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

09

Interim Report

CONTENTS

CORPORATE 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

COMPANY SECRETARY

Mr. Wong Fai Kit

LEGAL ADVISOR

Sidley Austin

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

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

AUDITOR

Deloitte Touche Tohmatsu

COMPLIANCE ADVISOR

China Everbright Capital Limited

PRINCIPAL BANKERS

The Hongkong and Shanghai
  Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Dah Sing Bank, Limited
China Construction Bank Corporation

STOCK CODE

195

COMPANY WEBSITE

www.vitar.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Being one of the leading insulation material manufacturers in the Southern China, we faced indirectly the unprecedented economic downturn in the US . Its impact on contraction of household electrical appliance market has severely affected the demand on our products. Sales of the Group in the first half of 2009 decreased significantly, which is in line with the market expectation upon the advent of global financial crisis.

While the overall business environment in the first half of 2009 was difficult, the Group's operating performance showed improvement in the second quarter of 2009. Sales recorded in the second quarter increased 50% compared with the first quarter of 2009, giving signs of business recovery of the Group.

In view of the economic downturn and stagnated market in the first half of 2009, the Group had taken a prompt response to such changes in market demand. To strengthen its competitiveness, profitability and production efficiency, the Group applied a series of effective measures to improve its operating condition, such as modification of existing production lines to increase product quality, addition of production lines to increase production capacity, warehouse modernization, refinement of labour force, material research on product enhancement, reengineering of manufacturing process and product development.

FINANCIAL REVIEW

The Group's unaudited consolidated revenue for the six months ended 30 June 2009 was HK$54.8 million (six months ended 30 June 2008: HK$102.9 million), representing a decrease of 46.8% as compared to the same period last year. For the six months ended 30 June 2009, sales derived from manufacturing segment decreased by 37.5% to HK$46.0 million, and sales derived from trading segment decreased by 70.0% to HK$8.8 million.

The gross profit margin dropped to 12.9% for the six months ended 30 June 2009 from 20.3% in the same period last year as a result of the slump in global demand, change in product mix, decline in selling prices and stable fixed production overhead.

Other gains increased greatly from HK$0.2 million for the six months ended 30 June 2008 to HK$1.1 million for the six months ended 30 June 2009. Such increase was mainly derived from the gain on hedging on copper.

Administrative expenses, representing 19.5% of the Group's revenue, increased by approximately 36.7% from HK$7.8 million for the six months ended 30 June 2008 to HK$10.7 million for the six months ended 30 June 2009. Such increase was mainly attributable to the increase in various professional service fee and related expenses after listing, higher depreciation charge on additional fixed assets acquired during the second half of the year 2008 and the six months ended 30 June 2009, rental charges for office expansion and increase in staff cost.

As a result of the above unfavorable factors, the Group's operating results recorded a loss of HK$3.4 million for the six months ended 30 June 2009 (six months ended 30 June 2008: profit of HK$4.5 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flows and bank borrowings. As at 30 June 2009, the Group had banking facilities of HK$92.3 million , among which HK$63.0 million were unutilized. As at 30 June 2009, total bank borrowings amounted to HK$29.3 million, among which HK$24.2 million and HK$5.1 million were denominated in HK dollars and US dollars respectively. Majority of the bank borrowings are repayable within one year and bear floating interest rates ranging from HIBOR + 1.4% p.a. to HIBOR + 2.25% p.a. during the six months ended 30 June 2009. The gearing ratio of the Group, calculated as a ratio of total bank borrowings to total assets, was 13.6% as at 30 June 2009 (31 December 2008: 17.2%).

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

As at 30 June 2009, the Group had net current assets of HK$84.2 million (31 December 2008: HK$101.0 million). Current ratio as at 30 June 2009 was 2.9 (31 December 2008: 2.6). The cash position of the Group as at 30 June 2009 was HK$48.9 million (31 December 2008: HK$68.7 million). The improvement of gearing ratio and the current ratio were attributable to the lower level of bank borrowings and current liabilities as a result of our prudent treasury management under the current business environment.

The Group has pledged bank deposits, bank balances, bank borrowings, 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 Dollars is mainly attributable to the bank balances, trade receivables, trade payables and bank borrowings denominated in Renminbi ("RMB") and/or 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. For RMB, we managed to balance the RMB assets and liabilities in order to minimize the exchange exposure.

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

INTERIM DIVIDEND

The Directors have determined an interim dividend of HK5 cents per share (six months ended 30 June 2008: Nil) in respect of the six months ended 30 June 2009 to be payable on or around 23 October 2009 to shareholders whose names appear in the Register of Members on 9 October 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 8 October 2009 to 9 October 2009, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on 7 October 2009.

CHARGES OF ASSETS

As at 30 June 2009, outstanding bank borrowings of HK$29.3 million and banking facilities of HK$92.3 million (among which HK$63.0 million were unutilized) were secured by the properties, pledged bank deposits, insurance policy of the Group together with the corporate guarantee from the Company.

CONTINGENT LIABILITIES

As at 30 June 2009, the Group had no material contingent liabilities.

USE OF NET PROCEEDS FROM IPO

The net proceeds of approximately HK$39.5 million from the issue of new shares in November 2008 has been applied on production facilities as follows:

	As at 30 June 2009		
	Planned	**Amount utilized**	**Balance**
	HK$'million	*HK$'million*	*HK$'million*
– establish production line for silicone rubber	**31.4**	**6.5**	**24.9**
– expand production capacity for current manufacturing business	**8.1**	**4.5**	**3.6**
	39.5	**11.0**	**28.5**

The balance of the net proceeds has been placed on bank deposits.

The production line for silicone rubber is at the initial stage of site preparation work and equipment ordering. It is expected that the production line will be on full scale operation in the third quarter of 2010.

SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2009, capital expenditures and deposits paid for property, plant and equipment in the PRC's production facilities amounted to approximately HK$5.4 million (six months ended 30 June 2008: HK$0.8 million) and HK$9.2 million (six months ended 30 June 2008: nil) respectively.

EMPLOYMENT AND REMUNERATION POLICY

The Group employed a total of 345 employees as at 30 June 2009. 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-owned retirement benefit scheme in the PRC. The Group continues to provide training for staff to enhance their knowledge of industry quality standards.

PROSPECTS

Although recent indicators have shown that the downward trend of the US economy is becoming less acute, it is certainly too early to say if there will be imminent rebound. Although the unemployment rate shows sign of return and consumers regain their confidence in the US economy, we expect that the global economic environment will continue to be difficult. In light of the challenges and difficult business environment, the Group will try to broaden income sources and hence strengthen its revenue base. In addition, the Group will fine tune its bussiness model and will actively explore different potential investment opportunities to strengthen and expand its businesses portfolio.

Taking advantage of the buyer's market and in preparation for the future economic recovery, we are proceeding with the expansion plan as laid down in our Prospectus dated 30 October 2008. We will establish a production line for the production of silicone rubber (a raw material sourced from existing supplier) and add production lines to increase the production capacities for our existing products. To achieve the maximum effectiveness of our investment, we shall further consider the development of upstream business and market exploration.

PROSPECTS (Continued)

The Group will strategically operate in the direction of government policy in order to share the benefit of the relevant China government's economic recovery schemes, such as the Household Appliance Subsidy Scheme, Home Appliances Replacement Scheme and Promotion of Energy Efficient Appliances. Further, we would strive to increase our market share in China by participating in different promotion and exhibitions and setting up sales offices in major cities.

With our strong financial position, great experience in the insulation and heat-resistance solution provider business, sophisticated research and development team and high quality of product, we will uphold our modern production and operation strategies, seize the market trend and identify opportunities for exploration of new product and market development.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the minimum amount of public float as required under the Listing Rules throughout the six months ended 30 June 2009.

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 success of the Group. Eligible participants of Scheme include, without limitation, employees, Directors, shareholders and any other eligible persons of the Group. For the six months ended 30 June 2009, no share option has been granted or agreed to be granted to any person under the Scheme.

INTERESTS OF DIRECTORS

As at 30 June 2009, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are as follows:

INTERESTS OF DIRECTORS (Continued)

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 the British Virgin Islands, which is owned as to 35% by Mr. Leung Chau Hiu, 32.5% by Mr. Leung Kai Wing, 10% by Ms. Tsang Chi Yung and 10% by Ms. Leung Chun Yin.

Save as disclosed above, as at 30 June 2009, 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.

INTEREST OF SUBSTANTIAL SHAREHOLDER

As at 30 June 2009, 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. Tsang Chi Yung, Ms. Leung Chun Yin and Ms. Wong Lai Mui as to 35%, 32.5%, 7.5%, 10%, 10% and 5% respectively.

Saved as disclosed above, the register required to be kept under section 336 of the SFO shows that as at 30 June 2009, 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.

PLACING OF EXISTING SHARES

On 12 August 2009, the Company was notified that the Company's substantial shareholder, Vitar Development Holdings Limited ("Vitar Development"), had completed a placing of 28,000,000 existing Shares, representing 28% of the Company's issued share capital, at HK$2.30 per Share to Wright Source Limited ("the placee"). The placee was a third party independent from and not acting in concert with Vitar Development and its directors, the Company or its connected persons or the directors and chief executive (as those terms defined in the Listing Rules) of the Company, its subsidiaries and their respective associates.

REVIEW OF INTERIM REPORT

The Audit Committee has reviewed the Group's interim report for the six months ended 30 June 2009. The Audit Committee comprises all of the three independent non-executive directors, namely Mr. Wong Chi Kin, Mr. Chau Shing Yu and Mr. Lee Wing Yiu, William.

CORPORATE GOVERNANCE

Compliance with Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2009.

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors of the Company, all directors have confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the six months ended 30 June 2009.

By order of the Board
Vitar International Holdings Limited
Leung Kai Wing
Executive Director

Hong Kong, 22 September 2009

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

		Six months ended	
	Notes	**30.06.2009** ***HK$*** **(unaudited)**	30.06.2008 *HK$* (unaudited)
Revenue	3	**54,790,722**	102,897,432
Cost of sales		**(47,744,867)**	(82,052,666)
Gross profit		**7,045,855**	20,844,766
Investment income		**60,805**	126,388
Other gains and losses	5	**1,135,117**	150,343
Distribution expenses		**(393,935)**	(796,148)
Administrative expenses		**(10,661,487)**	(7,797,664)
Finance costs	6	**(567,782)**	(916,554)
Other expenses	7	**—**	(6,230,125)
(Loss)/Profit before taxation		**(3,381,427)**	5,381,006
Taxation	8	**—**	(860,359)
(Loss)/Profit for the period attributable to:			
Equity holders of the Company	9	**(3,381,427)**	4,520,647
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**299,284**	2,197,819
Other comprehensive income for the period (net of tax)		**299,284**	2,197,819
Total comprehensive (loss)/ income for the period attributable to:			
Equity holders of the Company		**(3,082,143)**	6,718,466
Basic (Loss)/Earnings per share	11	**(3.38 cents)**	6.28 cents

The notes on pages 19 to 34 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Notes	**30.06.2009** *HK$* **(unaudited)**	31.12.2008 *HK$* (audited)
Non-current assets			
Property, plant and equipment		**58,976,252**	56,864,838
Prepaid lease payments		**15,714,054**	15,986,689
Investment property		**1,995,596**	2,022,204
Deposits paid for acquisition of property, plant and equipment		**9,203,222**	—
Available-for-sale investment		**1,905,792**	1,905,792
		87,794,916	76,779,523
Current assets			
Inventories		**22,615,752**	32,808,815
Trade receivables	13	**49,547,597**	56,760,230
Other receivables, prepayments and deposits		**5,349,076**	4,473,293
Prepaid lease payments		**489,868**	429,428
Amounts due from related companies		**56,000**	56,000
Tax recoverable		**916,031**	1,112,707
Pledged bank deposits		**6,054,839**	8,029,587
Bank balances and cash		**42,822,577**	60,671,691
		127,851,740	164,341,751

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2009

	Notes	30.06.2009 HK$ (unaudited)	31.12.2008 HK$ (audited)
Current liabilities			
Trade payables	14	**11,668,716**	18,088,657
Other payables and accruals		**6,639,918**	6,668,751
Amount due to a related company		**290,478**	118,504
Bank borrowings – due within one year		**25,030,176**	38,052,993
Other borrowing – due within one year		**—**	227,741
Dividend payable		**—**	141,506
		43,629,288	63,298,152
Net current assets		**84,222,452**	101,043,599
Total assets less current liabilities		**172,017,368**	177,823,122
Capital and reserves			
Issued capital	16	**10,000,000**	10,000,000
Reserves		**55,326,166**	55,118,717
Retained earnings		**101,530,064**	107,411,491
Total equity		**166,856,230**	172,530,208
Non-current liabilities			
Deferred taxation		**900,000**	900,000
Bank borrowings – due after one year		**4,261,138**	3,333,026
Other borrowing – due after one year		**—**	1,059,888
		5,161,138	5,292,914
Total equity and liabilities		**172,017,368**	177,823,122

The notes on pages 19 to 34 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Attributable to Equity holders of the Company					
	Issued capital *HK$*	Share premium *HK$*	Translation reserve *HK$*	Special Reserve *HK$*	Retained Earnings *HK$*	Total *HK$*
At 1 January 2008 (audited)	10,000,000	–	4,230,807	–	126,201,786	140,432,593
Profit for the period	–	–	–	–	4,520,647	4,520,647
Exchange differences arising on translation of foreign operations	–	–	2,197,819	–	–	2,197,819
Total comprehensive income for the period	–	–	2,197,819	–	4,520,647	6,718,466
At 30 June 2008 (unaudited)	10,000,000	–	6,428,626	–	130,722,433	147,151,059
At 1 January 2009 (audited)	**10,000,000**	**41,574,386**	**5,744,331**	**7,800,000**	**107,411,491**	**172,530,208**
(Loss) for the period	**–**	**–**	**–**	**–**	**(3,381,427)**	**(3,381,427)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**299,284**	**–**	**–**	**299,284**
Total comprehensive (loss) for the period	**–**	**–**	**299,284**	**–**	**(3,381,427)**	**(3,082,143)**
Transaction costs attributable to issue of shares	**–**	**(91,835)**	**–**	**–**	**–**	**(91,835)**
Payment of dividends	**–**	**–**	**–**	**–**	**(2,500,000)**	**(2,500,000)**
At 30 June 2009 (unaudited)	**10,000,000**	**41,482,551**	**6,043,615**	**7,800,000**	**101,530,064**	**166,856,230**

The notes on pages 19 to 34 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2009

	Six months ended	
	30.06.2009	30.06.2008
	HK$	*HK$*
	(unaudited)	(unaudited)
Net cash from operating activities	**11,231,911**	2,435,817
Interest received	**60,805**	126,388
Decrease/(Increase) in pledged bank deposits	**1,974,748**	(2,113,119)
Purchase of property, plant and equipment	**(5,413,313)**	(796,864)
Deposits paid for acquisition of property, plant and equipment	**(9,203,222)**	—
Purchase of leasehold land	**—**	(6,537,597)
Net cash used in investing activities	**(12,580,982)**	(9,321,192)
Transaction costs attributable to issue of shares	**(91,835)**	—
Interest paid	**(567,782)**	(916,554)
Dividend paid	**(2,641,506)**	(4,380,252)
Repayment of bank borrowings	**(18,094,705)**	(16,715,248)
New bank borrowings raised	**6,000,000**	5,000,000
Repayment of other payable	**(1,287,629)**	—
Advance from a director	**—**	4,121,698
Net cash used in financing activities	**(16,683,457)**	(12,890,356)
Net (decrease) in cash and cash equivalents	**(18,032,528)**	(19,775,731)
Effect of foreign exchange rate changes	**183,414**	(717,127)
Cash and cash equivalents at 1 January	**60,671,691**	29,627,996
Cash and cash equivalents at 30 June		
Bank balances and cash	**42,822,577**	9,135,138

The notes on pages 19 to 34 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. 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 appropriate.

A number of new or revised Standards and Interpretations are effective for the financial year beginning on 1 January 2009. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2008.

In the current interim report, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are or have become effective for the Group's financial year beginning on 1 January 2009.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

HKAS 23 (Revised)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC)-INT 15	Agreements for the construction of real estate

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 3 (Revised)	Business combinations[1]
HK(IFRIC)-INT 9 & HKAS 39 (Amendments)	Embedded derivatives[2]
HK(IFRIC)-INT 13	Customer loyalty programmes[3]
HK(IFRIC)-INT 16	Hedges of a net investment in a foreign operation[4]
HK(IFRIC)-INT 17	Distribution of non-cash assets to owners[1]
HK(IFRIC)-INT 18	Transfer of assets from customers[5]

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods ending on or after 30 June 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 October 2009
[5] 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. 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. 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.

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8, Operating Segments, effective from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about component of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for identification of such segments.

4. SEGMENT INFORMATION (Continued)

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's operating segments under HKFRS 8 are as follows:

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

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

Condensed consolidated statement of comprehensive income (unaudited)

For the six months ended 30 June 2009

	Manufacturing *HK$*	Trading *HK$*	Combined *HK$*
Segment revenue	**46,001,328**	**8,789,394**	**54,790,722**
Segment result	**5,983,156**	**676,257**	**6,659,413**
Unallocated corporate income			**1,195,922**
Unallocated corporate expenses			**(10,668,980)**
Finance costs			**(567,782)**
Loss before taxation			**(3,381,427)**
Taxation			**—**
Loss for the period			**(3,381,427)**

4. SEGMENT INFORMATION (Continued)

Condensed consolidated statement of financial position (unaudited)
At 30 June 2009

	Manufacturing *HK$*	Trading *HK$*	Combined *HK$*
Assets			
Segment assets	**121,875,013**	**21,885,421**	**143,760,434**
Unallocated corporate assets			**71,886,222**
			215,646,656
Liabilities			
Segment liabilities	**10,893,708**	**775,008**	**11,668,716**
Unallocated corporate liabilities			**37,121,710**
			48,790,426

Other information (unaudited)
For the six months ended 30 June 2009

	Manufacturing *HK$*	Trading *HK$*	Unallocated *HK$*	Combined *HK$*
Additions to property, plant and equipment	**5,413,313**	**—**	**—**	**5,413,313**
Depreciation of property, plant and equipment	**3,294,450**	**—**	**—**	**3,294,450**
Release of prepaid lease payments	**145,463**	**—**	**65,023**	**210,486**

4. SEGMENT INFORMATION (Continued)

Condensed consolidated statement of comprehensive income (unaudited)

For the six months ended 30 June 2008

	Manufacturing	Trading	Combined
	HK$	*HK$*	*HK$*
Segment revenue	73,646,109	29,251,323	102,897,432
Segment result	18,208,334	1,888,398	20,096,732
Unallocated corporate income			228,617
Unallocated corporate expenses			(14,027,789)
Finance costs			(916,554)
Profit before taxation			5,381,006
Taxation			(860,359)
Profit for the period			4,520,647

Condensed consolidated statement of financial position (audited)

At 31 December 2008

	Manufacturing	Trading	Combined
	HK$	*HK$*	*HK$*
Assets			
Segment assets	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

4. SEGMENT INFORMATION (Continued)

Other information (unaudited)

For the six months ended 30 June 2008

	Manufacturing	Trading	Unallocated	Combined
	HK$	*HK$*	*HK$*	*HK$*
Additions to property, plant and equipment	796,864	—	—	796,864
Depreciation of property, plant and equipment	2,248,425	—	—	2,248,425
Release of prepaid lease payments	116,171	—	65,023	181,194

5. OTHER GAINS AND LOSSES

	Six months ended	
	30.06.2009	30.06.2008
	HK$	*HK$*
	(unaudited)	(unaudited)
Gain on fair value change of derivative financial instruments	**749,356**	—
Net foreign exchange gain	**85,236**	—
Rental income	**144,000**	144,000
Sundry income	**156,525**	6,343
	1,135,117	150,343

6. FINANCE COSTS

	Six months ended	
	30.06.2009	30.06.2008
	HK$	*HK$*
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	**548,306**	916,554
Other borrowing wholly repayable within five years	**19,476**	—
	567,782	916,554

7. OTHER EXPENSES

For the six months ended 30 June 2008, 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.

8. TAXATION

The charge comprises Hong Kong Profits Tax:

	Six months ended	
	30.06.2009	30.06.2008
	HK$	*HK$*
	(unaudited)	(unaudited)
Hong Kong Profits Tax		
– Current tax	**—**	860,359
Deferred tax charge	**—**	—
	—	860,359

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current and prior periods. During the current period, there is no provision for taxation as those subsidiaries in Hong Kong do not have assessable profit.

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 its first profit-making year, followed by a 50% reduction for the next three years. During the period, there is no provision for taxation of the subsidiaries established in the PRC as these subsidiaries do not have assessable profit or under the aforesaid tax exemption arrangement.

9. (LOSS)/PROFIT FOR THE PERIOD

	Six months ended	
	30.06.2009	30.06.2008
	HK$	*HK$*
	(unaudited)	(unaudited)
(Loss)/Profit for the period has been arrived at after charging/(crediting):		
Auditor's remuneration	**410,000**	185,500
Cost of inventories recognized as an expense	**47,744,867**	82,052,666
Depreciation of property, plant and equipment	**3,294,450**	2,248,425
Depreciation of investment property	**26,608**	26,608
Release of prepaid lease payments	**210,486**	181,194
Operating lease rentals in respect of rented premises	**863,462**	691,400
Staff costs (including director's emoluments)		
– Salaries and other benefits	**7,410,282**	7,304,788
– Contributions to retirement benefits scheme	**350,018**	335,665
	7,760,300	7,640,453
Rental income from investment property	**(144,000)**	(144,000)
Less: Outgoings	**47,095**	45,846
Net rental income	**(96,905)**	(98,154)
Net foreign exchange loss	**—**	58,521

10. DIVIDEND

Interim dividend for the current period:
On 22 September 2009, the Directors determined that an interim dividend of HK5 cents (six months ended 30 June 2008: Nil) per share should be paid to the shareholders of the Company whose names appear in the Register of Members on 9 October 2009. This dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed statement of financial position as at 30 June 2009.

Dividend recognised as distribution during the period:
On 29 June 2009, a dividend of HK2.5 cents per share (six months ended 30 June 2008: Nil) was paid to the shareholders as final dividend for the year ended 31 December 2008.

11. BASIC (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company for the period of HK$3,381,427 (six months ended 30 June 2008: profit of HK$4,520,647) and on the number of shares as follows:

	30.06.2009	30.06.2008
Number of ordinary shares for the purpose of basic (loss)/earnings per share	**100,000,000**	72,000,000

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

12. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2009, the Group spent approximately HK$5.4 million (six months ended 30 June 2008: HK$0.8 million) on acquisition of property, plant and equipment. The Group has pledged buildings having a carrying value of HK$5.9 million (six months ended 30 June 2008: HK$5.9 million) to secure general banking facilities granted to the Group.

13. TRADE RECEIVABLES

	30.06.2009	31.12.2008
	HK$	*HK$*
	(unaudited)	(audited)
Trade receivables	**50,609,329**	57,821,962
Less: Allowance for bad and doubtful debts	**(1,061,732)**	(1,061,732)
	49,547,597	56,760,230

13. TRADE RECEIVABLES (Continued)

The Group allows an average credit period of 90 days. For certain customers in connection with trading of copper or having 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:

	30.06.2009	31.12.2008
	HK$	*HK$*
	(unaudited)	(audited)
0 – 30 days	**13,925,331**	21,769,253
31 – 60 days	**6,766,066**	9,451,909
61 – 90 days	**8,523,360**	10,752,542
Over 90 days but less than one year	**20,332,840**	14,786,526
	49,547,597	56,760,230

As at the date of approval of this report, 57% of trade receivables aged over 90 days but less than one year as at 30 June 2009 were settled.

14. TRADE PAYABLES

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

	30.06.2009	31.12.2008
	HK$	*HK$*
	(unaudited)	(audited)
0 – 30 days	**5,427,190**	9,697,817
31 – 60 days	**1,479,273**	3,574,964
61 – 90 days	**414,746**	666,300
Over 90 days but less than one year	**4,347,507**	4,149,576
	11,668,716	18,088,657

15. BANK BORROWING

For the six months ended 30 June 2009, the Group obtained a new bank loan amounting to HK$6 million. The loan carry interest on HIBOR basis and are repayable within 2 years. The proceed was used to increase the working capital of the Group.

16. SHARE CAPITAL

	Number of Shares	Share capital *HK$*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2009 and 30 June 2009	1,000,000,000	100,000,000
Issued:		
At 1 January 2009 and 30 June 2009	100,000,000	10,000,000

17. CAPITAL COMMITMENTS

	30.06.2009 ***HK$*** **(unaudited)**	31.12.2008 *HK$* (audited)
Contracted for but not provided for the acquisition of property, plant and equipment	**23,141,310**	—

The capital commitments mainly represent those contracts in connection with the establishment of a production line for silicon rubber and related facilities.

18. RELATED PARTY TRANSACTIONS

For the six months ended 30 June 2008 and 2009, the Group had entered into the following transactions with related parties :

	30.06.2009	30.06.2008
	HK$	*HK$*
	(unaudited)	(unaudited)
Rentals paid to First Phoenix Investments Limited ("First Phoenix")	**168,000**	168,000

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. First Phoenix is wholly owned by Mr. Leung Kai Wing, an executive Director and a substantial shareholder of our Compay, and therefore First Phoenix is an associate of Mr. Leung Kai Wing and hence, a connected person of our Company.

As at 31 December 2008, the banking facilities utilised by the Group to the extent of approximately HK$41.4 million (2007: HK$48.4 million) were secured by two directors' personal guarantees and personal properties and properties of First Phoenix. As at 31 December 2008, the unutilised amount was approximately HK$62.8 million (2007: HK$59.2 million). In March 2009, the aforesaid guarantee and properties as securities were released.

18. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

The remuneration of members of key management including directors of the Company during the periods were as follows:

	Six months ended	
	30.06.2009	30.06.2008
	HK$	*HK$*
	(unaudited)	(unaudited)
Short term benefits	**1,526,350**	1,687,753
Contributions to retirement benefits scheme	**48,765**	53,126
	1,575,115	1,740,879

19. SUBSEQUENT EVENT

On 12 August 2009, the Company was notified that the Company's substantial shareholder, Vitar Development Holdings Limited ("Vitar Development"), had completed a placing of 28,000,000 existing shares, representing 28% of the Company's issued share capital, at HK$2.30 per share to Wright Source Limited (the "placee"). The placee was a third party independent from and not acting in concert with Vitar Development and its directors, the Company or its connected persons or the directors and chief executive (as those terms defined in the Listing Rules) of the Company, its subsidiaries and their respective associates.

20. APPROVAL OF THE INTERIM FINANCIAL REPORT

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 22 September 2009.