Vitar International Holdings Limited
威 達 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 195

ANNUAL REPORT **2008**

Contents

Corporate Profile

We are an established insulation and heat-resistance solution provider in Southern China. Our products are used in a wide range of household electrical appliances. With 30 years' experience, we are specialized in the production, design and sales of insulation and heat-resistance materials. Our products are sold to customers in Hong Kong, China and overseas markets, and are broadly classified into fibre-glass sleeving, silicon-based tubes, high-temperature electric wires and mica sheets. As part of our ordinary course of business, we are also engaged in the trading of copper and silicone rubber, both of which are our principal raw materials, with our trading customers. Most of our customers are OEM manufacturers of household electrical appliances for leading brands in Southern China.

Based on "2007 Industrial Enterprise Database" published by China Statistics Bureau, CCID Consultancy Company Limited ranked us the 10th among the 60 largest insulation material manufacturers in China in 2007 in terms of annual production value. Our directors consider that we are one of the established players in the industry with significant market share.

Our headquarters are based in Hong Kong with our principal production facilities, customer service centre, showroom, product research and development centre and warehouses in China. The production facilities are accredited with various awards and recognized quality standards, such as ISO 9001:2000.

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 November 2008.

Corporation Information

BOARD OF DIRECTORS

Executive Directors

Mr. Leung Chau Hiu *(Chairman)*
Mr. Leung Kai Wing *(Chief Executive Officer)*
Ms. Tsang Chi Yung
Ms. Leung Chun Yin

Independent Non-executive Directors

Mr. Wong Chi Kin
Mr. Chau Shing Yu
Mr. Lee Wing Yiu, William

BOARD COMMITTEES

Audit Committee

Mr. Wong Chi Kin *(Chairman)*
Mr. Chau Shing Yu
Mr. Lee Wing Yiu, William

Remuneration Committee

Mr. Chau Shing Yu *(Chairman)*
Mr. Leung Kai Wing
Mr. Wong Chi Kin

COMPANY SECRETARY

Mr. Wong Fai Kit

AUTHORISED REPRESENTATIVES

Mr. Leung Kai Wing
Mr. Wong Fai Kit

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat 4-6 3rd Floor,
New Trade Plaza Tower B
6 On Ping Street
Siu Lek Yuen
Shatin
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Sidley Austin

COMPLIANCE ADVISOR

China Everbright Capital Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman
KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

In Hong Kong
The Hongkong and Shanghai Banking Corporation Limited
Level 10, HSBC Main Building
1 Queen's Road Central
Hong Kong

DBS Bank (Hong Kong) Limited
16th Floor The Centre
99 Queen's Road Central
Central, Hong Kong

Dah Sing Bank, Limited
35th Floor, Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

In China
China Construction Bank Corporation
Luohu Branch, Shenzhen City
No. 2028 Jian She Road
Luohu District, Shenzhen 518005
China

COMPANY WEBSITE

www.vitar.com.hk

STOCK CODE

195

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report of Vitar International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") since the listing of the Company's shares on the Main Board of the Stock Exchange on 12 November 2008 (the "Listing").

The global economy in 2008 has undergone drastic changes, brought about by the financial crisis beginning in the second half of the year. The US sub-prime mortgage crisis had led to the meltdown of certain financial institutions and the decline of global economy. Consumer confidence in the U.S. and Europe, which are the key markets of our customers, declined substantially due to fears of a deepening recession and rising unemployment rate. The adverse effect began to surface in the fourth quarter of 2008 as the demand for the Company's products decreased gradually. At the same time, the new labour law in the PRC had caused an increase in labour costs, coupled with appreciation of RMB, and volatile oil prices during the year, resulted in rise in cost of raw materials and manufacturing cost. Like most of the manufacturers in the PRC, the Company was facing an unprecedented adverse business environment during the last quarter of the year. Despite all the negative factors, through the effort of our sale and marketing, the Company was able to maintain a stable revenue level with a slight decline of 5.2%.

The volatile operating environment has created great challenges for all manufacturers in the PRC and may even have changed the rules of the game. While manufacturers are faced with the prospect of downsizing their workforce, retailers are placing smaller purchase orders with relatively short lead time for delivery. Consumers on the other hand are tightening their spending.

To cope with the depressing economic and business environment, the Company had taken measures to minimize the impact of the changing market environment, such as rescheduling and arrangement of labour force to reduce the labour cost, re-engineering of production process and use of new production materials to minimize the material cost, reinforcing the research and development activities, working on getting more universal recognized standard to expand the market for our products, continuing to strive on the merit of our competitive advantages pursuant to our business strategies.

Being a well established and experience player in the market, we can efficiently and effectively adapt to changes in the different market environments and repositioned ourselves to maintain our competitiveness in producings high quality product to our customers.

We are planning to establish a production line for the production of silicone rubber (which are currently sourced from suppliers), expand our production capacity by installation of additional production lines for our products, expand our sales network in the PRC and enhance our product recognition of our brand in accordance with our future plan laid down in our Prospectus dated 30 October 2008 (the "Prospectus").

However, the year ahead is another challenging year for the economy and many industries, while market visibility remains low in terms of sale and profitability. In view of the uncertainty in the coming year, the investment and expansion plan will be carried out cautiously and on a stringent basis. Any major expansion or investment will be reviewed again in the second half of 2009 when we have more assessment of the market environment.

Though the future ahead of us is challenging but business opportunity are always there pending for our exploration. We are confident that with our strong financial position, we can be able to weather this economic downturn and at the same time prepare ourselves for the future boom. Recognizing business conditions will remain extremely difficult in 2009, the Board of Directors will adopt a cautious business strategy and focus on its core competencies in insulation and heat-resistance solution provider business.

On behalf of the Board, I would like to express my sincere gratitude to management, staff of all levels for their dedication and contributions in the past year. I would also like to express my appreciation to our customers, suppliers, business partners and shareholders for their continuous supports.

Leung Chau Hiu
Chairman

Hong Kong, 20 April 2009

BUSINESS OVERVIEW

The global economy in 2008 has undergone drastic changes, brought about by the financial crisis beginning in the second half of the year. The US sub-prime mortgage crisis had led to the meltdown of certain financial institutions and the decline of global economy. Consumer confidence in the U.S. and Europe, which are the key markets of our customers, declined substantially due to fears of a deepening recession and rising unemployment rate. The adverse effect began to surface in the fourth quarter of 2008 as the demand for the Company's products decreased gradually. At the same time, the new labour law in the PRC had caused an increase in labour costs, coupled with appreciation of RMB, and volatile oil prices during the year, resulted in rise in cost of raw materials and manufacturing cost. Like most of the manufacturers in the PRC, the Company was facing an unprecedented adverse business environment during the last quarter of the year. Despite all the negative factors, through the effort of our sale and marketing, the Company was able to maintain a stable revenue level with a slight decline of 5.2%.

FINANCIAL REVIEW

Revenue

The Group's audited consolidated revenue and profit attributable to the Company's shareholders for the year ended 31 December 2008 amounted to approximately HK$193.9 million (2007: HK$204.5 million) and HK$6.2 million (2007: HK$24.3 million) respectively. The Group's revenue has decreased slightly by 5.2% from that of last year. The profit attributable to the shareholders of HK$6.2 million was arrived at after deducting expenses related to the Listing of approximately HK$9.9 million (2007: nil). Excluding such non-recurring expenses, the profit attributable to the shareholders was HK$16.1 million representing a decrease of 33.7% from that of last year.

We have been adversely affected by the economic tsunami and credit tightening at the end of the year. This caused our sales dropped slightly in the last quarter of the year. However, with our strong customer base and the effort of our sale and marketing, we have managed a slight decline in revenue of 5.2% which was derived from a decrease in sales of trading and manufacturing products by 12.6% and 2.2%, respectively.

Cost of sales

The cost of sales mainly includes direct material costs, direct labour costs and manufacturing overhead absorbed during the production process of our products. It was approximately HK$155.9 million for the year ended 31 December 2008 and HK$161.3 million for the year ended 31 December 2007 and represented 80.4% and 78.9% of revenue in the respective years.

Gross profit and margin

The Group recorded a gross profit of HK$38.0 million for the year ended 31 December 2008. This represents a decrease of 12.1% comparing with the gross profit of HK$43.2 million in 2007. Gross profit as a percentage of revenue for 2008 drop slightly to 19.6% (2007: 21.1%)

Other income

Other income decreased by approximately 61.7% from HK$1.4 million for the year ended 31 December 2007 to HK$0.6 million in 2008 due to the non-occurrence of gain on fair value change of derivative financial instruments and reversal of the impairment loss on investment property in 2007.

Selling and distribution costs

The selling and distribution costs, which represented 1.1% of Group's revenue, decrease by approximately 23.7% from HK$2.8 million for the year ended 31 December 2007 to HK$2.1 million for the year of 2008. The high level of selling and distribution costs in 2007 was caused by the transportation requirement for relocation of production facilities from the factory in Shenzhen to the factory in Longchuan.

Administrative expenses

Administration expenses, which represented 8.9% of the Group's revenue, increase by approximately 37.9% from HK$12.6 million for the year ended 31 December 2007 to HK$17.3 million for the year of 2008. Such increase was mainly attributable to the increase in various professional fees, higher depreciation charge on additional property, plant and equipment acquired during the year, rental charges for office premises which was free for the year of 2007 and increase in staff cost.

Finance costs

With the general decline in interest rates during the year 2008 together with the decrease in bank borrowings on comparison with those in 2007. The finance costs of the Group deceased from HK$2.6 million in 2007 to HK$1.9 million in 2008.

Taxation

Income tax decreased from HK$3.0 million for the year ended 31 December 2007 to HK$1.3 million for the year ended 31 December 2008 due to the lower of the estimated assessable profit in Hong Kong and the tax rate for the year 2008.

Profit for the year

Excluding non-recurring expenses related to the Listing of HK$9.9 million, profit for the year decreased by approximately 33.7% from HK$24.3 million for the year ended 31 December 2007 to approximately HK$16.1 million for the year of 2008. The decrease in profit was attributed to the increase in administrative expenses and decrease in gross profit and other income.

Excluding non-recurring expenses related to the Listing of HK$9.9 million, profit attributable to shareholders as a percentage of revenue decrease slightly from approximately 11.9% for the year ended 31 December 2007 to 8.3% for 2008. The slight decrease was caused by faster growth rate in cost of sales and administrative expenses.

Major Financial Ratios

	2008	2007
Trade receivable turnover (days)	**107**	144
Trade payable turnover (days)	**42**	39
Inventory turnover (days)	**77**	77
Gearing ratio	**17.2%**	22.1%

Trade receivable turnover

The trade receivable turnover is calculated by dividing the trade receivables as of the end of the respective years by revenue for the year, multiplied by 365 days. With stringent credit control, the trade receivable turnover days improved greatly and were decreased from 144 days as of 31 December 2007 to 107 days as of 31 December 2008.

Trade payable turnover

The trade payable turnover is calculated by dividing the trade payables as of the end of the respective years by cost of sales for the year, multiplied by 365 days. The trade payable turnover days increased slightly from 39 days as of 31 December 2007 to 42 days as of 31 December 2008.

Inventory turnover

The inventory turnover is calculated by dividing the inventories as of the end of the respective years by cost of sales for the year, multiplied by 365 days. The inventory turnover days was managed constantly at 77 days for both of the years 2007 and 2008 in order to keep the minimum inventory level to meet our sale orders.

Gearing ratio

The gearing ratio is calculated by dividing the total borrowings by total assets at the end of the respective years. Following the Listing on 12 November 2008, the gearing ratio was improved and dropped from 22.1% as at 31 December 2007 to 17.2% as at 31 December 2008.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flows and bank borrowings. At 31 December 2008, the Group had bank facilities amounted to HK$104.1 million of which HK$41.4 million were utilised. Bank borrowings were major in Hong Kong Dollars ("HK$") while the borrowings in United States Dollars ("USD") amounted to HK$5.6 million. The bank borrowings are mostly repayable within one year and on floating interest rates basis ranging from Hong Kong Interbank Offered Rate ("HIBOR") + 0.8% per annum to HIBOR + 2.3% per annum during the year. The gearing ratio of the Group, calculated as a ratio of bank borrowings to total assets, was 17.2% as at 31 December 2008 (2007: 22.1%). As at 31 December 2008, the Group had net current assets of approximately HK$101.0 million (2007: HK$78.3 million). Current ratio as at 31 December 2008 was 2.6% (2007: 2.0%). The net cash position of the Group as at 31 December 2008 was approximately HK$68.7 million (2007: HK$35.5 million). The improvement of gearing ratio and the current ratio as well as the building up of a net cash position are attributable to the funds raised from the initial public offer of the Company's shares in November 2008 (the "IPO").

The Group has pledged bank deposits, bank balances, bank borrowings, other payable, sales and purchases denominated in foreign currencies, which expose the Group to foreign currency risk. The currency risk for those subsidiaries with functional currency in HK$ is mainly attributable to the pledged bank deposits, bank balances, trade receivables, trade payables, bank borrowings and other payable denominated in Renminbi ("RMB") and USD as at the balance sheet date. As the exchange rate of HK$ is pegged against USD, in our opinion, the currency risk of USD is insignificant to these subsidiaries. For RMB, we managed to balance the RMB assets and liabilities in order to minimise the exchange rate exposure.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging foreign currency exposure should the need arises.

CHARGES OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2008, our outstanding bank borrowings of HK$41.4 million and our banking facilities of HK$104.1 million (among which HK$62.7 million had not been utilised) were secured by the properties owned by the Group in Hong Kong, pledged bank deposits, properties owned by Mr. Leung Kai Wing and a related company, and the personal guarantees provided by Mr. Leung Chau Hiu, Mr. Leung Kai Wing and Mr. Yip Sai Keung, a former director of Vitar Insulation Manufacturers Limited ("Vitar Hong Kong"), a subsidiary of the Company. In March 2009, the aforesaid properties and guarantees from the directors, the former director of Vitar Hong Kong and the related company were released. Details of the above are disclosed in relevant notes to the audited financial statements.

As at 31 December 2008, the Group did not have any significant contingent liabilities.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2008, capital expenditure of the Group for property, plant and equipment and leasehold land in the PRC amounted to approximately HK$16.6 million (2007: HK$13.5 million)

EMPLOYMENT AND REMUNERATION POLICY

The Group employed 380 employees in total as at 31 December 2008. The Group implemented its remuneration policy, bonus and share option schemes based on the achievements and performance of employees. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. The Group continues to provide training facilities for our staff to enhance knowledge of industry quality standards.

SHARE OPTION SCHEME

On 21 October 2008, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the growth of the Group. Eligible participants of the Scheme include, without limitation, employees, directors and any other eligible persons of the Group. Up to 31 December 2008, no share option has been granted or agreed to be granted to any person under the Scheme.

INITIAL PUBLIC OFFER

On 12 November 2008, the shares of the Company were successfully listed on the Stock Exchange. The IPO was well received by investors in both the international offering and the Hong Kong public offering. The Hong Kong public offering was oversubscribed by approximately 1.43 times. Net proceeds raised from the IPO were approximately HK$39.5 million.

As stated in the Prospectus, we plan to use the proceeds from the IPO in the expansion of our sales network in the PRC, establishment of a production line for silicone rubber, expansion of existing production capacity. As of the date of this report, we do not anticipate any change to this plan. Up to the end of the financial year 2008, there is no significant amount of usage out of the net proceeds from the IPO.

PROSPECT

We are planning to establish a production line for the production of silicone rubber (which are currently sourced from suppliers), expand our production capacity by installation of additional production lines for our products, expand our sales network in the PRC and enhance our product recognition of our brand in accordance with our future plan laid down in the Prospectus.

However, the year ahead is another challenging year for the economy and many industries, while market visibility remains low in terms of sale and profitability. In view of the uncertainty in the coming year, the investment and expansion plan will be carried out cautiously and on a stringent basis. Any major expansion or investment will be reviewed again in the second half of 2009 when we have more assessment of the market environment.

Though the future ahead of us is challenging but business opportunity are always there pending for our exploration. We are confident that with our strong financial position, we can be able to weather this economic downturn and at the same time prepare ourselves for the future boom. Recognising business conditions will remain extremely difficult in 2009, the Board of Directors will adopt a cautious business strategy and focus on its core competencies in insulation and heat-resistance solution provider business.

EXECUTIVE DIRECTORS

Mr. LEUNG Chau Hiu (梁秋曉), aged 71, is our founder and is a director and chairman of Vitar Hong Kong since November 1978. Mr. LEUNG is an executive Director and is principally responsible for formulating our overall strategic planning. Mr. LEUNG has over 30 years of experience in the insulation materials industry and business management. Mr. LEUNG is the father of Mr. LEUNG Kai Wing and Ms. LEUNG Chun Yin and the father-in-law of Ms. TSANG Chi Yung. In January 2007, Mr. LEUNG was appointed as a member of the Chinese People's Political Consultative Conference, Longchuan County, Guangdong Province. Mr. LEUNG was appointed as a Director on 22 January 2008 and re-designated as an executive Director on 6 March 2008.

Mr. LEUNG Kai Wing (梁啟榮), aged 43, is an executive Director and our chief executive officer. Mr. LEUNG is principally responsible for our business planning and general management. Mr. LEUNG has over 19 years of experience in the insulation materials industry. Mr. LEUNG is the son of Mr. LEUNG Chau Hiu, the spouse of Ms. TSANG Chi Yung and an elder brother of Ms. LEUNG Chun Yin. Mr. LEUNG joined us in May 1988 as a marketing executive. Mr. LEUNG was promoted to become our marketing manager in November 1991 and a director in May 1992. Mr. LEUNG has obtained two diplomas in marketing from Lingnan College and The Chartered Institute of Marketing in November 1988 and December 1989, respectively. Mr. LEUNG was appointed as an executive Director on 6 March 2008.

Ms. TSANG Chi Yung (曾志蓉), aged 44, is an executive Director and our marketing manager. Ms. TSANG is principally responsible for our sales and marketing. Ms. TSANG is the spouse of Mr. LEUNG Kai Wing and the daughter-in-law of Mr. LEUNG Chau Hiu. Ms. TSANG has over 18 years of experience in the insulation materials industry. From July 1990 to 1998, Ms. TSANG had held various positions in Vitar Hong Kong including marketing executive, senior marketing executive and marketing manager. Ms. TSANG became a director of Vitar Hong Kong in August 1999. Ms. TSANG obtained a diploma in Asian Pacific Studies from Lingnan College in July 1989. Ms. TSANG was appointed as an executive Director on 6 March 2008.

Ms. LEUNG Chun Yin (梁春燕), aged 41, is an executive Director and is principally responsible for our purchasing and system administration. Ms. LEUNG is the daughter of Mr. LEUNG Chau Hiu and a younger sister of Mr. LEUNG Kai Wing. Ms. LEUNG has over 16 years of experience in the insulation materials industry. Ms. LEUNG joined us in October 1991 as a production and operation manager. Ms. LEUNG became our system and administration manager in October 1996 and served as a director of Vitar Hong Kong in May 1995. Ms. LEUNG graduated from Oxford Brookes University in the United Kingdom with a bachelor's degree in business administration and management and catering in July 1991. Ms. LEUNG was appointed as an executive Director on 6 March 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Chi Kin (黃智堅), aged 35, is an independent non-executive Director appointed on 21 October 2008. Mr. WONG has over 12 years of experience in financial and auditing industry. From October 1995 to December 2006, Mr. WONG has held various auditing positions in W.O. Lo & Co, a certified public accountants firm. Since January 2007, Mr. WONG has been serving as a director in Faith Joy CPA Limited. Mr. WONG graduated with a bachelor degree of business administration in accounting from The Hong Kong University of Science & Technology in July 1995.

Mr. CHAU Shing Yu (周勝裕), aged 45, is an independent non-executive Director appointed on 21 October 2008. Mr. CHAU obtained a honours diploma in marketing from Lingnan College in November 1988 and a professional diploma in company secretaryship and administration, a bachelor's degree in accountancy and a post graduate diploma in management studies from The City Polytechnic of Hong Kong in 1990, 1992 and 1993, respectively. Mr. CHAU received a MBA degree from The City University of Hong Kong in 1996. From 1991 to 1997, Mr. CHAU was appointed as a marketing manager of Pacificway Development Limited, a subsidiary of Lai Sun Development Company Limited, a company listed on the Main Board. Mr. CHAU has also been acting as the managing director of Pacific Growth Limited, Necto Systems Limited and Beijing Putonghua Learning Centre since 1995, 2005 and 2008, respectively. Mr. CHAU is responsible for overseeing the business development and operations of such companies.

Mr. LEE Wing Yiu, William (李永耀), aged 49, is an independent non-executive Director appointed on 21 October 2008. Mr. LEE has been a member of The Chartered Institute of Management since 1986, an associate member of The Chartered Institute of Marketing since 1994 and an associate member of The Chartered Institute of Arbitrators since 2004. Mr. LEE has also been an associate member of The Association of Cost and Executive Accountants since 1985, an associate member of The Association of Practicing Accountants since 1990 and a fellow member of the faculty of business administrators of The Corporation of Executives and Administrators Limited, since 1984. Mr. LEE obtained a diploma in law from The National Defense Technology University in October 1994 and a master degree in law from University of Northumbria in the United Kingdom in May 2002. Mr. LEE worked as a legal assistant in various law firms in Hong Kong since June 1977.

SENIOR MANAGEMENT

Mr. WONG Fai Kit (黃暉傑), aged 49, is our financial controller, company secretary and qualified accountant. Mr. WONG is responsible for our financial management and treasury matters. Mr. WONG joined us in February 2007. Mr. WONG has over 20 years of experience in auditing, accounting and financial management. Since 1986, Mr. WONG held various senior finance and management positions with various companies. Mr. WONG has been a fellow member of the Hong Kong Institute of Certified Public Accountants since July 2002, and Mr. WONG received a MBA degree from the Asia International Open University (Macau) in July 1994.

Mr. FENG Jianzhong (馮建中), aged 34, is a financial manager and an assistant to our financial controller since June 2004. Mr. FENG is primarily responsible for handling our financial matters in Weida Longchuan and Vitar Shenzhen. Prior to joining us, Mr. FENG worked as an assistant to chief auditor in Shenzhen Xingyue Accounting Firm (深圳興粵會計師事務所) from February 1996 to May 2004. Mr. FENG is a PRC accounting professional with Certificate of Accounting Professional issued by the Ministry of Finance of the PRC since August 2005. Mr. FENG completed a course on international accounting from Shenzhen University in August 1995.

Mr. YUNG Kin Wing Wayne (容建榮), aged 46, is our operation manager since July 2007. Mr. YUNG is primarily responsible for our business operation in the PRC. Mr. YUNG joined us in November 2006 as the assistant general manager. Mr. YUNG obtained a certificate of registered nurse from College of Nurses of Ontario in Canada in January 1992 and received a bachelor's degree in nursing from The Chinese University of Hong Kong in November 2001.

Mr. XIA Zhibing (夏志兵), aged 28, is our quality control manager. Mr. XIA joined us in April 1999 and is now primarily responsible for product and raw materials quality control. Mr. XIA graduated from China Hunan Yiyang City Industrial Trading School (中國湖南益陽市工業貿易學校) in July 1998 and has obtained a certificate confirming his status as a quality professional technician in China (中國質量專業技術人員) in June 2003.

Mr. CHENG Weimin (程偉民), aged 86, is our technology consultant. Mr. CHENG is primarily responsible for our research and development activities. Mr. CHENG joined us in May 1995. In April 1981, Mr. CHENG was granted a certificate confirming his status as an approved engineer in chemistry in the PRC by the Scientific Technician Bureau of the PRC State Council (國務院科學技術幹部局).

THE BOARD OF DIRECTORS

The board of directors (the "Board") provides effective and responsible leadership for the Company. The directors, individually and collectively, act in good faith in the best interests of the Company and its shareholders. The Company had adopted, for corporate governance purposes, the Code Provisions of the Code on Corporate Governance Practices (appendix 14 to the Listing Rules). The Company is in compliance with the Code Provisions therein.

As at 31 December 2008, the Board comprises four executive Directors and three independent non-executive Directors. The Board has appointed the audit committee and the remuneration committee to oversee specific areas of the Company's affairs. The composition of the Board and the committees are given below and their respective responsibilities are discussed later in this report.

Board of Directors

Executive Directors

Mr. Leung Chau Hiu *(Chairman)*
(appointed on 22 January 2008)

Mr. Leung Kai Wing *(Chief Executive Officer)*
(appointed on 6 March 2008)

Ms. Tsang Chi Yung
(appointed on 6 March 2008)

Ms. Leung Chun Yin
(appointed on 6 March 2008)

Independent Non-executive Directors

Mr. Wong Chi Kin
(appointed on 21 October 2008)

Mr. Chau Shing Yu
(appointed on 21 October 2008)

Mr. Lee Wing Yiu, William
(appointed on 21 October 2008)

Audit Committee

Mr. Wong Chi Kin *(Chairman)*
Mr. Chau Shing Yu
Mr. Lee Wing Yiu, William

Remuneration Committee

Mr. Chau Shing Yu *(Chairman)*
Mr. Leung Kai Wing
Mr. Wong Chi Kin

On 6 March 2008, Mr. Leung Chau Hiu was appointed as the chairman and executive Director of the Company, Mr. Leung Kai Wing was appointed as the chief executive officer and executive Director of the Company, and Ms. Tsang Chi Yung and Ms. Leung Chun Yin were appointed as the executive Directors of the Company. Mr. Wong Chi Kin, Mr. Chau Shing Yu and Mr. Lee Wing Yiu, William were appointed as the independent non-executive Directors of the Company on 21 October 2008.

The Board sets the Group's objectives and monitors its performance. The Board also decides on matters such as annual and interim results, notifiable and connected transactions, director appointments, and dividends and accounting policies. The Board has delegated the authority and responsibility of managing and overseeing the Group's day to day operations to its management.

The company secretary assists the Chairman of the Company in setting the agenda of Board meetings as instructed and each director is invited to present any businesses that they wish to discuss or propose at the meetings. All directors have timely access to all relevant information of the meetings and may take professional advice if necessary. The Company held one full Board meeting in 2008. Attendance of the full Board meetings are as follows:

Attendance	**No. of meetings attended**
Mr. Leung Chau Hiu (appointed on 22 January 2008)	1
Mr. Leung Kai Wing (appointed on 6 March 2008)	1
Ms. Tsang Chi Yung (appointed on 6 March 2008)	1
Ms. Leung Chun Yin (appointed on 6 March 2008)	1
Mr. Wong Chi Kin (appointed on 21 October 2008)	1
Mr. Chau Shing Yu (appointed on 21 October 2008)	1
Mr. Lee Wing Yiu (appointed on 21 October 2008)	1

All independent non-executive Directors are financially independent from the Company and any of its subsidiaries.

The Company confirmed with all independent non-executive Directors as to their independence with reference to the factors as set out in Listing Rules 3.13.

The full Board participates in the selection and approval of new directors and has not established a Nomination Committee. The independent non-executive Directors are appointed for a specific term. Under the articles of association of the Company, all the directors are currently required to offer themselves for re-election by rotation at least once every three years. The Board takes into consideration criteria such as expertise, experience, integrity and commitment when selecting new directors.

AUDIT COMMITTEE

The Audit Committee comprises all three independent non-executive Directors. It is responsible for accounting principles and practices, auditing, internal controls and legal and regulatory compliance of the Group. It also reviewed the interim and final results of the Group prior to recommending them to the Board for approval. It meets to review financial reporting and internal control matters and to this end has unrestricted access to the Company's auditor. The Committee is chaired by Mr. Wong Chi Kin, a qualified accountant with relevant experience in financial reporting and control. In 2009, the Audit Committee held 1 meeting to review the annual results of the Group for the financial year ended 2008 and had 100 percent attendance.

REMUNERATION COMMITTEE

The Remuneration Committee reviews and approves the remunerations of directors. To minimise any conflict of interest, any member who is interested in any given proposed motion is required to abstain from voting on such motion.

The main elements of the Company's remuneration policy are no individual should determine his or her own remuneration, and remuneration should reflect performance, complexity, position, duties and responsibility of the individual. The committee is chaired by Mr Chau Shing Yu. The Remuneration Committee had not held any meeting since its establishment.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has a separate Chairman, Mr. Leung Chau Hiu and Chief Executive Officer, Mr. Leung Kai Wing. This segregation of duties ensures a clear distinction between the Chairperson's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business.

AUDITOR'S REMUNERATION

Auditor's remuneration in relation to audit amounted to HK$0.86 million (2007: HK$0.40million). The following remuneration was paid by the Group to its auditor, Deloitte Touche Tohmatsu:

(in HK$ millions)	**2008**	2007
Audit service	**0.86**	0.40
Non audit services (The Listing and taxation services)	**3.37**	0.16
Total	**4.23**	0.56

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and its effectiveness. It has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group, including updating the system of internal controls when there are changes to business environment or regulatory guidelines.

The Board has conducted a review on the effectiveness of the system of internal control of the Company for the financial year ending 31 December 2008. The Board had, with the management, conducted a high-level risk assessment of its core business management processes and risk management function. The management is following up the recommendations in order to enhance the internal control policies and procedures of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, all directors confirmed that they had complied with the required standard set out in the Model Code during the period commencing on the 12 November 2008 (the date when the shares of the Comapny have been listed on the Stock Exchange) (the "Listing Date") to 31 December 2008.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2008, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining on-going communication with the shareholders. During 2008, the Company has engaged a professional public relation consultancy firm to organise various events upon listing aiming at increasing its transparency, enhancing communication, increasing investors' understanding of and confidence in the Group's business. It also aims at building investors' confidence in the Group's future developments and promoting market recognition and support to the Company.

As a channel of further promoting effective communication, the Company's website is maintained to disseminate the relevant financial and non-financial information on a timely basis.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Board as well as the Chairman of various committees of the Board will be present in the 2009 Annual General Meeting of the Company to answer shareholders' questions.

The directors present their annual report and the audited consolidated financial statements of Vitar International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008.

CORPORATE REORGANISATION

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 22 January 2008.

Pursuant to a group reorganisation (the "Corporate Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 21 October 2008. Details of the Corporate Reorganisation were set out in the prospectus dated 30 October 2008 issued by the Company.

The shares of the Company have been listed on the Stock Exchange since 12 November 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of the Company's subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 30.

Pursuant to a resolution passed at a meeting of our Board held on 29 September 2008, Vitar Insulation Manufacturers Limited, a subsidiary of the Company declared a dividend of HK$250 per share, amounting to HK$25,000,000 which was distributed to the then shareholders according to their shareholding on 8 October 2008.

The directors recommend the payment of a final dividend of HK$0.025 per share for the year ended 31 December 2008 to the shareholders whose names appear on the register of members on 8 June 2009, amounting to HK$2,500,000 and the retention of the remaining profit for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

INVESTMENT PROPERTY

Details of the movements in the investment property of the Group during the year are set out in note 20 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 36 to the consolidated financial statements.

No option has been granted under the Company's share option scheme since its adoption on 21 October 2008.

DISTRIBUTABLE RESERVE OF THE COMPANY

As at 31 December 2008, the Company's reserves available for distribution to shareholders were as follows:

	HK$
Share premium	**41,574,386**
Accumulated losses	**(17,140)**
	41,557,246

Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

BORROWINGS

Bank borrowings repayable within one year are classified under current liabilities. Details of borrowings are set out in note 28 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Leung Chau Hiu	(appointed on 22 January 2008)
Mr. Leung Kai Wing	(appointed on 6 March 2008)
Ms. Tsang Chi Yung	(appointed on 6 March 2008)
Ms. Leung Chun Yin	(appointed on 6 March 2008)

Independent non-executive Directors:

Mr. Wong Chi Kin	(appointed on 21 October 2008)
Mr. Chau Shing Yu	(appointed on 21 October 2008)
Mr. Lee Wing Yiu, William	(appointed on 21 October 2008)

In accordance with the provisions of the Company's Bye-Laws, Mr. Leung Chau Hiu, Mr. Leung Kai Wing and Mr. Wong Chi Kin will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with our Company for an initial term of three years commencing from 21 October 2008 and will continue thereafter until terminated by three months' notice in writing served by either party of the other, which notice shall not expire until after the initial fixed term of three years.

Each independent non-executive Director has entered into a letter of engagement with the Company for a term of one year commencing from 21 October 2008 and renewable by mutual agreement on annual basis.

None of the director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2008, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are as follows:

Long position in ordinary shares of HK$0.1 each of the Company ("Shares")

Name of director	Nature of interest	Number of shares	Percentage of shareholding
			%
Mr. Leung Chau Hiu	Interest of a controlled corporation	72,000,000	72
Mr. Leung Kai Wing	Interest of a controlled corporation	72,000,000	72
Ms. Tsang Chi Yung	Interest of a controlled corporation	72,000,000	72
Ms. Leung Chun Yin	Interest of a controlled corporation	72,000,000	72

Note: Mr. Leung Chau Hiu, Mr. Leung Kai Wing, Ms. Tsang Chi Yung and Ms. Leung Chun Yin's interests in the Company are held through Vitar Development Holdings Limited ("Vitar Development") incorporated in British Virgin Islands, which is owned as to 35% by Mr. Leung Chau Hiu, as to 32.5% by Mr. Leung Kai Wing as to 10% by Ms. Tsang Chi Yung and as to 10% by Ms. Leung Chun Yin.

Save as disclosed above, as at 31 December 2008, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHODLERS

As at 31 December 2008, the following person (not being a director or a chief executive of the Company) have interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Long position in Shares

Name of shareholder	Nature of interest	Number of shares	Percentage of shareholding %
Vitar Development (note)	Beneficial owner	72,000,000	72

Note: Vitar Development is owned by Mr. Leung Chau Hiu, Mr. Leung Kai Wing, Mr. Yip Sai Keung, Ms. Leung Chun Yin, Ms. Tsang Chi Yung and Ms. Wong Lai Mui as to 35%, 32.5%, 7.5%, 10%, 10% and 5%.

Saved as disclosed above, the register required to be kept under section 336 of the SFO shows that as at 31 December 2008, the Company had not been notified of any other person who had an interest or short position in the shares and underlying shares of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements 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.

NON-COMPETITION UNDERTAKING

Each of Vitar Development, Mr. Leung Chau Hiu, Mr. Leung Kai Wing, Ms. Tsang Chi Yung, Ms. Leung Chun Yin, Ms. Wong Lai Mui and Mr. Yip Sai Keung (each a "Non-Compete Covenantor") has entered into a deed of non-competition dated 21 October 2008 with the Company, to the effect that each of them will not directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the business of the Group from time to time.

The Company has received from each Non-Compete Covenantor's annual declaration on whether it, he or she has complied with the Non-Competition Deed. The independent non-executive Directors have confirmed that they are not aware of any instance where the Non-competition Deed has not been complied with.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for around 32% and 53% of the total sales and purchases for the year, respectively. The Group's largest customer and supplier accounted for around 9% and 13% of the total sales and purchases for the year, respectively.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

EMOLUMENT POLICY

The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the directors of the Company will be decided by the remuneration committee having regard to the Group's operating results, individual performance and comparable market statistics.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company during the period commencing on the Listing Date to 31 December 2008.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RETIREMENT BENEFITS SCHEMES

Other than operating a Hong Kong Mandatory Provident Fund Scheme and participating in the People's Republic of China state-managed retirement benefits scheme, the Group has not operated any other retirement benefits schemes for the Group's employees. Particulars of the retirement benefits schemes are set out in note 31 to the consolidated financial statements.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period commencing on the Listing Date to 31 December 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, all directors confirmed that they had complied with the required standard set out in the Model Code during the period commencing on the Listing Date to 31 December 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

AUDIT COMMITTEE

The Company has set up an audit committee with written terms of reference. Currently, the audit committee comprises three independent non-executive Directors and reports to the Board of Directors. The audit committee meets with the Group's senior management and external auditors regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group and reports directly to the Board of Directors of the Company.

The Group's consolidated financial statements for the year ended 31 December 2008 have been reviewed by the audit committee of the Company, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the directors, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the period commencing on the Listing Date to 31 December 2008.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

LEUNG CHAU HIU
DIRECTOR
20 April 2009

Deloitte.
德勤

TO THE MEMBERS OF VITAR INTERNATIONAL HOLDINGS LIMITED
威達國際控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Vitar International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 83, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	NOTES	2008 HK$	2007 HK$
Revenue	7	**193,889,613**	204,539,963
Cost of sales		**(155,932,050)**	(161,345,247)
Gross profit		**37,957,563**	43,194,716
Bank interest income		**273,603**	516,701
Other income	9	**550,753**	1,437,229
Selling and distribution costs		**(2,124,981)**	(2,784,069)
Administrative expenses		**(17,334,419)**	(12,572,787)
Other expenses	10	**(9,873,447)**	—
Finance costs	11	**(1,925,684)**	(2,551,384)
Profit before taxation		**7,523,388**	27,240,406
Taxation	14	**(1,313,683)**	(2,987,102)
Profit for the year	15	**6,209,705**	24,253,304
Dividends	16	**27,500,000**	12,000,000
Earnings per share			
Basic	17	**0.08**	0.34

Consolidated Balance Sheet

At 31 December 2008

	NOTES	2008	2007
		HK$	HK$
Non-current assets			
Property, plant and equipment	18	**56,864,838**	50,132,467
Prepaid lease payments	19	**15,986,689**	9,931,277
Investment property	20	**2,022,204**	2,075,420
Deposits paid for acquisition of property, plant and equipment		**—**	1,486,735
Intangible asset	21	**1,905,792**	—
		76,779,523	63,625,899
Current assets			
Inventories	22	**32,808,815**	33,825,131
Trade receivables	23	**56,760,230**	80,835,440
Other receivables, prepayments and deposits		**4,473,293**	5,249,685
Prepaid lease payments	19	**429,428**	270,130
Amounts due from related companies	24	**56,000**	90,903
Tax recoverable		**1,112,707**	—
Pledged bank deposits	25	**8,029,587**	5,857,877
Bank balances and cash	25	**60,671,691**	29,627,996
		164,341,751	155,757,162
Current liabilities			
Trade payables	26	**18,088,657**	17,284,722
Other payables and accruals		**6,668,751**	7,481,189
Amount due to a related company	27	**118,504**	—
Bank borrowings - due within one year	28	**38,052,993**	47,773,660
Other payable - due within one year	29	**227,741**	—
Dividend payable		**141,506**	4,380,252
Tax payable		**—**	524,657
		63,298,152	77,444,480
Net current assets		**101,043,599**	78,312,682
Total assets less current liabilities		**177,823,122**	141,938,581

	NOTES	2008 HK$	2007 HK$
Capital and reserves			
Share capital	30	**10,000,000**	10,000,000
Reserves		**162,530,208**	130,432,593
Total equity		**172,530,208**	140,432,593
Non-current liabilities			
Deferred taxation	32	**900,000**	900,000
Bank borrowings - due after one year	28	**3,333,026**	605,988
Other payable - due after one year	29	**1,059,888**	—
		5,292,914	1,505,988
		177,823,122	141,938,581

The consolidated financial statements on pages 30 to 83 were approved and authorised for issue by the Board of Directors on 20 April 2009 and are signed on its behalf by:

LEUNG CHAU HIU	**LEUNG KAI WING**
DIRECTOR	DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Share capital HK$	Share premium HK$	Translation reserve HK$	Special reserve HK$	Retained profits HK$	Total HK$
At 1 January 2007	10,000,000	—	709,734	—	113,948,482	124,658,216
Exchange differences on translation recognised directly in equity	—	—	3,521,073	—	—	3,521,073
Profit for the year	—	—	—	—	24,253,304	24,253,304
Total recognised income for the year	—	—	3,521,073	—	24,253,304	27,774,377
Dividend	—	—	—	—	(12,000,000)	(12,000,000)
At 31 December 2007	10,000,000	—	4,230,807	—	126,201,786	140,432,593
Exchange differences on translation recognised directly in equity	—	—	1,513,524	—	—	1,513,524
Profit for the year	—	—	—	—	6,209,705	6,209,705
Total recognised income for the year	—	—	1,513,524	—	6,209,705	7,723,229
Reserve arising from corporate reorganisation (note)	(7,800,000)	—	—	7,800,000	—	—
Issue of shares	2,800,000	56,000,000	—	—	—	58,800,000
Transaction costs attributable to issue of shares	—	(9,425,614)	—	—	—	(9,425,614)
Capitalisation issue (note 30(e))	5,000,000	(5,000,000)	—	—	—	—
Dividend	—	—	—	—	(25,000,000)	(25,000,000)
At 31 December 2008	**10,000,000**	**41,574,386**	**5,744,331**	**7,800,000**	**107,411,491**	**172,530,208**

Note: Pursuant to the sale and purchase agreement dated 17 October 2008 entered into between Mr. Leung Chau Hiu, Mr. Leung Kai Wing, Ms. Tsang Chi Yung, Ms. Leung Chun Yin, Ms. Wong Lai Mui and Mr. Yip Sai Keung (collectively referred to as "Vendors") and the Vitar Insulation Holdings Limited ("Vitar Insulation"), Vitar Insulation issued 1,000 shares of US$1.00 each to the Vendors for acquiring the entire issued capital of Vitar Insulation Manufacturers Limited ("Vitar Hong Kong"), the then holding company of the Group. On 21 October 2008, the Company acquired the entire issued capital of Vitar Insulation from the Vendors, which was satisfied by the nil-paid share of the Company held by Vitar Development Holdings Limited ("Vitar Development") and the issue of 21,999,999 ordinary shares of HK$0.1 each of the Company, all credited as fully paid, to Vitar Development. The special reserve of the Group represents the difference between the nominal value of the issued share capital of the Company and Vitar Hong Kong in the event of share swap.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 HK$	2007 HK$
OPERATING ACTIVITIES		
Profit before taxation	**7,523,388**	27,240,406
Adjustments for:		
Impairment loss reversed in respect of investment property	**—**	(270,000)
Interest income	**(273,603)**	(516,701)
Interest expense	**1,925,684**	2,551,384
Gain on disposal of property, plant and equipment	**(80,090)**	—
Allowance for bad and doubtful debts	**415,735**	104,153
Depreciation of property, plant and equipment	**5,650,989**	5,265,150
Release of prepaid lease payments	**395,908**	270,130
Amortisation of investment property	**53,216**	53,216
Operating cash flows before movements in working capital	**15,611,227**	34,697,738
Decrease (increase) in inventories	**1,016,316**	(7,818,934)
Decrease (increase) in trade receivables	**22,993,475**	(9,087,018)
Decrease in other receivables, prepayments and deposits	**776,392**	4,529,297
Increase in amounts due from related companies	**(56,000)**	—
Increase in trade payables	**803,935**	1,789,230
(Decrease) increase in other payables and accruals	**(812,438)**	2,758,495
Cash from operations	**40,332,907**	26,868,808
Hong Kong Profits Tax paid	**(2,951,047)**	(3,594,352)
NET CASH FROM OPERATING ACTIVITIES	**37,381,860**	23,274,456
INVESTING ACTIVITIES		
Repayment from directors	**—**	12,950,141
Repayment from related companies	**90,903**	3,072,101
Interest received	**273,603**	516,701
Increase in pledged bank deposits	**(2,171,710)**	(270,996)
Purchase of property, plant and equipment	**(8,681,802)**	(13,484,927)
Deposits paid for acquisition of property, plant and equipment	**—**	(1,486,735)
Purchase of leasehold land	**(6,431,750)**	—
Proceeds from disposal of property, plant and equipment	**118,374**	—
Purchase of intangible asset	**(618,163)**	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(17,420,545)**	1,296,285

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008	2007
	HK$	HK$
FINANCING ACTIVITIES		
Proceeds from issue of shares	**58,800,000**	—
Transaction costs attributable to issue of shares	**(9,425,614)**	—
Interest paid	**(1,925,684)**	(2,551,384)
Dividend paid	**(29,238,746)**	(18,900,000)
Repayment of bank borrowings	**(18,834,454)**	(32,349,366)
New bank borrowings raised	**11,840,825**	41,572,790
Repayment of obligation under a finance lease	**—**	(201,441)
Repayment to a director	**—**	(49,801)
Advance from (repayment to) a related company	**118,504**	(1,871,688)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**11,334,831**	(14,350,890)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**31,296,146**	10,219,851
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(252,451)**	650,553
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**29,627,996**	18,757,592
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**60,671,691**	29,627,996

1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 22 January 2008. Its ultimate holding company is Vitar Development, a limited company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Flat 4-6, 3rd Floor, New Trade Plaza Tower B, 6 On Ping Street, Siu Lek Yuen, Shatin, Hong Kong, respectively.

Pursuant to group reorganisation (the "Corporate Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"), the Company became the holding company of the Group on 21 October 2008 by issuing shares in exchange for the entire share capital of Vitar Insulation. Details of the Corporate Reorganisation were set out in the prospectus dated 30 October 2008 issued by the Company (the "Prospectus").

The shares of the Company have been listed on the Stock Exchange since 12 November 2008.

The consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement are prepared as if the current group structure had been in existence throughout the two years ended 31 December 2008, or since the respective dates of incorporation of the relevant entity, where this is a shorter period. The consolidated balance sheet as at 31 December 2007 presents the assets and liabilities of the companies comprising the Group which had been incorporated as at 31 December 2007 as if the current group structure had been in existence on 31 December 2007. The Corporate Reorganisation completed on 21 October 2008 was to intersperse the Company between Vitar Insulation Manufacturers Limited ("Vitar Hong Kong"), and the then shareholders of Vitar Hong Kong.

The Company acts as an investment holding company and provides corporate management services. The principal activities of its subsidiaries are set out in note 37.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions
HK(IFRIC) - INT 12	Service concession arrangements
HK(IFRIC) - INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of financial statements [2]
HKAS 23 (Revised)	Borrowing costs [2]
HKAS 27 (Revised)	Consolidated and separate financial statements [3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [2]
HKAS 39 (Amendment)	Eligible hedged items [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [2]
HKFRS 3 (Revised)	Business combinations [3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments [2]
HKFRS 8	Operating segments [2]
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives [4]
HK(IFRIC) - INT 13	Customer loyalty programmes [5]
HK(IFRIC) - INT 15	Agreements for the construction of real estate [2]
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation [6]
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners [3]
HK(IFRIC) - INT 18	Transfers of assets from customers [7]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 July 2009.
[4] Effective for annual periods ending on or after 30 June 2009.
[5] Effective for annual periods beginning on or after 1 July 2008.
[6] Effective for annual periods beginning on or after 1 October 2008.
[7] Effective for transfers on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. HKAS 23 (Revised) will affect the accounting treatment for borrowing costs, which eliminates the option to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset when incurred. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (the "Companies Ordinance"). The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Rental income is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method or reducing balance method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment property over its estimated useful live and after taking into account of its estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Intangible asset - club membership

Club membership with indefinite life is carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of the club membership are measured at the difference between the net disposal proceeds and the carrying amount of the club membership and are recognised in the consolidated income statement when the club membership is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Prepaid lease payments represent leasehold interests in land under operating lease arrangements and are released to profit or loss on a straight-line basis over the lease terms.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Retirement benefits costs

Payments to the defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible asset

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible asset with indefinite useful live is tested for impairment annually, and whenever there is an indication that it may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") and loan and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are classified as financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from related companies, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- the receivables become past due for a long period of time.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and amounts due from related companies where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL are classified as financial liabilities held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Other financial liabilities

Other financial liabilities including trade payables, other payables, amount due to a related company, bank borrowings and dividend payable are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the directors of the Company have made various estimates factors about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on past experience, expectations of future and other information that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of trade receivables and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each client. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, the carrying amount of trade receivables is HK$56,760,230 (2007: HK$80,835,440) (net of allowance for bad and doubtful debts of HK$1,061,732 (2007: HK$836,441)).

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2008 HK$	2007 HK$
Financial assets		
Loans and receivables (including cash and cash equivalents)	**127,525,902**	119,191,057
Financial liabilities		
Amortised cost	**62,231,793**	71,459,181

Financial risk management objective and policies

The Group's major financial instruments include trade receivables, other receivables, amounts due from related companies, pledged bank deposits, bank balances, trade payables, other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the polices on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Market risk

Currency risk

Certain subsidiaries of the Company have pledged bank deposits, bank balances, bank borrowings, other payable, sales and purchases denominated in foreign currencies, which expose the Group to foreign currency risk. The currency risk for those subsidiaries with functional currency in HK$ is mainly attributable to the pledged bank deposits, bank balances, trade receivables, trade payables, bank borrowings and other payable denominated in Renminbi ("RMB") and United States Dollars ("USD") as at the balance sheet date. As the exchange rate of HK$ is pegged against USD, in the opinion of the directors, the currency risk of USD is insignificant to these subsidiaries.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at each balance sheet dates are as follows:

	Assets		Liabilities	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
RMB	**2,588,479**	1,650,270	**3,214,711**	2,031,860
USD	**36,208,417**	18,773,809	**8,744,244**	24,281,753

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Market risk *(continued)*

Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against RMB. Sensitivity rate of 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding RMB denominated monetary items and adjusts their translation at the balance sheet date for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year where HK$ strengthen 5% against RMB. For a 5% weakening of HK$ against RMB, there would be an equal and opposite impact on the post-tax profit for the year.

	RMB impact	
	2008	2007
	HK$	HK$
Increase in post-tax profit for the year	**31,000**	19,000

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate other payable (see note 29 for details of this payable).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 28 for details of these borrowings), pledged bank deposits with frequent repricing features and bank balances. It is the Group's policy to keep its borrowings at floating rates of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's bank borrowings denominated in HK$ or USD.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Market risk *(continued)*

Currency risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate bank borrowings, pledged bank deposits and bank balances, the analysis is prepared assuming net asset/liability outstanding (difference between bank borrowings and pledged bank deposits and bank balances) at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2008 and 2007 would increase by approximately HK$164,000 and decrease by approximately HK$27,000 respectively. If interest rates had been 50 basis points lower, there would be an equal and opposite impact on the post-tax profit for the year. This is mainly attributable to the Group's exposure to interest rate on its variable-rate pledged bank deposits and bank balances and variable-rate bank borrowings.

Credit risk

As at each of the balance sheet dates, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Pledged bank deposits and bank balances are placed in various authorised institutions and the directors of the Company consider the credit risk of such authorised institutions is low.

The Group has no concentration of credit risk, with exposure spread over a number of counterparties and customers.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2008, the Group had available unutilised bank loan facilities of approximately HK$62,748,000 (2007: HK$59,221,000).

The following table details the Group's remaining contractual maturity for non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 3 months HK$	3 months to 1 year HK$	1 to 2 years HK$	2-5 years HK$	Total undis-counted cash flows HK$	Carrying amount at balance sheet date HK$
As at 31 December 2008							
Trade payables	N/A	14,006,113	4,082,544	—	—	18,088,657	18,088,657
Other payables	N/A	1,209,478	—	—	—	1,209,478	1,209,478
Amount due to a related company	N/A	118,504	—	—	—	118,504	118,504
Variable interest rates bank borrowings	3.8%	33,117,347	5,381,163	3,400,316	—	41,898,826	41,386,019
Fixed interest rate other payable	4.9%	83,431	250,292	333,723	917,739	1,585,185	1,287,629
Dividend payable	N/A	141,506	—	—	—	141,506	141,506
		48,676,379	9,713,999	3,734,039	917,739	63,042,156	62,231,793

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Liquidity risk *(continued)*

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1 to 2 years	Total undiscounted cash flows	Carrying amount at balance sheet date
		HK$	HK$	HK$	HK$	HK$
As at 31 December 2007						
Trade payables	N/A	16,446,912	837,810	—	17,284,722	17,284,722
Other payables	N/A	1,414,559	—	—	1,414,559	1,414,559
Variable interest rates bank borrowings	5.0%	38,408,316	9,889,560	615,039	48,912,915	48,379,648
Dividend payable	N/A	4,380,252	—	—	4,380,252	4,380,252
		60,650,039	10,727,370	615,039	71,992,448	71,459,181

Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings as disclosed in note 28 and equity attributable to equity holders of the Company, comprising issued capital and reserves.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through payment of dividend, issuance of new shares as well as the raising of new debts or the repayment of existing debts.

The Group's overall strategy remains unchanged from prior year.

7. REVENUE

Revenue represents the net amounts received and receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

Each segment represents a strategic business unit that offers products which are subject to risks and return different from other segments. The Group reports its primary segment information by the following two principal segments:

(a) manufacturing and sales of insulation and heat resistance materials ("Manufacturing"); and

(b) trading of copper and silicone rubber ("Trading").

Consolidated income statement

For the year ended 31 December 2008

	Manufacturing HK$	Trading HK$	Combined HK$
Segment revenue	142,510,552	51,379,061	193,889,613
Segment result	33,081,821	3,323,148	36,404,969
Unallocated corporate income			824,356
Unallocated corporate expenses			(27,780,253)
Finance costs			(1,925,684)
Profit before taxation			7,523,388
Taxation			(1,313,683)
Profit for the year			6,209,705

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

Consolidated balance sheet

At 31 December 2008

	Manufacturing HK$	Trading HK$	Combined HK$
Asset			
Segment	134,399,927	24,140,001	158,539,928
Unallocated corporate assets			82,581,346
			241,121,274
Liabilities			
Segment liabilities	16,919,967	1,168,690	18,088,657
Unallocated corporate liabilities			50,502,409
			68,591,066

Other information

For the year ended 31 December 2008

	Manufacturing HK$	Trading HK$	Unallocated HK$	Combined HK$
Additions to property, plant and equipment	9,673,838	494,699	—	10,168,537
Depreciation of property, plant and equipment	5,170,594	480,395	—	5,650,989
Release of prepaid lease payments	265,863	—	130,045	395,908
Allowances for bad and doubtful debts	415,735	—	—	415,735

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

Consolidated income statement

For the year ended 31 December 2007

	Manufacturing HK$	Trading HK$	Combined HK$
Segment revenue	145,754,510	58,785,453	204,539,963
Segment result	37,885,237	3,497,893	41,383,130
Unallocated corporate income			1,953,930
Unallocated corporate expenses			(13,545,270)
Finance costs			(2,551,384)
Profit before taxation			27,240,406
Taxation			(2,987,102)
Profit for the year			24,253,304

Consolidated balance sheet

At 31 December 2007

	Manufacturing HK$	Trading HK$	Combined HK$
Assets			
Segment	142,887,187	29,153,876	172,041,063
Unallocated corporate assets			47,341,998
			219,383,061
Liabilities			
Segment liabilities	12,170,095	5,114,627	17,284,722
Unallocated corporate liabilities			61,665,746
			78,950,468

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

Other information

For the year ended 31 December 2007

	Manufacturing HK$	Trading HK$	Unallocated HK$	Combined HK$
Additions to property, plant and equipment	13,274,599	210,328	—	13,484,927
Depreciation of property, plant and equipment	4,764,605	500,545	—	5,265,150
Release of prepaid lease payments	140,085	—	130,045	270,130
Allowances for bad and doubtful debts	104,153	—	—	104,153

Geographical segment

The Group's operations, by the geographical location of its customers, were located in the People's Republic of China (the "PRC") (including Hong Kong), South East Asia, North America and Europe.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical markets	
	2008 HK$	2007 HK$
The PRC including Hong Kong	**165,920,157**	168,617,130
South East Asia	**23,347,746**	31,856,204
North America and Europe	**4,621,710**	4,066,629
	193,889,613	204,539,963

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Geographical segment *(continued)*

The following table provides an analysis of the carrying amount of the Group's segment assets and additions to property, plant and equipment, by geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
The PRC	**95,469,463**	93,785,302	**8,189,742**	12,643,615
Hong Kong	**63,070,465**	78,255,761	**1,978,795**	841,312
	158,539,928	172,041,063	**10,168,537**	13,484,927

9. OTHER INCOME

	2008	2007
	HK$	HK$
Gain on fair value change of derivative financial instruments	**—**	332,641
Gain on disposal of property, plant and equipment	**80,090**	—
Net foreign exchange gain	**—**	39,696
Rental income	**288,000**	257,419
Impairment loss reversed in respect of investment property	**—**	270,000
Sundry income	**182,663**	537,473
	550,753	1,437,229

10. OTHER EXPENSES

The amount represents professional fees and other expenses related to the Listing. Pursuant to HKAS 32 Financial Instruments: Presentation, the transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are directly attributable to the issuing of new shares. The remaining costs are recognised as an expense when incurred.

11. FINANCE COSTS

	2008 HK$	2007 HK$
Interest on:		
Bank borrowings wholly repayable within five years	1,899,738	2,547,589
Other payable wholly repayable within five years	25,946	—
A finance lease	—	3,795
	1,925,684	2,551,384

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the seven (2007: five) directors were as follows:

	Leung Chau Hiu HK$	Leung Kai Wing HK$	Tsang Chi Yung HK$	Leung Chun Yin HK$	Wong Chi Kin HK$	Chau Shing Yu HK$	Lee Wing Yiu, William HK$	Total HK$
For the year ended 31 December 2008								
Fees	—	—	—	—	26,774	26,774	26,774	80,322
Other emoluments								
Salaries, allowances and benefits in kind	331,230	703,870	502,800	532,400	—	—	—	2,070,300
Contributions to retirement benefits scheme	—	27,023	25,140	14,520	—	—	—	66,683
Total emoluments	331,230	730,893	527,940	546,920	26,774	26,774	26,774	2,217,305

12. DIRECTORS' EMOLUMENTS *(continued)*

	Leung Chau Hiu HK$	Leung Kai Wing HK$	Tsang Chi Yung HK$	Leung Chun Yin HK$	Total HK$
For the year ended 31 December 2007					
Fees	—	—	—	—	—
Other emoluments					
Salaries, allowances and benefits in kind	369,740	643,060	595,220	343,200	1,951,220
Contributions to retirement benefits scheme	—	32,153	29,761	17,160	79,074
Total emoluments	369,740	675,213	624,981	360,360	2,030,294

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2007: two) were directors of the Company, details of whose emolument are included in note 12. The emoluments of the remaining three individuals were as follows:

	2008 HK$	2007 HK$
Salaries, allowances and benefits in kind	**1,557,665**	1,405,499
Contributions to retirement benefits scheme	**36,000**	31,766
	1,593,665	1,437,265

The emolument of each of the remaining three individuals for both years was within the banding of Nil to HK$1,000,000.

During both years, no emoluments were paid by the Group to the directors or the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office and no directors of the Company waived or agreed to waive any emoluments.

14. TAXATION

The charge comprises:

	2008	2007
	HK$	HK$
Hong Kong Profits Tax		
Current tax	1,479,990	2,870,000
Overprovision in prior years	(166,307)	—
	1,313,683	2,870,000
Deferred tax charge (note 32)		
Current year	—	161,839
Attributable to a change in tax rate	—	(44,737)
	—	117,102
	1,313,683	2,987,102

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary of the Group is exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. During the year, there is no provision for taxation of the subsidiaries established in the PRC as these subsidiaries do not have assessable profit or are under the aforesaid tax exemption arrangement.

14. TAXATION *(continued)*

The taxation for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2008 HK$	2007 HK$
Profit before taxation	**7,523,388**	27,240,406
Tax at Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	**1,241,359**	4,767,071
Tax effect of expenses not deductible for tax purpose	**12,437,001**	10,860,776
Tax effect of income not taxable for tax purpose	**(11,767,874)**	(12,820,157)
Tax effect of change in tax rate on deferred tax liabilities	**—**	(44,737)
Tax effect of tax losses not recognised	**276,888**	77,658
Effect of tax exemption granted to a PRC subsidiary	**(639,816)**	—
Effect of different tax rates of subsidiaries operating in the PRC	**—**	55,043
Overprovision in prior years	**(166,307)**	—
Others	**(67,568)**	91,448
Taxation for the year	**1,313,683**	2,987,102

15. PROFIT FOR THE YEAR

	2008 HK$	2007 HK$
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**862,575**	400,000
Allowance for bad and doubtful debts (included in administrative expenses)	**415,735**	104,153
Cost of inventories recognised as an expense	**155,932,050**	161,345,247
Depreciation of property, plant and equipment	**5,650,989**	5,265,150
Amortisation of investment property (included in administrative expenses)	**53,216**	53,216
Release of prepaid lease payments (included in administrative expenses)	**395,908**	270,130
Operating lease rentals in respect of rented premises	**1,300,744**	1,211,832
Loss on fair value change of derivative financial instruments (included in administrative expenses)	**62,240**	—
Staff costs (including directors' emoluments)		
– Salaries and other benefits	**16,604,763**	14,675,364
– Contributions to retirement benefits scheme	**779,078**	786,098
	17,383,841	15,461,462
Rental income from investment property	**(288,000)**	(257,419)
Less: Outgoings	**91,692**	97,701
Net rental income	**(196,308)**	(159,718)
Net foreign exchange loss	**313,419**	—

16. DIVIDENDS

	2008	2007
	HK$	HK$
Dividend declared and recognised as distribution during the year	**25,000,000**	12,000,000
Dividend proposed	**2,500,000**	—

Pursuant to the directors' meeting dated 29 September 2008 and 5 December 2007, Vitar Hong Kong declared dividends of HK$250 per share and HK$120 per share respectively, which were distributed to the then shareholders according to their respective shareholding.

The final dividend of HK$0.025 per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

17. EARNINGS PER SHARE

The calculation of the basic earnings per share for each of the two years ended 31 December 2008 and 2007 is based on the consolidated profit attributable to equity holders of the Company for the respective years and on the number of shares as follows:

	2008	2007
	HK$	HK$
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (note)	**75,825,137**	72,000,000

Note: The number of shares for the purpose of calculating basic earnings per share for each of the two years ended 31 December 2008 and 2007 is based on the assumption that the 22,000,000 shares issued and outstanding upon the Corporate Reorganisation had been outstanding as at beginning of the respective years and also has been adjusted for the 50,000,000 shares issued pursuant to the capitalisation issue as disclosed in note 30.

There was no diluted earnings per share presented for both years as there were no potential ordinary shares outstanding.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Furniture and fixtures	Plant, machinery and equipment	Motor vehicles	Tools	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
COST							
At 1 January 2007	9,781,789	13,000,797	3,065,703	36,884,038	2,693,300	713,068	66,138,695
Exchange re-alignment	944,392	456,640	89,527	1,013,798	95,320	—	2,599,677
Additions	10,290,566	—	1,199,247	1,259,628	735,486	—	13,484,927
Transfer	13,457,437	(13,457,437)	—	—	—	—	—
At 31 December 2007	34,474,184	—	4,354,477	39,157,464	3,524,106	713,068	82,223,299
Exchange re-alignment	1,459,983	26,239	137,842	987,067	98,347	—	2,709,478
Additions	1,307,718	927,787	1,201,583	5,603,786	1,064,504	63,159	10,168,537
Disposals	—	—	—	—	(332,903)	—	(332,903)
At 31 December 2008	37,241,885	954,026	5,693,902	45,748,317	4,354,054	776,227	94,768,411
DEPRECIATION							
At 1 January 2007	1,421,538	—	1,932,549	20,846,896	1,748,182	546,970	26,496,135
Exchange re-alignment	19,675	—	11,380	259,248	39,244	—	329,547
Provided for the year	874,886	—	347,587	3,653,737	355,721	33,219	5,265,150
At 31 December 2007	2,316,099	—	2,291,516	24,759,881	2,143,147	580,189	32,090,832
Exchange re-alignment	44,018	—	29,005	343,433	39,915	—	456,371
Provided for the year	951,431	—	594,893	3,426,231	639,227	39,207	5,650,989
Eliminated on disposals	—	—	—	—	(294,619)	—	(294,619)
At 31 December 2008	3,311,548	—	2,915,414	28,529,545	2,527,670	619,396	37,903,573
CARRYING VALUES							
At 31 December 2008	33,930,337	954,026	2,778,488	17,218,772	1,826,384	156,831	56,864,838
At 31 December 2007	32,158,085	—	2,062,961	14,397,583	1,380,959	132,879	50,132,467

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Other than buildings which are depreciated on a straight-line basis at 1.75% to 10% per annum, the above items of property, plant and equipment (other than construction in progress) are depreciated using the reducing balance method at the following rates per annum:

Furniture and fixtures	20%
Plant, machinery and equipment	20%
Motor vehicles	25%
Tools	20%

	2008	2007
	HK$	HK$
The carrying value of properties shown above comprises:		
In Hong Kong under medium-term lease	**5,939,322**	5,966,765
In the PRC under medium-term lease	**25,897,823**	24,378,073
In the PRC under short-term lease	**2,093,192**	1,813,247
	33,930,337	32,158,085

The Group has pledged buildings having a carrying value of HK$5,939,322 (2007: HK$5,966,765) to secure general banking facilities granted to the Group.

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land in Hong Kong and the PRC under medium term leases and are charged to consolidated income statement over the term of the leases ranging from 42 years to 57 years.

	2008	2007
	HK$	HK$
Leasehold land in Hong Kong	**9,912,695**	10,201,407
Leasehold land in the PRC	**6,503,422**	—
	16,416,117	10,201,407
Prepaid lease payments of the Group are analysed for reporting purposes as:		
Current asset	**429,428**	270,130
Non-current asset	**15,986,689**	9,931,277
	16,416,117	10,201,407

The Group has pledged leasehold land with a carrying value of HK$9,912,695 (2007: HK$10,201,407) to secure general banking facilities granted to the Group.

20. INVESTMENT PROPERTY

	HK$
COST	
At 1 January 2007, 31 December 2007 and 31 December 2008	2,235,068
AMORTISATION AND IMPAIRMENT	
At 1 January 2007	376,432
Provided for the year	53,216
Impairment loss reversed to profit or loss	(270,000)
At 31 December 2007	159,648
Provided for the year	53,216
At 31 December 2008	212,864
CARRYING VALUES	
At 31 December 2008	2,022,204
At 31 December 2007	2,075,420

During the year ended 31 December 2007, the impairment loss recognised in prior year was reversed as the recoverable amount of the investment property was estimated to be higher than its carrying amount.

As at 31 December 2008, the carrying value and fair value of the Group's investment property including the prepaid lease payments was HK$6,332,276 (2007: HK$6,515,537) and HK$6,360,000 (2007: HK$7,800,000) respectively. The fair values as at 31 December 2008 and 2007 have been arrived at based on a valuation carried out by Messrs. Jones Lang LaSalle Sallmanns Limited, independent valuers not connected with the Group. The valuation was determined by reference to recent market prices for similar properties.

The above investment property is rented out under an operating lease during both years.

The above investment property is held under a medium-term lease in Hong Kong and is depreciated on a straight-line basis over the lease term of 42 years.

The investment property has been pledged to secure banking facilities granted to the Group.

21. INTANGIBLE ASSET

The intangible asset represents the cost to acquire a club membership in Mission Hills Golf Club. The club membership is measured at cost less impairment losses at the balance sheet date.

22. INVENTORIES

	2008	2007
	HK$	HK$
Raw materials	**19,370,545**	19,697,196
Work-in-progress	**1,970,650**	2,103,704
Finished goods	**11,467,620**	12,024,231
	32,808,815	33,825,131

23. TRADE RECEIVABLES

	2008	2007
	HK$	HK$
Trade receivables	**57,821,962**	81,671,881
Less: Allowance for bad and doubtful debts	**(1,061,732)**	(836,441)
	56,760,230	80,835,440

The Group allows an average credit period of 90 days. For certain customers in connection with trading of copper or have long established relationship with the Group, the Group may grant a longer credit period up to 120 days. The following is an aged analysis of trade receivables (net of allowance for bad and doubtful debts) at the balance sheet dates:

	2008	2007
	HK$	HK$
0 - 30 days	**21,769,253**	20,473,833
31 - 60 days	**9,451,909**	17,844,847
61 - 90 days	**10,752,542**	11,820,996
Over 90 days but less than two years	**14,786,526**	30,695,764
Total	**56,760,230**	80,835,440

23. TRADE RECEIVABLES *(continued)*

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the balance sheet date. The concentration of credit risk is limited due to the customer base being large and unrelated. The directors also believe that there is no further credit provision required in excess of the allowance for bad and doubtful debts.

The carrying amounts of the trade receivables denominated in currencies other than the functional currency of the respective group entity are as follows:

	2008	2007
	HK$	HK$
USD	**21,724,374**	9,255,246
RMB	**775,379**	705,433
	22,499,753	9,960,679

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK$14,786,526 (2007: HK$30,695,764) which are past due at the balance sheet date for which the Group has not provided for impairment loss as certain of the receivables were subsequently settled and the customers have no history of default on receivables and the directors of the Company believe that the amounts are recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 166 days (2007: 220 days).

Ageing of trade receivables which are past due but not impaired

	2008	2007
	HK$	HK$
91 - 180 days	**11,431,365**	14,955,575
181 - 365 days	**3,320,111**	10,989,630
Over 365 days but less than two years	**35,050**	4,750,559
Total	**14,786,526**	30,695,764

23. TRADE RECEIVABLES *(continued)*

Movement in the allowance for bad and doubtful debts

	2008 HK$	2007 HK$
Balance at beginning of the year	**836,441**	1,294,135
Impairment losses recognised on trade receivables	**415,735**	104,153
Amounts written off as uncollectible	**(190,444)**	(561,847)
Balance at end of the year	**1,061,732**	836,441

24. AMOUNTS DUE FROM RELATED COMPANIES

Particulars of amounts due from related companies disclosed pursuant to section 161B of the Companies Ordinance are as follows:

Name of related party	Common directorship	Beneficial shareholders	Balance at 31.12.2008 HK$	Balance at 31.12.2007 HK$	Maximum amount outstanding during the year 2008 HK$	Maximum amount outstanding during the year 2007 HK$
First Phoenix Investments Limited ("First Phoenix")	Leung Kai Wing	Leung Kai Wing	**56,000**	6,123	**56,000**	3,078,224
Top Asia (Far East) Limited	Tsang Chi Yung	Tsang Chi Yung	**—**	14,600	**—**	14,600
United Holdings Limited	Leung Kai Wing Leung Chau Hiu	Leung Kai Wing Leung Chau Hiu	**—**	70,180	**—**	70,180
			56,000	90,903		

The amounts due from related companies are unsecured, non-interest bearing and are repayable on demand.

25. PLEDGED BANK DEPOSITS AND BANK BALANCES

Pledged bank deposits represent deposits pledged to banks to secure general short-term banking facilities granted to the Group. The pledged bank deposits carried effective interest rates ranging from 1.1% to 3.3% (2007: 3.3% to 4.7%) per annum and will be released upon the settlement of relevant bank borrowings.

Bank balances comprise bank deposits held by the Group with an original maturity of three months or less. The bank balances carried effective interest rates ranging from 0.2% to 0.9% (2007: 0.9% to 3.5%) per annum. Included in the bank balances is an aggregate balance of bank accounts held under the name of a director of the Company of approximately HK$1,696,000 (2007: nil) on behalf of the Group.

The Group's pledged bank deposits and bank balances that are denominated in currencies other than the functional currency of the respective group entity are set out below:

	Pledged bank deposits	
	2008	2007
	HK$	HK$
USD	**6,020,758**	5,857,877

	Bank balances	
	2008	2007
	HK$	HK$
USD	**8,463,285**	3,660,686
RMB	**1,813,100**	944,837

26. TRADE PAYABLES

An aged analysis of the Group's trade payables at the balance sheet dates is as follows:

	2008 HK$	2007 HK$
0 - 30 days	**9,697,817**	8,788,696
31 - 60 days	**3,574,964**	4,358,097
61 - 90 days	**666,300**	783,668
90 days but less than one year	**4,149,576**	3,354,261
	18,088,657	17,284,722

The carrying amounts of the trade payables denominated in currencies other than the functional currency of the respective group entity are as follows:

	2008 HK$	2007 HK$
RMB	**1,927,082**	2,031,860
USD	**3,164,795**	6,841,751
	5,091,877	8,873,611

27. AMOUNT DUE TO A RELATED COMPANY

Name of related company	Common directorship	Balance as at 31.12.2008 HK$	Balance as at 31.12.2007 HK$
Arshee Trading Limited	Leung Kai Wing	**118,504**	—

The amount due to a related company is unsecured, non-interest bearing and is repayable on demand. The balance is non trading in nature.

28. BANK BORROWINGS

	2008 HK$	2007 HK$
Secured bank loans	**20,800,483**	15,404,517
Secured trust receipt loans	**20,585,536**	32,975,131
	41,386,019	48,379,648
The maturity profile of the borrowings is as follows:		
Within one year	**38,052,993**	47,773,660
In more than one year, but not exceeding two years	**3,333,026**	605,988
	41,386,019	48,379,648
Less: Amounts due within one year shown under current liabilities	**38,052,993**	47,773,660
Amounts due after one year	**3,333,026**	605,988

All the bank borrowings are floating-rate borrowings. The range of effective interest rates on the Group's interest bearing borrowings is HIBOR plus 1.3% to 2.3% (2007: HIBOR plus 0.8% to 1.6%) per annum.

The bank borrowings were secured by leasehold land and buildings, investment property and pledged bank deposits, the details of which are set out in respective notes.

The bank borrowings that are denominated in USD, the currency other than the functional currencies of the respective group entity, are HK$5,579,449 (2007: HK$17,440,002).

29. OTHER PAYABLE

	2008 HK$	2007 HK$
The maturity profile of the other payable is as follows:		
Within one year	**227,741**	—
In more than one year but not exceeding two years	**248,966**	—
In more than two years but not exceeding five years	**810,922**	—
	1,287,629	—
Less: Amount due within one year shown under current liabilities	**227,741**	—
	1,059,888	—

Other payable represents payment for the acquisition of a club membership. The effective interest rate is 4.9% per annum. The interest rate is fixed at the time when the purchase agreement was entered.

The other payable is denominated in RMB, the currency other than the functional currencies of the respective group entity.

30. SHARE CAPITAL

	Notes	Number of shares	Share capital HK$
Ordinary shares of HK$0.1 each			
Authorised:			
On date of incorporation	(a)	3,800,000	380,000
Increase on 21 October 2008	(b)	996,200,000	99,620,000
At 31 December 2008		**1,000,000,000**	**100,000,000**
Issued:			
1 share allotted and issued nil paid on date of incorporation	(a)	1	—
Issue of shares on Corporate Reorganisation	(c)	21,999,999	2,200,000
Issued on the Listing	(d)	28,000,000	2,800,000
Issued by capitalisation of the share premium account	(e)	50,000,000	5,000,000
At 31 December 2008		**100,000,000**	**10,000,000**

The share capital as at 31 December 2007 represents the issued share capital of Vitar Hong Kong of HK$10,000,000.

Notes:

(a) The Company was incorporated in the Cayman Islands on 22nd January 2008 with an authorised share capital of HK$380,000, divided into 3,800,000 shares of HK$0.1 each. At the date of incorporation, one ordinary share was issued at par to Mr. Leung Chau Hiu, a director of the Company, at nil paid. On 21 October 2008, Mr. Leung Chau Hiu transferred the nil-paid share of the Company to Vitar Development.

(b) Pursuant to the resolutions in writing of the sole shareholder passed on 21 October 2008, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of an additional 996,200,000 shares.

(c) Pursuant to the sale and purchase agreement dated 21 October 2008 entered into between the Vendors and the Company, the Company acquired the entire issued capital of Vitar Insulation from the Vendors, which was satisfied by the nil-paid share of the Company held by Vitar Development and the issue of 21,999,999 shares of the Company, all credited as fully paid, to Vitar Development.

(d) On 12 November 2008, the Company issued 28,000,000 new shares pursuant to the Listing and the Company's shares were listed on the Stock Exchange on the same date.

30. SHARE CAPITAL *(continued)*

(e) Pursuant to the resolutions in writing of the sole shareholder passed on 21 October 2008, the Company allotted and issued an aggregate of 50,000,000 shares to Vitar Development by way of capitalisation from the amount standing to the credit of the share premium account of the Company on 11 November 2008 amounting to HK$5,000,000. Details of which are set out in the Prospectus.

31. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at 31 December 2008 and 2007.

The Company's subsidiaries established in the PRC, in compliance with the applicable regulations of the PRC, participate in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the years ended 31 December 2008 and 2007, the total amounts contributed by the Group to the schemes and cost charged to the consolidated income statement represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes as disclosed in note 15.

32. DEFERRED TAXATION

The following is the major deferred tax liability recognised by the Group and movement thereon, during the years:

	Accelerated tax depreciation HK$
At 1 January 2007	782,898
Charged to consolidated income statement for the year	161,839
Effect of change in tax rate	(44,737)
At 31 December 2007 and 2008	900,000

As at 31 December 2008, the Group had estimated unused tax losses of approximately HK$2,995,000 (2007: HK$1,317,000), available for offset against future profits. No deferred tax assets were recognised in respect of such losses due to the unpredictability of future profit streams. Tax losses will be expired on various dates till 31 December 2013.

33. OPERATING LEASES

The Group as lessee

At the balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008 HK$	2007 HK$
Within one year	**1,016,691**	248,326
In the second to fifth year inclusive	**660,500**	—
	1,677,191	248,326

Operating lease payments represent rentals payable by the Group for office premises and staff quarters. Leases are negotiated and rentals are fixed for a lease term of two to three years.

33. OPERATING LEASES *(continued)*

The Group as lessor

The investment property is expected to generate rental yields of 5% (2007: 7%) on an ongoing basis. Leases are negotiated and rentals are fixed for a term of two years.

At the balance sheet dates, the Group had contracted with a tenant for the following future minimum lease payments:

	2008	2007
	HK$	HK$
Within one year	**288,000**	124,000
In the second to fifth year inclusive	**144,000**	—
	432,000	124,000

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2008, the Group purchased available-for-sale investment of HK$1,905,792 of which HK$1,287,629 remains unsettled as at 31 December 2008 and was presented as other payable in note 29.

During the year ended 31 December 2007, an amount due from a director of HK$3,719,748 was settled through the dividend payable of the same amount.

35. RELATED PARTY TRANSACTIONS

As at 31 December 2008, the banking facilities utilised by the Group to the extent of approximately HK$41,386,000 (2007: HK$48,380,000) were secured by the personal guarantees provided by two directors and a former director of a subsidiary, personal properties of two directors and properties of First Phoenix. As at 31 December 2008, the unutilised amount was approximately HK$62,748,000 (2007: HK$59,221,000). In March 2009, the aforesaid guarantees and properties as securities were released.

During the year ended 31 December 2007, the banking facilities granted to two directors to the extent of HK$10,000,000 were secured by the corporate guarantee issued by a subsidiary of the Company. In the opinion of the directors, the fair value of the guarantee contract was not significant. On 21 January 2008, the aforesaid guarantee was released.

During the year ended 31 December 2007, First Phoenix granted office premises at workshops 4-6, 3rd Floor of Block B, New Trade Plaza, No. 6 On Ping Street, Shatin, New Territories, Hong Kong ("Office Premises") to the Group for administrative use without charging any rentals. The market rental estimated by the directors of the Company was HK$288,000. On 6 March 2008, the Group entered into a tenancy agreement with First Phoenix, pursuant to which First Phoenix agreed to lease the office premises to the Group. Rental paid by the Group to First Phoenix for the year ended 31 December 2008 is HK$336,000.

Details of amounts due from and to related parties are set out in notes 24 and 27.

Compensation of key management personnel

The remuneration of members of key management including directors of the Company during the years was as follows:

	2008	2007
	HK$	HK$
Short-term benefits	**3,708,287**	3,356,719
Contributions to retirement benefits scheme	**102,683**	110,840
	3,810,970	3,467,559

36. SHARE OPTION SCHEME

The Company's share option scheme ("Share Option Scheme") was approved and adopted by the written resolutions of the shareholder of the Company passed on 21 October 2008, to recognise and acknowledge the contributions of selected participants to the growth of the Group.

The board of Directors (the "Board") may, in its absolute discretion, offer to grant options to any employee, executive and officer of the Group, any director (including non-executive Director and independent non-executive Director) and any adviser, consultant, supplier, customer and/or agent of the Group whom the Board considered have contributed or will contribute to the Group.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue as at the date on which the shares of the Company are listed on the Stock Exchange, excluding for this purpose shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Stock Option Scheme shall not exceed 30% of the shares in issue of the Company from time to time.

The total number of shares issued and which fall to be issued upon the exercise of the options granted under the Share Option Scheme (including both exercised and outstanding options) to any individual in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares of the Company in issue as at the date of offer to grant. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approved by the Company's shareholders in accordance with the Share Option Scheme. Options granted to connected persons in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Subject to the rules of the Share Option Scheme, options may be exercised, in whole or in part, at any time during the period from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and the tenth anniversary of the Share Option Scheme. Options granted must be accepted by the prescribed acceptance date. Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share, the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

No option has been granted since the adoption of the Share Option Scheme.

37. PARTICULARS OF SUBSIDIAIRES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2008 are as follows:

Name of the subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest attributable to the Group	Principal activities
Vitar Hong Kong	Hong Kong	HK$10,000,000	100%	Trading of insulated sleeving, tubes, wires and mica sheets
Leader Tech Limited	Hong Kong	HK$10,000	100%	Investment holding
Vitar Insulation*	The British Virgin Islands	US$1,001	100%	Investment holding
威達絕緣材料（深圳）有限公司# Vitar Insulation Material (Shenzhen) Limited+	The PRC	HK$2,000,000	100%	Manufacturing and trading of insulated sleeving, tubes, wires and mica sheets
龍川威達絕緣材料有限公司# Long Chuan Weida Insulation Material CO., Ltd.+	The PRC	US$6,000,000	100%	Manufacturing and trading of insulated sleeving, tubes, wires and mica sheets
威達電工器材（龍川）有限公司#	The PRC	—	100%	Manufacturing and trading of insulated sleeving, tubes, wires, mica sheets and electrical mateial

* All of the subsidiaries are owned indirectly by the Company except for Vitar Insulation which is owned directly by the Company.

\# Wholly foreign owned enterprise registered in the PRC.

\+ The English names of these PRC incorporated entities are for identification purpose only.

None of the subsidiaries had issued any debt securities at the end of the year or during the year.

RESULTS

	Year ended 31 December,			
	2005	2006	2007	**2008**
	HK$	HK$	HK$	**HK$**
Revenue	144,045,079	175,896,091	204,539,963	**193,889,613**
Profit attributable to equity holders of the Company	18,000,556	22,659,069	24,253,304	**6,209,705**

ASSETS AND LIABILITEIS

	As at 31 December,			
	2005	2006	2007	**2008**
	HK$	HK$	HK$	**HK$**
Total assets	172,717,686	203,187,463	219,383,061	**241,121,274**
Total liabilities	56,461,393	78,529,247	78,950,468	**68,591,066**
Total equity	116,256,293	124,658,216	140,432,593	**172,530,208**

Note:

The Company was incorporated in the Cayman Islands on 22 January 2008 and became the holding company of the Group on 21 October 2008 as a result of a group reorganisation as set out in the prospectus dated 30 October 2008 issued by the Company.

The results of the Group for each of the four years ended 31 December 2008 and the assets and liabilities of the Group as at 31 December 2005, 2006 and 2007 have been prepared on a combined basis as if the Group structure, at the time when the Company's shares were listed on The Stock Exchange of Hong Kong Limited, had been in existence throughout the years concerned and have been extracted from the Prospectus.