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December 2006.

On behalf of the Board of Directors of the Company, I am pleased to report that the profit attributable to shareholders for the year ended 31st December 2006 was approximately HK$29.97 million, representing a decrease of 62.70% over last year's figure of HK$80.35 million. The Group's turnover for the year ended 31st December 2006 was approximately HK$643.22 million, representing an increase of 19.16% over that reported last year.

The profit from operations for the year 2006 amounted to HK$105.39 million, which included valuation gains on investment property amounting to HK$36.34 million, as compared to the last year's figures of HK$102.42 million and HK$58.28 million respectively. In addition, the share of losses of associates for the year 2006 amounted to HK$34.91 million as compared to the last year's share of profits of HK$10.89 million. The share of losses of associates was arrived at after having recognised an impairment charge in respect of an associate's property, plant and equipment of approximately HK$53.08 million.

The Directors recommend the payment of a final dividend of HK1.5 cents per share for the year ended 31st December 2006 (2005: Nil) to those shareholders whose names appear on the register of members of the Company on 7th June 2007. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting.

2006 continued to be a challenging year. Both global and local economies were promising. Nonetheless, most toys manufacturers, in particular whose production facilities were in Mainland China, were experiencing tough impact of the drastic increase in statutory minimum wages in the Guangdong province. This impact has been further accelerated by the appreciation of Renminbi Yuan and the spiralling raw material costs. At the same time, keen competition in the toys business has constrained the manufacturers to lift prices. Accordingly, the burden of increased costs had to be absorbed at the manufacturers' side and the profit margin had been reduced.

Without exception, being a leading player in the toys industry, the Group was facing all these harsh operating conditions. Nonetheless, to combat this challenge, the Group was undertaking a series of measures to improve the operational efficiency. The Group has also followed its strategy of producing high quality toys with competitive pricing, aiming to expand its market share and widen its customer base. Eventually, the Group succeeded in obtaining various new bulk orders and the sales turnover in respect of the toys and model trains business for 2006 increased substantially by 19.89%, especially in respect of the ODM business. The improvement in sales volume overcame the impact on the profit margin cut, and enabled the Group to achieve good performance even under such harsh conditions.

Looking ahead, although the growth in the global economy has healthily decelerated, the outlook for year 2007 is still promising. Given the encouraging growth in the toys market in emerging countries, despite the expectation that manufacturing costs will continue to rise, the Group remains cautiously optimistic in its ability to sustain a steady growth in its toys business. The Group will endeavour to seek opportunities in bringing positive returns to shareholders.

On behalf of the Board of Directors, I would like to take this opportunity to express my appreciation to all employees who devoted themselves to the Group during the past year. Their contributions are recognised and they are the most valuable assets to the Group. In addition, I would also like to extend our gratitude to our customers, suppliers, business partners and shareholders for their continuous support to the Group.

Dennis Ting Hok-shou
Chairman

Hong Kong, 23rd April 2007