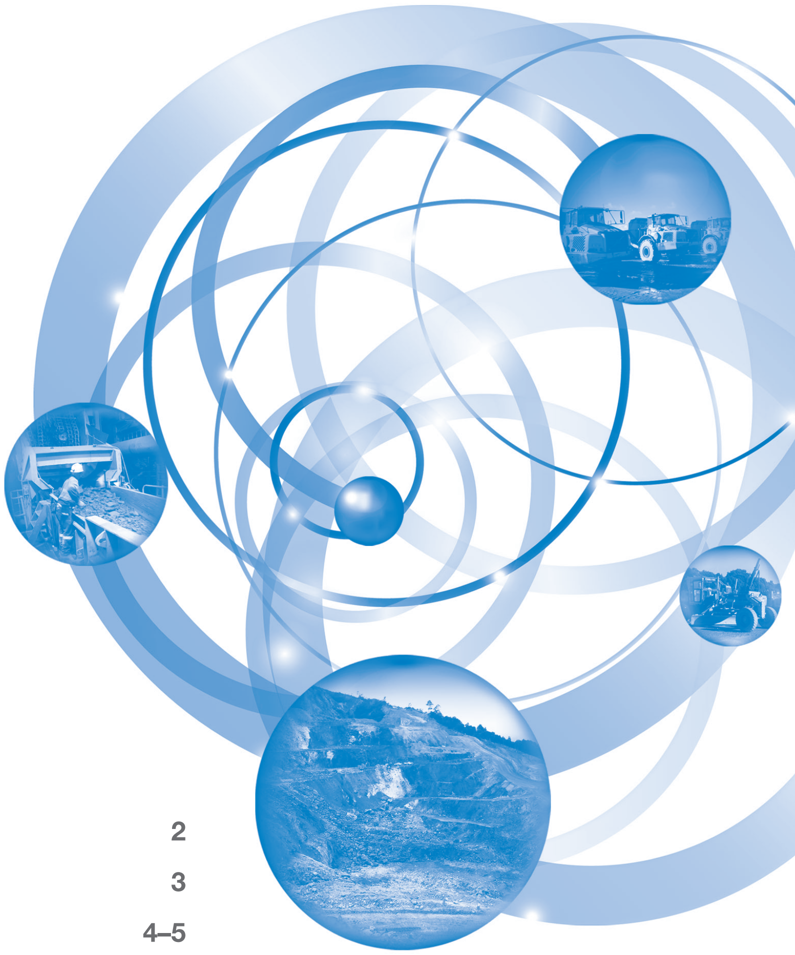
Annual Report 2010




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



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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 9001:2008.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Leung Chau Hiu *(Chairman)*
Mr. Leung Kai Wing *(Chief Executive Officer)*
Mr. Cheung Wai Kuen
Mr. Cheng Hau Yan
Mr. Chen Liang
Mr. Li Xianghong

Independent Non-executive Directors

Mr. Poon Fuk Chuen
Mr. Liu Feng
Mr. Zhong Wei Guang

BOARD COMMITTEES

Audit Committee

Mr. Poon Fuk Chuen *(Chairman)*
Mr. Liu Feng
Mr. Zhong Wei Guang

Remuneration Committee

Mr. Liu Feng *(Chairman)*
Mr. Leung Kai Wing
Mr. Poon Fuk Chuen

COMPANY SECRETARY

Mr. Leung Ka Wai

AUTHORISED REPRESENTATIVES

Mr. Leung Kai Wing
Mr. Leung Ka Wai

PRINCIPAL BANKERS

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

In China
China Construction Bank Corporation
Guangdong Development Bank

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

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

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") for the year ended 31 December 2010.

2010 is a year of change to the Group. Though the economy is uprising, the Group still needed to face with many challenges which are common in the manufacturing industry in the PRC, such as appreciation on the exchange rate of RMB, increase of labour cost due to labour market change and government policies, anticipated impact of high inflation rate, and increase in the costs of raw materials.

During the year under review, the overall economic environment was improving with progressive market rebound on consumption and demand for electrical appliances in the US and European markets. Such rebound in demand resulted in a corresponding increase in the sales of our products which are components of most electrical appliances. However, the increase in turnover could not reverse the negative impact of increasing costs on the Group.

The Group reported a turnover of approximately HK$207.4 million for the year 2010, representing an increase of approximately 54.1% as compared to previous financial year. The increase in revenue was contributed mainly by an increase of 157.1% on sale of trading products which was transacted on a narrow profit margin. The Group, nevertheless, recorded a loss of approximately HK$12.8 million in the year 2010 due to increase in various operating costs and expenses during the year.

The Group has continued to adopt different development strategies to cope with the market changes and endeavored to maintain the position of being one of the major insulation material manufacturers in Mainland China. However, the Board considers that the Group's existing business will be affected by the uncertainties of the market in the future and, as such, the Group has been actively seeking new investment opportunities in various industries, aiming to improve returns to our shareholders.

On the other hand, the Group will also explore other business opportunities and consider asset disposals, asset acquisitions, business rationalization, divestment and/or diversification when appropriate, to enhance the long term growth of the Group.

In previous year, we underwent a number of changes such as share placements, share subdivision, entering of a non-legally binding memorandum of understanding in respect of oilfield project, disposal of properties, very substantial acquisition of interest in Parksong Mining and Resource Recycling Limited, and changes of Directors. The most important change is the Group has entered into natural resources industry. We believe that expanding our businesses to natural resources and recruiting more industry talents will help support our long term growth.

The Company had further entered into a number of transactions after the year end including grant of share options, entering of a non-legally binding Cooperation Framework Agreement, completion of the very substantial acquisition of interest in Parksong Mining and Resource Recycling Limited. Details of the transactions are shown under the note (events after the reporting period) to the consolidated financial statement of the Group for the year ended 31 December 2010.

Chairman's Statement

The Board believes that new opportunities could enhance the value of the Company and improve the Shareholders' return. With future emphasis being placed on business rationalization and diversification, it is anticipated that these efforts would offer further business growth. The Group will continue to strive for advancement in both quantity and quality of earnings and expansion of business by all means, including merger, acquisition or establishment of business ventures.

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, 29 March 2011

Management Discussion and Analysis

BUSINESS OVERVIEW

2010 is a year of change to the Group. Though the economy is uprising, the Group still needed to face with many challenges which are common in the manufacturing industry in the PRC, such as appreciation on the exchange rate of RMB, increase of labour cost due to labour market change and government policies, anticipated impact of high inflation rate, and increase in the costs of raw materials.

During the year under review, the overall economic environment was improving with progressive market rebound on consumption and demand for electrical appliances in the US and European markets. Such rebound in demand resulted in a corresponding increase in the sales of our products which are components of most electrical appliances. However, the increase in turnover could not reverse the negative impact of increasing costs on the Group.

The Group reported a turnover of approximately HK$207.4 million for the year 2010, representing an increase of approximately 54.1% as compared to previous financial year. The increase in revenue was contributed mainly by an increase of 157.1% on sale of trading products which was transacted on a narrow profit margin. The Group, nevertheless, recorded a loss of approximately HK$12.8 million in the year 2010 due to increase in various operating costs and expenses during the year.

FINANCIAL REVIEW

Revenue

The Group's audited consolidated revenue and loss attributable to the Company's shareholders for the year ended 31 December 2010 were amounted to approximately HK$207.4 million (2009: HK$134.6 million) and HK$12.8 million (2009: HK$12.7 million) respectively. The Group's revenue has been increased by 54.1% from that of last year. It is the year with the best sales performance as recorded in the last five years of the Group. The sale increase was contributed by the respective increase of 25.8% in manufacturing segment and 157.1% in trading segment on comparison with those in last year.

Cost of sales

Cost of sales includes mainly direct material costs, direct labor costs and manufacturing overhead absorbed during the production process of our products. It was approximately HK$178.4 million for the year ended 31 December 2010 and HK$115.3 million for the year ended 31 December 2009, representing respectively 86.0% and 85.7% of the revenue recorded in the respective years.

Gross profit and margin

The Group recorded a gross profit of HK$28.9 million for the year ended 31 December 2010. This represents an increase of 50.2% comparing with the gross profit of HK$19.3 million in 2009. Gross profit as a percentage of revenue for 2010 dropped slightly to 14.0% (2009: 14.3%) due to the change in product sales mix with a relatively higher portion of sales performed on narrow margin trading products, increase in material and labour costs.

Other gains and losses

Other gains and losses changed from a loss of HK$4.0 million for the year ended 31 December 2009 to a gain of HK$7.9 million in 2010 mainly as a result of the aggregate of the gain on disposal of property, plant and equipment, allowance for bad and doubtful debts and impairment loss of property, plant and equipment.

Selling and distribution costs
Selling and distribution costs, representing 0.5% of Group's revenue, decreased by approximately 26.3% from HK$1.5 million for the year ended 31 December 2009 to HK$1.1 million for the year ended 2010.

Administrative expenses
Administration expenses, which represented 19.0% of the Group's revenue, increased by approximately 66.0% from HK$23.7 million for the year ended 31 December 2009 to HK$39.4 million for the year of 2010. Such increase was mainly attributable to the increase in professional fees and expenses on various projects carried out, additional offices rented, expansion of management team, increase in other administration expenses.

Finance costs
With the persistent low interest rates prevailing during the year 2010 together with our decrease in bank borrowing on comparison with those in 2009. The finance cost of the Group deceased from HK$0.8 million in 2009 to HK$0.5 million in 2010.

Taxation
Income tax decreased from HK$2.7 million for the year ended 31 December 2009 to HK$2.1 million for the year ended 31 December 2010 due to the presence of under-provision of Hong Kong profits tax in prior years.

Loss for the year
The operating result did not change much and the loss slightly increased from HK$12.7 million for the year ended 31 December 2009 to HK$12.8 million for the year ended 31 December 2010. The loss was attributed mainly to the increase in administrative and other expenses.

Loss attributable to shareholders as a percentage of revenue decreased from 9.5% for the year ended 31 December 2009 to 6.2% for the year ended 31 December 2010.

Major Financial Ratios

	2010	2009
Trade receivables turnover (days)	**94**	130
Trade payable turnover (days)	**43**	49
Inventory turnover (days)	**34**	48
Gearing ratio	**2.0%**	14.2%

Trade receivable turnover

The trade receivables turnover is calculated by dividing the trade receivables as of the end of the respective year by revenue for the year, multiplied by 365 days. With a stringent control over credit policy, the trade receivables turnover day was reduced from 130 days as of 31 December 2009 to 94 days as of 31 December 2010.

Trade payables turnover

The trade payable turnover is calculated by dividing the trade payables as of the end of the respective year by cost of sales for the year, multiplied by 365 days. The trade payable turnover days was 49 days as of 31 December 2009 and 43 days as of 31 December 2010.

Inventories turnover

The inventory turnover is calculated by dividing the inventories as of the end of the respective year by cost of sales for the year, multiplied by 365 days. The inventories turnover days was more cautiously monitored during the year in order to maintain the minimum level to meet our customers order. It was 48 days as of 31 December 2009 and 34 days as of 31 December 2010.

Gearing ratio

The gearing ratio is calculated by dividing the total bank borrowings by total assets at the end of the respective year. Following the placements made during the year, the gearing ratio continued to fall and it dropped from 14.2% as at 31 December 2009 to 2.0% as at 31 December 2010.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flows and bank borrowings. At 31 December 2010, the Group had bank facilities amounted to HK$37.3 million of which HK$11.0 million were utilized. Majority of the bank borrowings were in HK dollars while bank borrowings in United States Dollars ("USD") amounted to HK$6.1 million. All bank borrowings were mostly repayable within one year and on floating interest rates basis ranging from HIBOR plus 1.25% to 1.5% during the year. The gearing ratio of the Group, calculated as a ratio of bank borrowings to total assets, was 2.0% as at 31 December 2010 (2009: 14.2%). As at 31 December 2010, the Group had net current assets of approximately HK$151.1 million (2009: HK$72.9 million). Current ratio as at 31 December 2010 was higher than last year and stood at 3.9 (2009: 2.3). The net cash position of the Group as at 31 December 2010 was approximately HK$118.7 million (2009: HK$59.1 million). The Group has consistently maintained a sound financial position with low gearing ratio, high liquidity and adequate financial resources.

The Group has 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 Dollars is mainly attributable to the bank balances, trade receivables, trade payables and bank borrowings denominated in Renminbi ("RMB") and USD as at the end of the reporting period. 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 liability in order to minimize the exchange exposure.

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 arises.

CHARGES OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2010, our outstanding bank borrowings of HK$11.0 million and our banking facilities of HK$37.3 million (among which HK$26.3 million had not been utilized) were secured by a life insurance policy owned by the Group. Details of the above are disclosed in relevant notes in the audited consolidated financial statements.

As at 31 December 2010, the Group did not have any significant contingent liabilities.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2010, capital expenditure of the group for property, plant and equipment and leasehold land in PRC amounted to approximately HK$14.2 million (2009: HK$8.3 million).

MATERIAL DISPOSAL

On 9 February 2010, Vitar Insulation Manufactures Limited ("**Vitar Insulation**"), a wholly-owned Subsidiary of the Company, entered into the agreements with New Ocean (China) Limited ("**New Ocean**"), Grandeur (China) Limited ("**Grandeur China**"), Joy Success Corporation Limited ("**Joy Success**") and Major Business Limited ("**Major Business**"). Pursuant to the agreements, Vitar Insulation has agreed to sell and each of New Ocean, Grandeur China, Joy Success and Major Business have agreed to purchase the properties: (i) the residential property situated at Flat H on 6/F of Block 5 and car parking spaces Nos, 35 and 79 on basement, Villa Concerto, Symphony Bay, No. 530 Sai Sha Road, New Territories ("**First Property**"); (ii) the residential property situated at Unit 3A on 3rd and 4th Floors including roof and car parking spaces Nos. 16 and 22 on Ground Floor of Block A, Ascot Heights, No. 21 Lok Lam Road, Shatin ("**Second Property**"); (iii) the commercial property situated at Workshop 12 on 7th Floor of Block A, New Trade Plaza, No. 6 On Ping Street, Shatin ("**Third Property**") and iv) the commercial property situated at Workshop C on 26th Floor, Shield Industrial Centre, Nos. 84–92 Chai Wan Kok Street, Tsuen Wan, New Territories ("**Fourth Property**") for a total consideration of HK$31.11 million. As part of the agreements, Vitar Insulation shall lease back the Second Property from Grandeur China, the Third Property from Joy Success and the Fourth Property from Major Business at the prevailing market rent, each for a period of three years. The transactions were approved by the independent shareholders of the Company at the extraordinary general meeting held on 18 March 2010. Details of the transactions can be referred to in the announcements of the Company dated 3 February 2010 and the circular of the Company dated 2 March 2010.

EMPLOYMENT AND REMUNERATION POLICY

The Group employed approximately 380 employees in total as at 31 December 2010. 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 facilities to 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 success of the Group. Eligible participants of Scheme include, without limitation, employees, Directors, shareholder and any other eligible persons of the Group. Up to 31 December 2010, no share option has been granted or agreed to be granted to any person under the Scheme.

SHARES PLACEMENTS, SUBDIVISION OF SHARE AND CHANGE OF BOARD LOT SIZE

On 30 December 2009, the Company entered into a placing agreement with China Everbright Securities (HK) Limited for the placing of 20,000,000 Shares (number of shares before subdivision of share) to not less than 6 independent professional, institutional and/or other investors at the subscription price of HK$2.15 (price before subdivision of share) per Share ("**First Placing**"). The First Placing was completed on 19 January 2010, raising net proceeds of approximately HK$42 million.

On 21 January 2010, the Company proposed that each of the existing issued and unissued Shares of par value of HK$0.10 each in the share capital of the Company be subdivided into twenty subdivided shares of par value of HK$0.005 each ("**Share Subdivision**"). After the Share Subdivision effective, the board lots size of 1,000 Shares were changed to 10,000 Shares. The Share Subdivision and change of board lot size was approved by the shareholders of the Company at the extraordinary general meeting held on 23 February 2010.

On 26 February 2010, the Company entered into a placing agreement with United Simsen Securities Limited for the placing of 480,000,000 Shares to not less than 6 independent professional, institutional and/or individual investors at the subscription price of HK$0.65 (price after subdivision of share) per Share ("**Second Placing**"). The Second Placing was completed on 29 April 2010, raising net proceeds of approximately HK$310.4 million.

PROSPECT

The Group has continued to adopt different development strategies to cope with the market changes and endeavored to maintain the position of being one of the major insulation material manufacturers in Mainland China. However, the Board considers that the Group's existing business will be affected by the uncertainties of the market in the future and, as such, the Group has been actively seeking new investment opportunities in various industries, aiming to improve returns to our shareholders.

On the other hand, the Group will also explore other business opportunities and consider asset disposals, asset acquisitions, business rationalization, divestment and/or diversification when appropriate, to enhance the long term growth of the Group.

In previous year, we underwent a number of changes such as share placements, share subdivision, entering of a non-legally binding memorandum of understanding in respect of oilfield project, disposal of properties, very substantial acquisition of interest in Parksong Mining and Resource Recycling Limited, and changes of Directors. The most important change is the Group's entering into natural resources industry. We believe that expanding our businesses to natural resources and recruiting more industry talents will help support our long term growth.

The Company had further entered into a number of transactions after the year end including grant of share options, entering of a non-legally binding Cooperation Framework Agreement, completion of the very substantial acquisition of interest in Parksong Mining and Resource Recycling Limited. Details of the transactions are shown under the note (events after the reporting period) to the consolidated financial statement of the Group for the year ended 31 December 2010.

The Board believes that new opportunities could enhance the value of the Company and improve the Shareholders' return. With future emphasis being placed on business rationalization and diversification, it is anticipated that these efforts would offer further business growth. The Group will continue to strive for advancement in both quantity and quality of earnings and expansion of business by all means, including merger, acquisition or establishment of business ventures.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LEUNG Chau Hiu (梁秋曉), aged 72, is the founder of the Company and has been a Director and Chairman of Vitar Hong Kong since November 1978. As an Executive Director, he is principally responsible for the overall strategic planning of the Company. Mr. LEUNG has over 30 years of experience in the insulation materials industry and business management. He 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 a member of the Chinese People's Political Consultative Conference, Longchuan County, Guangdong Province. He was appointed a Director of the Company on 22 January 2008 and re-designated as an Executive Director on 6 March 2008.

Mr. LEUNG Kai Wing (梁啟榮), aged 45, is an Executive Director and Chief Executive Officer of the Company. With over 19 years of experience in the insulation materials industry, he is principally responsible for the business planning and general management. He is the son of Mr. LEUNG Chau Hiu, the spouse of Ms. TSANG Chi Yung and the elder brother of Ms. LEUNG Chun Yin. He joined us in May 1988 as a marketing executive and was promoted to marketing manager in November 1991 and 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. He was appointed an Executive Director of the Company on 6 March 2008.

Mr. CHEUNG Wai Kuen (張偉權), aged 37, is an Executive Director of the Company. Mr. CHEUNG has established a number of enterprises in various industries in the PRC since 1997, including property investment, hospital and trading business. He has over 10 years of experience in capital management and corporate management. He was appointed an Executive Director of the Company on 4 December 2009.

Mr. CHENG Pak Lung (鄭伯龍), aged 46, is an Executive Director of the Company. He has more than 20 years of experience in finance and investment banking industry and holds a bachelor degree in mathematics & operational research from the University of Lancaster, United Kingdom. He was appointed an Executive Director of the Company on 4 December 2009.

Mr. CHEN Liang (陳亮), aged 42, graduated from University of Petroleum (Beijing), China in 1996 with a Doctor Degree in Coal, Oil & Gas Geology and Exploration. He was vice president of CITIC Seram Energy Limited, Indonesia in 2006–2010, and held the post of vice president of CITIC Resources Holdings Limited, a Company listed on the main board of the Stock Exchange of Hong Kong Limited (Stock Code: 1205) in 2005–2006, and, primarily responsible for technical evaluation, planning and investments of oil & gas projects in Indonesia and other countries. Prior to that, he worked at various oil companies and research institutes in China and abroad. He had published a number of research papers and articles on petroleum industry with more than 15-years experience in petroleum exploration and development.

Directors and Senior Management

Mr. CHENG Hau Yan (鄭孝仁), aged 64, is an Executive Director of the Company. Mr. CHENG was the deputy division chief of the Finance and Planning Division of Yunnan Provincial Geology and Mining Bureau from October 1984 to March 1986, and deputy Director of the Economic Commission of Kunming for the period from April 1986 to April 1988. From May 1988 to 1996, he was the president of the Yunnan Branch of Bank of Communications. Mr. CHENG was an Executive Director of Yunnan Enterprises Holdings Limited (SEHK: 455) from April 1998 to March 2006, and west China regional Director of the Chinese Estates Holdings Limited (SEHK: 127) from 2006 to 2010. Mr. CHENG obtained a master of business administration degree from the Shanghai Jiao Tong University in 1983. He was appointed an Independent Non-executive Director of the Company on 23 December 2009 and re-designated as Executive Director on 20 December 2010.

Mr. LI Xianghong (李向鴻), aged 43, is an Executive Director of the Company. Mr. LI worked for the State Economic and Trade Commission from 1993 to 1999. He was an Executive Director of China Chengtong Development Group Limited from 2000 to 2003, assisting in its organizational and business restructuring. He has extensive resources in the investment and finance sectors in the PRC and possesses experience in restructuring of listed companies in Hong Kong. Mr. LI obtained a bachelor degree in history from Anhui Normal University and a master degree in law from Party School of the Central Committee of C.P.C. Mr. LI was appointed an Executive Director on 20 December 2010.

INDEPENDENT NON-EXEUCTIVE DIRECTORS

Mr. POON Fuk Chuen (潘福全), aged 49, joined the Group in January 2011. He is the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. POON graduated in the United Kingdom and got qualified as a Public Accountant with PricewaterhouseCoopers in Hong Kong. Mr. POON has over 14 years of auditing and corporate finance experience before leaving the auditing professional to join corporations in 2000. Mr. POON is a Certified Public Accountant and is currently the Chief Financial Officer of Lifestyle International Holdings Limited, a listed Company.

Mr. LIU Feng (劉烽), aged 48, is an Independent Non-executive Director of the Company. Mr. LIU has over 30 years experience in the banking and financial industries. He held the posts of section chief and deputy governor of Foshan Commercial Bank from 1997 to 2003, and Deputy General Manager of Shenzhen Lixin Guarangy Co., Limited since September 2009. From 1999 to 2003, he held the positions of Director and senior management in various investment companies. Mr. LIU was appointed an Independent Non-executive Director of the Company on 20 December 2010.

Mr. ZHONG Wei Guang (鐘偉光), aged 43, is an Independent Non-executive Director of the Company. Mr. ZHONG serves as Guangdong Province Huizhou committee member of the Chinese People's Political Consultative Conference and Vice Chairman of the Huizhou City Chamber of Commerce. Mr. ZHONG has over 20 years of experience in PRC business. He is also a general manager of Huizhou Peng Feng Group. Mr. ZHONG was appointed an Independent Non-executive Director of the Company on 23 December 2009.

Mr. WONG Hing Tat (黃慶達), aged 46, is an Independent Non-executive Director. Mr. WONG is a Certified Public Accountant in Hong Kong and the Managing Director of H. T. Wong & Co. Limited, Certified Public Accountants. He has over 20 years of experience in accounting, auditing and taxation and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate of the Institute of Chartered Accountants in England and Wales. He graduated from the Chinese University of Hong Kong with a bachelor degree in business administration in 1988. Mr. WONG was appointed an Independent Non-executive Director of the Company on 23 December 2009.

SENIOR MANAGEMENT

Mr. WONG Fai Kit (黃暉傑), aged 51, is the Financial Controller, Qualified Accountant and former Company Secretary of the Company. He is responsible for our financial management and treasury matters. He has over 20 years of experience in auditing, accounting and financial management. Mr. WONG joined the Company in February 2007. Prior to that, Mr. WONG held various senior finance and management positions in various companies. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants since July 2002. He received a MBA degree from the Asia International Open University (Macau) in July 1994.

Mr. LEUNG Ka Wai (梁嘉威), aged 30, has been recently appointed as our Company Secretary. Mr. LEUNG is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, with over six years of professional experience in accounting and auditing. Mr. LEUNG joined us on 27 November 2009.

Mr. FENG Jianzhong (馮建中), aged 36, has been a Financial Manager and an assistant to our Financial Controller since June 2004. Mr. FENG is primarily responsible for 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 in August 2005. Mr. FENG completed a course on international accounting from Shenzhen University in August 1995.

Mr. XIA Zhibing (夏志兵), aged 30, is the Quality Control Manager of the Company. Mr. XIA joined us in April 1999 and is 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 obtained a certificate of 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 88, is a Technology Consultant of the Company. 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 of 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).

Corporate Governance Report

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 of the Listing Rules). The Company is in compliance with the Code Provisions therein.

As at 31 December 2010, the Board comprises seven 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	Audit Committee	Remuneration Committee
Executive Directors		
Leung Chau Hiu *(Chairman)*	Poon Fuk Chuen *(Chairman)*	Liu Feng *(Chairman)*
Leung Kai Wing *(Chief Executive Officer)*	Zhong Wei Guang	Leung Kai Wing
Cheung Wai Kuen	Liu Feng	Poon Fuk Chuen
Chen Liang (appointed on 13 April 2010)	(appointed on 10 December 2010)	(appointed on 20 January 2011)
Li Xianghong	Cheng Hau Yan	Cheng Hau Yan
(appointed on 10 December 2010)	(resigned on 10 December 2010)	(resigned on 10 December 2010)
Cheng Hau Yan	Wong Hing Tat	Wong Hing Tat
(re-designated from Independent Non-executive Director on 10 December 2010)	(resigned on 20 January 2011)	(resigned on 20 January 2011)
Chang Yong Tian		
(appointed on 22 January 2010 and resigned on 10 December 2010)		
Tsang Chi Yung		
(resigned on 5 July 2010)		
Leung Chun Yin		
(reigned on 5 July 2010)		
Cheng Pak Lung		
(resigned on 20 January 2011)		
Independent Non-executive Directors		
Zhong Wei Guang		
Liu Feng		
(appointed on 10 December 2010)		
Poon Fuk Chuen		
(appointed on 20 January 2011)		
Cheng Hau Yan		
(re-designated to Executive Director on 10 December 2010)		
Wong Hing Tat		
(resigned on 20 January 2011)		

On 6 March 2009, Mr. Leung Chau Hiu was appointed as the Chairman and Executive Director of the Company, and Mr. Leung Kai Wing was appointed as the Chief Executive Officer and Executive Director of the Company. On 4 December 2009, Mr. Cheung Wai Kuen and Mr. Cheng Pak Lung were appointed as Executive Directors of the Company. On 22 January 2010, Mr. Chang Yong Tian was appointed as Executive Director of the Company and resigned on 10 December 2010. On 13 April 2010, Mr. Chen Liang was appointed as Executive Director of the Company. On 5 July 2010, Ms. Tsang Chi Yung and Ms. Leung Chun Yin resigned as the Executive Directors of the Company. On 10 December 2010, Mr. Cheng Hau Yan and Mr. Li Xianghong were re-designated and appointed as the Executive Directors of the Company respectively. On 10 December 2010, Mr. Liu Feng was appointed as the Independent Non-executive Directors of the Company. On 20 January 2011, Mr. Poon Fuk Chuen was appointed and Mr. Wong Hing Tat was resigned as the Independent Non-executive Directors and Mr. Cheng Pak Lung resigned as Executive Director of the Company.

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 he wishes 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 eleven Board meetings in 2010. Attendance of the full Board meetings are as follows:

Attendance	No. of meetings attended/held
Mr. Leung Chau Hiu	4/11
Mr. Leung Kai Wing	4/11
Mr. Cheung Wai Kuen	7/11
Mr. Zhong Wei Guang	4/11
Mr. Chen Liang (appointed on 13 April 2010)	4/11
Mr. Li Xianghong (appointed on 10 December 2010)	1/11
Mr. Liu Feng (appointed on 10 December 2010)	2/11
Mr. Cheng Hau Yan (re-designated on 10 December 2010)	4/11
Mr. Chang Yong Tian (appointed on 22 January 2010 and resigned on 10 December 2010)	7/11
Ms. Tsang Chi Yung (resigned on 5 July 2010)	1/11
Ms. Leung Chun Yin (resigned on 5 July 2010)	1/11
Mr. Cheng Pak Lung (resigned on 20 January 2011)	9/11
Mr. Wong Hing Tat (resigned on 20 January 2011)	4/11

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 was formerly chaired by Mr. Wong Hing Tat and is presently chaired by Mr. Poon Fuk Chuen since 20 January 2011, both of them are Qualified Accountants with relevant experience in financial reporting and control. In 2010, the Audit Committee had held 2 meetings to review respectively the annual results of the Group for the financial year ended 31 December 2009 and the interim results of the Group for the six months ended 30 June 2010 and all members of the Audit Committee were present with 100 percent attendance.

REMUNERATION COMMITTEE

The Remuneration Committee reviews and approves the remunerations of Directors. To minimize 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 Director should determine his or her own remuneration, and remuneration should reflect performance, complexity, position, duties and responsibility of the individual. The committee was formerly chaired by Mr. Cheng Hau Yan and is presently chaired by Mr. Liu Feng since 10 December 2010. The Remuneration Committee had held 1 meeting in 2010 to review the remunerations of Directors and senior management and all members of the Remuneration Committee were present with 100 percent attendance.

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.

AUDITORS' REMUNERATION

Auditors' remuneration in relation to audit amounted to HK$0.9 million (2009: HK$0.74 million). The following remuneration was paid by the Group to its auditor, Deloitte Touche Tohmatsu:

(in HK$ millions)	**2010**	2009
Audit service	**0.90**	0.74
Non audit services	**1.84**	0.02
Total	**2.74**	0.76

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and its effectiveness. It has established an ongoing 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 2010. 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 year ended 31 December 2010.

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 2010, 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 and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

The Chairman of the Board and Chairman of Audit Committee and Remuneration Committee will make themselves available at the annual general meeting to meet shareholders. The Company will ensure that there are separate resolutions for separate issues at general meetings.

The Company will continue to maintain an open and effective investor communication policy and to update investors via the Company's website on relevant information on its business in a timely manner, subject to relevant regulatory requirements.

Directors' Report

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 2010.

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 40 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 27.

The Directors do not recommend the payment of dividend.

PROPERTY, PLANT AND EQUIPMENT

On 18 March 2010, the Group disposed of certain leasehold land and buildings with the aggregate carrying amount of HK$11.2 million to four companies wholly-owned by Vitar Development Holdings Limited ("Vitar Development"), a substantial shareholder of the Company, at a total consideration of HK$24.1 million. Details refer to connected transactions disclosures in this report.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

INVESTMENT PROPERTY

On 18 March 2010, the Group disposed of its investment property with the carrying amount of HK$6.1 million to a Company wholly-owned by Vitar Development at a consideration of HK$7 million. Details refer to connected transactions disclosures in this report.

Details of these and other movements in the investment property of the Group during the year are set out in note 21 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 32 to the consolidated financial statements.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 37 to the consolidated financial statements.

During the year, no option had been granted or agreed to be granted to any person under the Company's share option scheme.

DISTRIBUTABLE RESERVE OF THE COMPANY

As at 31 December 2010, the Company's reserves available for distribution to shareholders were as follows:

	HK$'000
Share premium	**389,589**
Accumulated losses	**(8,449)**
	381,140

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 or with a clause that gives the lender the unconditional right to call the loans at any time are classified under current liabilities. Details of borrowings are set out in note 31 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	
Mr. Leung Kai Wing	
Mr. Cheung Wai Kuen	
Mr. Chen Liang	(appointed on 13 April 2010)
Mr. Li Xianghong	(appointed on 10 December 2010)
Mr. Cheng Hau Yan	(re-designated from Independent Non-executive Director on 10 December 2010)
Mr. Chang Yong Tian	(appointed on 22 January 2010 and resigned on 10 December 2010)
Ms. Tsang Chi Yung	(resigned on 5 July 2010)
Ms. Leung Chun Yin	(resigned on 5 July 2010)
Mr. Cheng Pak Lung	(resigned on 20 January 2011)

Independent Non-executive Directors:

Mr. Zhong Wei Guang	
Mr. Liu Feng	(appointed on 10 December 2010)
Mr. Poon Fuk Chuen	(appointed on 20 January 2011)
Mr. Cheng Hau Yan	(re-designated to Executive Director on 10 December 2010)
Mr. Wong Hing Tat	(resigned on 20 January 2011)

In accordance with the provisions of the Company's Bye-Laws, Mr. Chen Liang, Mr. Cheng Hau Yan, Mr. Zhong Wei Guang, Mr. Liu Feng and Mr. Poon Fuk Chuen, will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Leung Chau Hiu and Mr. Leung Kai Wing have entered into service contracts 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.

Mr. Chen Liang, Mr. Li Xianghong, Mr. Cheng Hau Yan and Mr. Liu Feng have entered into service contracts with our Company for a term of one year. For Mr. Chen Liang, the term was commenced on 13 April 2010. For Mr. Li Xianghong, Mr. Cheng Hau Yan and Mr. Liu Feng, term was commenced on 10 December 2010. The contracts are renewable by mutual agreement on annual basis.

Mr. Zhong Wei Guang and Mr. Poon Fuk Chuen entered into service contracts with the Company for a term of one year commencing from 23 December 2009 and 20 January 2011 respectively and the service contracts are renewable by mutual agreement on annual basis.

Other than as disclosed above, no 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 2010, the interests 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$0.005 each of the Company ("Shares")

Name of Director	Nature of interest	Number of shares	Percentage of shareholding %
Mr. Leung Chau Hiu (note 1)	Interest of a controlled corporation	880,000,000	30.56
Mr. Leung Kai Wing (note 1)	Interest of a controlled corporation	880,000,000	30.56
Ms. Tsang Chi Yung (note 1)	Interest of a controlled corporation	880,000,000	30.56
Ms. Leung Chun Yin (note 1)	Interest of a controlled corporation	880,000,000	30.56
Mr. Cheung Wai Kuen (note 2)	Interest of a controlled corporation	560,000,000	19.44
Mr. Li Xianghong	Beneficial owner	21,890,000	0.76

Notes:

(1) 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 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. On 5 July 2010, Ms. Tsang Chi Yung and Ms. Leung Chun Yin resigned as Executive Directors of the Company.

(2) Mr. Cheung Wai Kuen's interest in the Company is held through Wright Source Limited ("Wright Source").

Save as disclosed above, as at 31 December 2010, 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 SHAREHOLDERS

As at 31 December 2010, the following persons (not being a Director or a Chief Executive of the Company) have interests 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 1)	Beneficial owner	880,000,000	30.56
Wright Source (note 2)	Beneficial owner	560,000,000	19.44

Notes:

(1) 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%.

(2) Wright Source is wholly owned by Mr. Cheung Wai Kuen.

Saved as disclosed above, the register required to be kept under section 336 of the SFO shows that as at 31 December 2010, 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 ("Non-competition Deed") 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.

During the year, none of the Directors, the management shareholders or substantial shareholders of the Company of their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) had any interest in a business which competed with or might compete with the business of the Group.

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 45% and 57% of the total sales and purchases for the year, respectively. The Group's largest customer and supplier accounted for around 17% and 21% 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.

CONNECTED TRANSACTIONS

On 9 February 2010, Vitar Insulation Manufactures Limited ("Vitar Hong Kong"), a wholly-owned subsidiary of the Company, entered into the agreements with New Ocean (China) Limited ("New Ocean"), Grandeur (China) Limited ("Grandeur China"), Joy Success Corporation Limited ("Joy Success") and Major Business Limited ("Major Business"), companies wholly-owned by Vitar Development, a substantial shareholder of the Company. Pursuant to the agreements, Vitar Hong Kong has agreed to sell and each of New Ocean, Grandeur China, Joy Success and Major Business have agreed to purchase the properties: i) the residential property situated at Flat H on 6/F of Block 5 and car parking spaces Nos. 35 and 79 on basement, Villa Concerto, Symphony Bay, No. 530 Sai Sha Road, New Territories ("First Property"); ii) the residential property situated at Unit 3A on 3rd and 4th Floors including roof and car parking spaces Nos.16 and 22 on Ground Floor of Block A, Ascot Heights, No. 21 Lok Lam Road, Shatin ("Second Property"); iii) the commercial property situated at Workshop 12 on 7th Floor of Block A, New Trade Plaza, No. 6 On Ping Street, Shatin ("Third Property") and iv) the commercial property situated at Workshop C on 26th Floor, Shield Industrial Centre, Nos. 84–92 Chai Wan Kok Street, Tsuen Wan, New Territories ("Fourth Property") for a total consideration of HK$31.1 million. The consideration of HK$31.1 million has been arrived at based on an independent valuation carried out by Jones Lang LaSalle Sallmanns Limited, Chartered Surveyors. As part of the agreements, Vitar Hong Kong shall lease back the Second Property from Grandeur China, the Third Property from Joy Success and the Fourth Property from Major Business at the prevailing market rent, each for a period of three years. The transactions were approved by the independent shareholders of the Company at the extraordinary general meeting held on 18 March 2010. Details of the transactions can be referred to in the announcements of the Company dated 3 February 2010 and the circular of the Company dated 2 March 2010. Particulars of the transaction are disclosed in notes 20, 22 and 37 to the consolidated financial statements.

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 year.

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 BENEFIT SCHEMES

Other than operating a Hong Kong Mandatory Provident Fund Scheme and participating in the state-managed retirement benefit scheme in the People's Republic of China, the Group has not operated any other retirement benefit schemes for the Group's employees. Particulars of the retirement benefit schemes are set out in note 33 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 Listing Rules during the year ended 31 December 2010.

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 year ended 31 December 2010.

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 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 2010 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 year ended 31 December 2010.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 39 to the consolidated financial statements.

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
29 March 2011

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 27 to 79, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 of the consolidated financial statements that give a true and fair view 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.

Independent Auditor's Report

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 2010 and of the Group's loss 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
29 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	NOTES	**2010 HK$'000**	2009 HK$'000
Revenue	7	**207,350**	134,586
Cost of sales		**(178,414)**	(115,318)
Gross profit		**28,936**	19,268
Interest income	9	**298**	164
Other income	10	**204**	592
Other gains and losses	11	**7,873**	(4,040)
Selling and distribution costs		**(1,138)**	(1,544)
Administrative expenses		**(39,370)**	(23,723)
Other expenses	16	**(6,971)**	—
Finance costs	12	**(487)**	(774)
Loss before taxation		**(10,655)**	(10,057)
Taxation	15	**(2,101)**	(2,681)
Loss for the year	16	**(12,756)**	(12,738)
Other comprehensive income for the year			
Exchange gains arising on translating foreign operations		**6,178**	153
Total comprehensive expense for the year		**(6,578)**	(12,585)
			(restated)
Loss per share			
Basic (HK cents)	18	**0.47**	0.64

Consolidated Statement of Financial Position

At 31 December 2010

	NOTES	31.12.2010 HK$'000	31.12.2009 HK$'000 (Restated)	1.1.2009 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	19	**58,086**	63,410	62,467
Prepaid lease payments	20	**6,364**	6,240	6,363
Investment property	21	**—**	6,149	6,332
Intangible asset	22	**1,061**	1,061	1,906
Deferred taxation	34	**—**	755	—
Deposit placed for a life insurance policy	23	**1,979**	1,919	—
Deposit paid for acquisition of a target Company	39(a)	**280,000**	—	—
		347,490	79,534	77,068
Current assets				
Inventories	24	**16,831**	15,077	32,809
Trade receivables	25	**53,388**	47,864	56,760
Other receivables, prepayments and deposits		**11,911**	8,401	4,473
Prepaid lease payments	20	**147**	141	141
Amount due from a related Company	26	**56**	56	56
Tax recoverable		**1,483**	—	1,113
Pledged bank deposits		**—**	—	8,029
Bank balances and cash	27	**118,666**	59,099	60,672
		202,482	130,638	164,053
Current liabilities				
Trade payables	28	**20,906**	15,576	18,089
Other payables, deposits received and accruals		**13,693**	7,640	6,669
Amounts due to related companies	29	**1,513**	741	118
Amounts due to Directors	30	**2,796**	1,166	—
Bank borrowings	31	**11,032**	29,773	41,386
Other payable — due within one year		**—**	—	228
Dividend payable		**—**	—	141
Tax payable		**589**	2,831	—
Bank overdrafts	31	**881**	—	—
		51,410	57,727	66,631
Net current assets		**151,072**	72,911	97,422
Total assets less current liabilities		**498,562**	152,445	174,490

Consolidated Statement of Financial Position

At 31 December 2010

	NOTES	**31.12.2010 HK$'000**	31.12.2009 HK$'000 (Restated)	1.1.2009 HK$'000 (Restated)
Capital and reserves				
Share capital	32	**14,400**	10,000	10,000
Reserves		**483,882**	142,445	162,530
Total equity		**498,282**	152,445	172,530
Non-current liabilities				
Deferred taxation	34	**280**	—	900
Other payable — due after one year		**—**	—	1,060
		280	—	1,960
		498,562	152,445	174,490

The consolidated financial statements on pages 27 to 79 were approved and authorised for issue by the Board of Directors on 29 March 2011 and are signed on its behalf by:

Cheng Hau Yan	**Leung Kai Wing**
DIRECTOR	DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Special reserve HK$'000 (note ii)	Retained profits HK$'000	Total HK$'000
At 1 January 2009	10,000	41,574	5,744	7,800	107,412	172,530
Loss for the year	—	—	—	—	(12,738)	(12,738)
Other comprehensive income for the year (note i)	—	—	153	—	—	153
Total comprehensive income (expense) for the year	—	—	153	—	(12,738)	(12,585)
Dividends recognised as distribution (note 17)	—	—	—	—	(7,500)	(7,500)
At 31 December 2009	10,000	41,574	5,897	7,800	87,174	152,445
Loss for the year	—	—	—	—	(12,756)	(12,756)
Other comprehensive income for the year (note i)	—	—	6,178	—	—	6,178
Total comprehensive income (expense) for the year	—	—	6,178	—	(12,756)	(6,578)
Issue of shares	4,400	350,600	—	—	—	355,000
Transaction costs attributable to issue of shares	—	(2,585)	—	—	—	(2,585)
At 31 December 2010	**14,400**	**389,589**	**12,075**	**7,800**	**74,418**	**498,282**

Notes:

(i) All other comprehensive income for the years ended 31 December 2010 and 2009 represent exchange gains arising on translating foreign operations. There is no tax effect relating to other comprehensive income.

(ii) 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 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 transferring the nil-paid share of the Company to Vitar Development Holdings Limited ("Vitar Development"), a Company owned by the Vendors, 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 Statement of Cash Flows

For the year ended 31 December 2010

	2010	2009
	HK$'000	HK$'000
		(Restated)
OPERATING ACTIVITIES		
Loss before taxation	**(10,655)**	(10,057)
Adjustments for:		
Interest income	**(298)**	(164)
Interest expense	**487**	774
(Gain) loss on disposal of property, plant and equipment	**(11,167)**	85
Gain on disposal of investment property	**(922)**	—
Gain on fair value change of derivative financial instruments	**—**	(750)
Allowance for bad and doubtful debts	**3,580**	4,068
Allowance for obsolete inventories	**6,678**	2,831
Impairment loss recognised in respect of property, plant and equipment	**1,492**	—
Impairment loss recognised in respect of intangible asset	**—**	845
Depreciation of property, plant and equipment	**6,892**	7,165
Release of prepaid lease payments	**135**	133
Amortisation of investment property	**31**	183
Premium charged on a life insurance policy charged	**35**	152
Operating cash flows before movements in working capital	**(3,712)**	5,265
(Increase) decrease in inventories	**(8,432)**	14,901
(Increase) decrease in trade receivables	**(8,932)**	4,828
Increase in other receivables, prepayments and deposits	**(3,314)**	(3,178)
Increase (decrease) in trade payables	**5,330**	(2,513)
Increase (decrease) in other payables, deposits received and accruals	**6,053**	(316)
Increase in amounts due to related companies	**772**	623
Increase in amounts due to Directors	**1,630**	1,166
Cash (used in) generated from operations	**(10,605)**	20,776
Income taxes paid	**(4,791)**	(392)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(15,396)**	20,384
INVESTING ACTIVITIES		
Interest received	**203**	90
Decrease in pledged bank deposits	**—**	8,029
Purchase of property, plant and equipment	**(14,223)**	(8,284)
Proceeds from disposal of property, plant and equipment	**24,114**	161
Proceeds from disposal of investment property	**7,040**	—
Payment of deposit placed for a life insurance policy	**—**	(1,997)
Deposit paid for acquisition of a target Company	**(280,000)**	—
NET CASH USED IN INVESTING ACTIVITIES	**(262,866)**	(2,001)

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	**355,000**	—
Transaction costs attributable to issue of shares	**(2,585)**	—
Interest paid	**(487)**	(774)
Dividend paid	**—**	(7,641)
Repayment of bank borrowings	**(150,113)**	(67,109)
New bank borrowings raised	**131,372**	55,496
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**333,187**	(20,028)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**54,925**	(1,645)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**3,761**	72
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**59,099**	60,672
	117,785	59,099
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by		
Bank balances and cash	**118,666**	59,099
Bank overdrafts	**(881)**	—
	117,785	59,099

1. GENERAL

The Company is a public limited Company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). For the period from 1 January 2009 to 11 August 2009, its immediate and ultimate holding Company was Vitar Development. On 12 August 2009, Vitar Development completed a placing of 28,000,000 existing shares, representing 28% of the Company's issued share capital, to Wright Source Limited and since then Vitar Development ceased to be the immediate and ultimate holding Company of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company acts as an investment holding Company and provides corporate management services. The principal activities of its subsidiaries are set out in note 40.

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")

New and revised HKFRSs applied in the current year

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC)-INT 17	Distributions of non-cash assets to owners
HK-INT 5	Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and disclosures set out in these consolidated financial statements.

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

HKFRS 3 (revised in 2008) Business combinations

HKFRS 3 (revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions.

HKFRS 3 (revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. In the current year, the application of HKFRS 3 (revised in 2008) has affected the accounting treatment for transaction costs of HK$4,747,000 incurred during the year for the proposed acquisition of Parksong Mining and Resource Recycling Limited ("Parksong") which was completed after the end of the reporting period. As a result of application of HKFRS 3 (revised in 2008), transaction costs of HK$4,747,000 were charged to the consolidated statement of comprehensive income during the year (see note 39(a) for details).

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant, and equipment and investment property retrospectively. This resulted in prepaid lease payments with the carrying amounts of HK$5,602,000 and HK$4,310,000 as at 1 January 2009, and HK$5,444,000 and HK$4,180,000 as at 31 December 2009 being reclassified to property, plant and equipment and investment property respectively.

The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

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

Hong Kong Interpretation 5 Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause

Hong Kong Interpretation 5 Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause ("HK-INT 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK-INT 5 for the first time in the current year. HK-INT 5 requires retrospective application.

In order to comply with the requirements set out in HK-INT 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK-INT 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$3,333,000 and HK$3,600,000 have been reclassified from non-current liabilities to current liabilities as at 1 January 2009 and 31 December 2009 respectively. As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$3,700,000 have been classified as current liabilities. The application of HK-INT 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 5 for details).

Summary of the effects of the above changes in accounting policies

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2009 and 31 December 2009 are as follows:

	As at 1.1.2009 HK$'000 (originally stated)	Adjustments HK$'000	As at 1.1.2009 HK$'000 (restated)	**As at 31.12.2009 HK$'000 (originally stated)**	**Adjustments HK$'000**	**As at 31.12.2009 HK$'000 (restated)**
Property, plant and equipment	56,865	5,602	62,467	**57,966**	**5,444**	**63,410**
Investment property	2,022	4,310	6,332	**1,969**	**4,180**	**6,149**
Prepaid lease payments	16,416	(9,912)	6,504	**16,005**	**(9,624)**	**6,381**
Bank borrowings — current	38,053	3,333	41,386	**26,173**	**3,600**	**29,773**
Bank borrowings — non-current	3,333	(3,333)	—	**3,600**	**(3,600)**	**—**
		—			**—**	

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

Summary of the effects of the above changes in accounting policies *(continued)*

The effects of changes in accounting policies described above on the results for the current year are as follows:

	2010 HK$'000
Increase in other expenses and loss for the year	**4,747**

The effects of the above changes in accounting policies on the Group's basic loss per share for the current year are as follows:

Impact on basic loss per share

	2010 HK cents
Figure before adjustment	**(0.30)**
Adjustment arising from change in the Group's accounting policies in relation to business combinations	**(0.17)**
Figure after adjustment	**(0.47)**

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 issued in 2010[1]
HKFRS 1 (Amendments)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[2]
HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters[3]
HKFRS 7 (Amendments)	Disclosures — Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 32 (Amendments)	Classification of rights issues[7]
HK(IFRIC)-INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

The Directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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 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. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

The principal accounting policies 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.

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 the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 properties under construction, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than properties under construction, less their residual values over their estimated useful lives, using the straight-line method or reducing balance method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production and administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Investment property

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

Investment property was initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property was stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation was recognised 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 was derecognised upon disposal or when the investment property was permanently withdrawn from use and no future economic benefits were 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) was included in the profit or loss in the period in which the item was derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 profit or loss in the period 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 profit or loss on a straight-line basis over the term of the relevant lease.

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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation 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 end of the reporting period, 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 in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 January 2009, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as finance costs in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as expenses when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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 statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items of income or expense 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 end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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 associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Impairment of tangible and intangible assets

At the end of the reporting period, 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. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 in the consolidated statement of financial position 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.

Financial assets

The Group's financial assets are classified as loan and receivables.

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 to the net carrying amount on initial recognition.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, deposit placed for a life insurance policy, deposit paid for acquisition of a target Company, amount due from a related Company, bank balances and cash) 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 the end of the reporting period. 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 affected.

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

- significant financial difficulty of the issuer or counterparty; or
- the receivables become past due from 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 loss 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.

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 amount due from a related Company 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.

Financial liabilities and equity instruments

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

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 (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 liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Financial liabilities

Financial liabilities including trade payables, other payables, accruals, amounts due to related companies, amounts due to Directors and bank borrowings 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.

Derivative financial instruments

Derivative financial instruments are financial assets which are not designated and effective as hedging instruments and are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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 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 end of the reporting period, 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 of trade receivables and on management's estimation of the recoverable amounts. 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 2010, the carrying amount of trade receivables was HK$53,388,000 (2009: HK$47,864,000) (net of allowance for bad and doubtful debts of HK$8,353,000 (2009: HK$4,773,000)).

Allowance for inventories

The management of the Group estimates the net realisable value for finished goods, work-in-progress and raw materials based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting date and makes allowance for obsolete items. Where the actual net realisable value is less than expected, a material allowance may arise. As at 31 December 2010, the carrying amount of inventories was HK$16,831,000 (2009: HK$15,077,000) (net of allowance for obsolete inventories of HK$9,509,000 (2009: HK$2,831,000)).

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2010 HK$'000	2009 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**456,816**	114,412
Financial liabilities		
Amortised cost	**46,611**	53,198

Financial risk management objective and policies

The Group's major financial instruments include trade receivables, other receivables, deposit placed for a life insurance policy, deposit paid for acquisition of a target Company, amounts due from or to related companies and Directors, bank balances and cash, trade payables, other payables, accruals and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the policies 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.

There has been no significant changes to the Group's exposure to financial risks on the manner in which its manages and measures the risk.

Market risk

Currency risk

Certain subsidiaries of the Company have amounts due from and to group companies, bank balances, bank borrowings, sales and purchases denominated in foreign currencies, which expose the subsidiaries to foreign currency risk. For a subsidiary of which the functional currency is HK$, as the exchange rate of HK$ is pegged against United States Dollars ("USD"), in the opinion of the Directors, the currency risk of HK$ against USD is insignificant to this subsidiary.

The consolidated financial statements included the following carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of a subsidiary of which the functional currency is HK$ at the end of the reporting period:

	Assets		Liabilities	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
USD	**31,841**	34,225	**12,648**	13,939
Renminbi ("RMB")	**548**	898	**1,990**	3,119

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Market risk *(continued)*

Currency risk (continued)

The consolidated financial statements included the following carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of subsidiaries of which the functional currency is RMB at the end of the reporting period:

	Assets		Liabilities	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**12,697**	—	**—**	—
HK$	**6,241**	—	**—**	—

The carrying amounts of the foreign currency denominated intra-group balances which have been eliminated in the consolidated financial statements of certain subsidiaries of which the functional currency is RMB at the end of the reporting period are as follows:

	Assets		Liabilities	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**36,709**	49,034	**57,009**	60,516

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.

Sensitivity analysis

For a subsidiary of which the functional currency is HK$, the following table details its sensitivity to a 5% increase and decrease in HK$ against RMB. Sensitivity rate of 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding RMB denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. A positive number below indicates a decrease in post-tax loss 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 loss for the year.

	RMB impact	
	2010	2009
	HK$'000	HK$'000
Decrease in post-tax loss for the year	**72**	111

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Market risk *(continued)*

Currency risk (continued)

Sensitivity analysis *(continued)*

For the subsidiaries of which the functional currency is RMB, the following table details its sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. Sensitivity rate of 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes intra-group balances within the Group where the denomination of the balances is in a currency other than the functional currency of the respective group entity. A positive number below indicates a decrease (increase) in post-tax loss for the year where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax loss for the year.

	USD impact		**HK$ impact**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Decrease (increase) in post-tax loss for the year	**380**	574	**(312)**	—

Interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 31 for details of these borrowings) 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 was exposed to fair value interest rate risk in relation to deposit placed for a life insurance policy with fixed interest rate (see note 23 for details).

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.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings and bank balances, the analysis is prepared assuming the bank borrowings and bank balances at the end of the reporting period was outstanding for the whole year. A 50 basis point (2009: 50 basis point) and 20 basis point (2009: 20 basis point) increase or decrease is used for bank borrowings and bank balances respectively which represents management's assessment of the reasonably possible change in interest rates.

For bank borrowings, if interest rates had been 50 basis point (2009: 50 basis point) higher/lower and all other variables were held constant, the Group's post-tax loss for the year would increase/decrease by approximately HK$60,000 (2009: HK$124,000).

For bank balances, if interest rates had been 20 basis point (2009: 20 basis point) higher/lower and all other variables were held constant, the Group's post-tax loss for the year would decrease/increase by approximately HK$237,000 (2009: HK$118,000).

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Market risk *(continued)*

Other price risk

The Group was exposed to price risk through the copper forward derivative contracts entered into during both years. The Group entered into the copper forward contracts in order to minimise its exposure to the price fluctuations of purchase as copper is a major raw materials for production and trading goods of the Group. The management managed this exposure by appointing a special team to monitor the price risk. There were no derivative contracts outstanding as at 31 December 2010 and 2009.

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group has concentration of credit risk on deposit paid for acquisition of a target Company as at 31 December 2010. 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 and deposits made. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period 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.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on deposit paid for acquisition of a target Company and bank balances which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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 issuance of new shares and bank borrowings as a significant source of liquidity. As at 31 December 2010, the Group had available unutilised overdraft and short-term bank loan facilities of approximately HK$26,268,000 (2009: HK$76,701,000).

The following table details the Group's remaining contractual maturity for its 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. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Liquidity risk *(continued)*

Liquidity tables

	Weighted average effective interest rate	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
2010					
Trade payables	–	15,654	5,252	20,906	20,906
Other payables and accruals	–	9,483	–	9,483	9,483
Amounts due to related companies	–	1,513	–	1,513	1,513
Amounts due to Directors	–	2,796	–	2,796	2,796
Bank overdrafts	2.2%	881	–	881	881
Variable interest rates bank loans	2.2%	11,032	–	11,032	11,032
		41,359	5,252	46,611	46,611

	Weighted average effective interest rate	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
2009					
Trade payables	–	10,087	5,489	15,576	15,576
Other payables and accruals	–	5,956	–	5,956	5,956
Amount due to a related Company	–	741	–	741	741
Amounts due to Directors	–	1,166	–	1,166	1,166
Variable interest rates bank loans	2.3%	29,773	–	29,773	29,773
		47,723	5,489	53,212	53,212

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Liquidity risk *(continued)*

Bank loans with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2010 and 2009, the aggregate undiscounted principal amounts of these bank loans amounted to HK$11,032,000 and HK$29,773,000 respectively. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. In accordance with the scheduled repayment dates set out in the loan agreements, the aggregate principal and interest cash outflows amounted to HK$11,218,000 (2009: HK$30,192,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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.

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 31 and equity attributable to owners 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 the payment of dividends, new share issues 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. SEGMENT INFORMATION

Information reported to the Executive Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

Specifically, the Group's reportable 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").

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2010

	Manufacturing HK$'000	Trading HK$'000	Total HK$'000
REVENUE			
External sales	**132,780**	**74,570**	**207,350**
Segment profit	**20,039**	**3,261**	**23,300**
Interest income			**298**
Other income			**204**
Other gains and losses			**12,945**
Unallocated selling and distribution costs			**(574)**
Unallocated corporate expenses			**(46,341)**
Finance costs			**(487)**
Loss before taxation			**(10,655)**

8. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the year ended 31 December 2009

	Manufacturing HK$'000	Trading HK$'000	Total HK$'000
REVENUE			
External sales	105,584	29,002	134,586
Segment profit	12,636	1,737	14,373
Interest income			164
Other income			592
Other gains and losses			28
Unallocated selling and distribution costs			(717)
Unallocated corporate expenses			(23,723)
Finance costs			(774)
Loss before taxation			(10,057)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of interest income, other income, unallocated selling and distribution costs, unallocated administration costs, Directors' salaries, finance costs, change in fair value of derivatives financial instruments, impairment loss recognised in respect of intangible asset, gain on disposal of property, plant and equipment, gain on disposal of investment property, net foreign exchange gain and income tax expenses. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

At 31 December 2010

	Manufacturing HK$'000	Trading HK$'000	Total HK$'000
Assets			
Segment assets	105,348	20,415	125,763
Property, plant and equipment			9,053
Intangible asset			1,061
Deposit placed for a life insurance policy			1,979
Deposit paid for acquisition of a target Company			280,000
Other receivables, prepayment and deposits			11,911
Amount due from a related Company			56
Tax recoverable			1,483
Bank balances and cash			118,666
Consolidated assets			549,972
Liabilities			
Segment liabilities	16,078	4,828	20,906
Other payables, deposits received and accruals			13,693
Amounts due to related companies			1,513
Amounts due to Directors			2,796
Bank borrowings			11,913
Tax payable			589
Deferred taxation			280
Consolidated liabilities			51,690

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

At 31 December 2009

	Manufacturing HK$'000	Trading HK$'000	Total HK$'000 (Restated)
Assets			
Segment assets	109,023	23,709	132,732
Investment property			6,149
Intangible asset			1,061
Deferred taxation			755
Deposit placed for a life insurance policy			1,919
Other receivables, prepayment and deposits			8,401
Amount due from a related Company			56
Bank balances and cash			59,099
Consolidated assets			210,172
Liabilities			
Segment liabilities	12,807	2,769	15,576
Other payables, deposits received and accruals			7,640
Amounts due to related companies			741
Amounts due to Directors			1,166
Bank borrowings			29,773
Tax payable			2,831
Consolidated liabilities			57,727

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments, other than certain property, plant and equipment, investment property, intangible asset, deferred taxation, deposit placed for a life insurance policy, deposit paid for acquisition of a target Company, other receivables, prepayments, deposits, amount due from a related Company, tax recoverable, bank balances and cash.

- liabilities allocated to operating segments for both years are trade payables. Other liabilities are unallocated.

8. SEGMENT INFORMATION *(continued)*

Other segment information

For the year ended 31 December 2010

Amounts included in the measure of segment profit or loss or segment assets:

	Manufacturing HK$'000	Trading HK$'000	Unallocated HK$'000	Total HK$'000
Additions to property, plant and equipment	**4,042**	**14**	**10,167**	**14,223**
Depreciation of property, plant and equipment	**5,036**	**742**	**1,114**	**6,892**
Release of prepaid lease payments	**135**	**—**	**—**	**135**
Allowance for bad and doubtful debts	**3,580**	**—**	**—**	**3,580**
Allowance for obsolete inventories	**6,678**	**—**	**—**	**6,678**

Amount regularly provided to the Executive Directors but not included in the measure of segment profit or loss or segment assets:

	HK$'000
Finance costs	487

For the year ended 31 December 2009

Amounts included in the measure of segment profit or loss or segment assets:

	Manufacturing HK$'000	Trading HK$'000	Total HK$'000
Additions to property, plant and equipment	7,769	515	8,284
Depreciation of property, plant and equipment, as restated	6,507	658	7,165
Loss on disposal of property, plant and equipment	85	—	85
Release of prepaid lease payments, as restated	133	—	133
Allowance for bad and doubtful debts	4,068	—	4,068
Allowance for obsolete inventories	2,831	—	2,831

Amount regularly provided to the Executive Directors but not included in the measure of segment profit or loss:

	HK$'000
Finance costs	774

8. SEGMENT INFORMATION *(continued)*

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2010 **HK$'000**	2009 HK$'000
Manufacturing		
Fibre-glass sleeving	**25,473**	22,721
Silicon-based tubes	**16,840**	16,000
High-temperature electric wires	**59,853**	37,864
Mica sheets	**30,614**	28,999
Trading		
Copper	**34,451**	8,491
Silicone rubber	**40,119**	20,511
	207,350	134,586

Geographical information

The Group's operations are located in the People's Republic of China (the "PRC") (including Hong Kong).

Based on the shipping or delivery documents of each sales transaction, the management has categorised the sales by location of customers as follows:

	Revenue from external customers by geographical location	
	2010 **HK$'000**	2009 HK$'000
The PRC (including Hong Kong) (country of domicile)	**167,197**	117,672
Korea, Malaysia, Singapore and Thailand (note)	**39,549**	12,338
Germany and Ireland (note)	**604**	4,576
	207,350	134,586

Note: During both years, the revenue from external customers attributed to an individual foreign country was insignificant.

As at 31 December 2010, non-current assets of the Group other than financial instruments of HK$65,511,000 (2009: HK$76,860,000, as restated) were located in the PRC (including in Hong Kong).

Information about major customers

During the year ended 31 December 2010, a customer from Trading segment contributed revenue of HK$34,451,000 (2009: HK$15,038,000) to the total revenue of the Group. Other than this, none of the customer contributed over 10% of the total revenue of the Group during both years.

9. INTEREST INCOME

	2010 HK$'000	2009 HK$'000
Interest income from bank deposits	**203**	90
Interest income from deposit placed for a life insurance policy	**95**	74
	298	164

10. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Rental income	**62**	288
Sundry income	**142**	304
	204	592

11. OTHER GAINS AND LOSSES

	2010 HK$'000	2009 HK$'000
Allowance for bad and doubtful debts	**(3,580)**	(4,068)
Gain on fair value change of derivative financial instruments	**482**	750
Loss on disposal of property, plant and equipment	**(1,725)**	(85)
Gain on disposal of property, plant and equipment to related companies (note 19)	**12,892**	—
Gain on disposal of investment property to a related Company (note 21)	**922**	—
Impairment loss recognised in respect of property, plant and equipment (note 19)	**(1,492)**	—
Impairment loss recognised in respect of intangible asset	**—**	(845)
Net foreign exchange gain	**374**	208
	7,873	(4,040)

12. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**487**	755
Other payable wholly repayable within five years	**—**	19
	487	774

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the thirteen (2009: twelve) Directors were as follows:

	Leung Chau Hiu HK$'000	Leung Kai Wing HK$'000	Cheung Wai Kuen HK$'000	Chen Liang HK$'000 (note (i))	Li Xianghong HK$'000 (note (ii))	Cheng Hau Yan HK$'000	Chang Yong Tian HK$'000 (note (iii))	Tsang Chi Yung HK$'000 (note (iv))	Leung Chun Yin HK$'000 (note (iv))	Cheng Pak Lung HK$'000	Zhong Wei Guang HK$'000	Liu Feng HK$'000 (note (ii))	Wong Hing Tat HK$'000 (note (v))	Total HK$'000
For the year ended 31 December 2010														
Fees	–	–	–	447	35	341	532	–	–	650	100	6	100	2,211
Other emoluments:														
Salaries, allowances and benefits in kind	404	1,248	–	–	–	–	–	591	619	–	–	–	–	2,862
Contributions to retirement benefit scheme	–	34	–	3	–	–	–	29	18	12	–	–	–	96
Bonus (note ix)	500	500	–	–	–	–	–	500	500	–	–	–	–	2,000
Total emoluments	904	1,782	–	450	35	341	532	1,120	1,137	662	100	6	100	7,169

	Leung Chau Hiu HK$'000	Leung Kai Wing HK$'000	Tsang Chi Yung HK$'000	Leung Chun Yin HK$'000	Cheung Wai Kuen HK$'000 (note (vi))	Cheng Pak Lung HK$'000 (note (vi))	Cheng Hau Yan HK$'000 (note (vii))	Wong Hing Tat HK$'000 (note (vii))	Zhong Wei Guang HK$'000 (note (vii))	Wong Chi Kin HK$'000 (note (viii))	Chau Shing Yu HK$'000 (note (viii))	Lee Wing Yiu, William HK$'000 (note (viii))	Total HK$'000
For the year ended 31 December 2009													
Fees	–	–	–	–	–	44	4	2	2	118	118	118	406
Other emoluments:													
Salaries, allowances and benefits in kind	392	773	593	609	–	–	–	–	–	–	–	–	2,367
Contributions to retirement benefit scheme	–	32	30	17	–	–	–	–	–	–	–	–	79
Total emoluments	392	805	623	626	–	44	4	2	2	118	118	118	2,852

Notes:

(i) Mr. Chen Liang was appointed on 13 April 2010.

(ii) Mr. Li Xianghong and Mr. Liu Feng were appointed on 10 December 2010.

(iii) Mr. Chang Yong Tian was appointed on 22 January 2010 and resigned on 10 December 2010.

(iv) Ms. Tsang Chi Yung and Ms. Leung Chun Yin resigned on 5 July 2010.

(v) Mr. Wong Hing Tat resigned on 20 January 2011.

(vi) Mr. Cheung Wai Kuen and Mr. Cheng Pak Lung were appointed on 4 December 2009.

(vii) Mr. Cheng Hau Yan, Mr. Wong Hing Tat and Mr. Zhong Wei Guang were appointed on 23 December 2009.

(viii) Mr. Wong Chi Kin, Mr. Chau Shing Yu and Mr. Lee Wing Yiu, William resigned on 23 December 2009.

(ix) The bonus is discretionary and is determined by the remuneration committee having regard to the performance of individuals and the Group.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2009: three) were Directors of the Company, details of whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining one (2009: two) individuals were as follows:

	2010 HK$'000	2009 HK$'000
Salaries, allowances and benefits in kind	**1,040**	1,337
Contributions to retirement benefit scheme	**12**	24
	1,052	1,361

The emolument of the remaining one (2009: each of the remaining two) individual(s) for the year was within the following bands:

	2010 No. of employees	2009 No. of employees
HK$nil to HK$1,000,000	**—**	2
HK$1,000,001 to HK$1,500,000	**1**	—

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.

15. TAXATION

	2010 HK$'000	2009 HK$'000
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax	**(1,066)**	(18)
Underprovision of Hong Kong Profits Tax in prior years (note)	**—**	(4,318)
Current year deferred tax (note 34)	**(1,035)**	1,655
	(2,101)	(2,681)

Note: In prior years, a Hong Kong subsidiary of the Company which had entered into an import processing agreement with a PRC subsidiary of the Company was taxed under 50:50 apportionment basis with reference to a court ruling, which was subsequently overruled by Court of Appeal. As a result, additional tax provision of HK$4,318,000 was resulted in prior year.

15. TAXATION *(continued)*

Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Hong Kong subsidiaries incurred tax losses for both years.

Pursuant to the relevant laws and regulations in the PRC, Long Chuan Weida Insulation Material Co., Ltd. ("Long Chuan Weida"), a PRC subsidiary of the Company, 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 ("Tax Exemption"). Long Chuan Weida commenced its first profit making year in 2008.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of other PRC subsidiaries is 25% from 1 January 2008 onwards.

The applicable income tax rate is 16.5% for both year as the majority of the operating activities of the Group are located in Hong Kong.

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

	2010 HK$'000	2009 HK$'000
Loss before taxation	**(10,655)**	(10,057)
Tax at the domestic income rate of 16.5%	**1,758**	1,659
Tax effect of expenses not deductible for tax purpose	**(4,147)**	(57)
Tax effect of income not taxable for tax purpose	**1,675**	9
Tax effect of estimated tax losses not recognised	**(440)**	(295)
Tax effect of utilisation of tax losses previously not recognised	**299**	—
Effect of Tax Exemption granted to a PRC subsidiary	**—**	352
Effect of different tax rate of a subsidiary operating in the PRC	**310**	(6)
Reversal of deferred tax assets	**(1,655)**	—
Underprovision in prior years	**—**	(4,318)
Others	**100**	(25)
Taxation for the year	**(2,101)**	(2,681)

Note: The domestic tax rate (which is Hong Kong Profits Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

16. LOSS FOR THE YEAR

	2010 HK$'000	2009 HK$'000 (Restated)
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**846**	901
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK$6,678,000 (2009: HK$2,831,000))	**178,414**	115,318
Depreciation of property, plant and equipment	**6,892**	7,165
Amortisation of investment property (included in administrative expenses)	**31**	183
Release of prepaid lease payments	**135**	133
Operating lease rentals in respect of rented premises	**4,040**	1,281
Staff costs (including Directors' emoluments)		
— Salaries and other benefits	**24,085**	15,174
— Contributions to retirement benefit schemes	**766**	669
	24,851	15,843
Rental income from investment property	**(62)**	(288)
Less: Direct operating expenses from investment property that generated rental income during the year	**6**	93
Net rental income	**(56)**	(195)
Other expenses include:		
— Professional fees incurred for the purposed acquisition of the entire equity interest in Parksong (note 39(a))	**4,747**	—
— Unsuccessful acquisition of shares in target companies, which engaged in exploitation and production of oilfield and exploration and production of natural gas	**2,224**	—

17. DIVIDEND

	2010 HK$'000	2009 HK$'000
Dividends declared and recognised as distribution during the year:		
2009 Interim — HK5 cents (on a pre-split basis)	–	5,000
2008 Final — HK2.5 cents (on a pre-split basis) per share	–	2,500
	–	7,500

No final dividend in respect of the years ended 31 December 2010 and 2009 was proposed by the Directors.

18. LOSS PER SHARE

The calculation of the basic loss per share for each of the year ended 31 December 2010 and 2009 is based on loss for the respective years and on the number of shares as follows, as adjusted for the share split on 24 February 2010 as set out in note 32:

	2010	2009 (Restated)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**2,705,095,890**	2,000,000,000

Diluted loss per share is not presented for both years as there were no potential ordinary shares outstanding.

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Buildings HK$'000	Leasehold improvement HK$'000	Properties under construction HK$'000	Furniture and fixtures HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Tools HK$'000	Total HK$'000
COST									
At 1 January 2009, as originally stated	–	37,242	–	954	5,694	45,748	4,354	776	94,768
Effect of changes in accounting policies (note 2)	6,395	–	–	–	–	–	–	–	6,395
At 1 January 2009, as restated	6,395	37,242	–	954	5,694	45,748	4,354	776	101,163
Exchange adjustments	–	43	–	2	5	36	2	–	88
Additions	–	–	–	838	239	6,217	990	–	8,284
Disposals	–	–	–	–	(199)	(80)	(851)	(151)	(1,281)
At 31 December 2009, as restated	6,395	37,285	–	1,794	5,739	51,921	4,495	625	108,254
Exchange adjustments	–	1,902	–	75	139	299	65	–	2,480
Additions	–	–	4,165	3,058	3,653	913	2,434	–	14,223
Disposals	(6,395)	(7,281)	–	–	(844)	(17,799)	(168)	(215)	(32,702)
At 31 December 2010	–	31,906	4,165	4,927	8,687	35,334	6,826	410	92,255
DEPRECIATION AND IMPAIRMENT									
At 1 January 2009, as originally stated	–	3,312	–	–	2,915	28,529	2,528	619	37,903
Effect of changes in accounting policies (note 2)	793	–	–	–	–	–	–	–	793
At 1 January 2009, as restated	793	3,312	–	–	2,915	28,529	2,528	619	38,696
Exchange adjustments	–	2	–	–	2	15	1	–	20
Provided for the year, as restated	159	993	–	–	642	4,668	674	29	7,165
Eliminated on disposals	–	–	–	–	(175)	(63)	(665)	(134)	(1,037)
At 31 December 2009, as restated	952	4,307	–	–	3,384	33,149	2,538	514	44,844
Exchange adjustments	–	78	–	–	63	522	33	–	696
Provided for the year	26	877	669	–	851	3,918	529	22	6,892
Impairment loss recognised in profit or loss	–	1,492	–	–	–	–	–	–	1,492
Eliminated on disposals	(978)	(1,520)	–	–	(657)	(16,229)	(160)	(211)	(19,755)
At 31 December 2010	–	5,234	669	–	3,641	21,360	2,940	325	34,169
CARRYING VALUES									
At 31 December 2010	–	26,672	3,496	4,927	5,046	13,974	3,886	85	58,086
At 31 December 2009, as restated	5,443	32,978	–	1,794	2,355	18,772	1,957	111	63,410
At 1 January 2009, as restated	5,602	33,930	–	954	2,779	17,219	1,826	157	62,467

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

Other than leasehold land and buildings which are depreciated on a straight-line basis at 1.75% to 2.33% per annum, the above items of property, plant and equipment (other than properties under construction) are depreciated using the reducing balance method at the following rates per annum:

Leasehold improvement	Over the term of the lease
Furniture and fixtures	20%
Plant, machinery and equipment	20%
Motor vehicles	25%
Tools	20%

	31.12.2010 **HK$'000**	31.12.2009 HK$'000 (Restated)	1.1.2009 HK$'000 (Restated)
The carrying amount of buildings shown above comprises			
In Hong Kong under medium-term lease	**–**	5,786	5,939
In the PRC under medium-term lease	**26,672**	25,400	25,898
In the PRC under short-term lease	**–**	1,792	2,093
	26,672	32,978	33,930

In current year, the Directors of the Company determined the recognition of impairment loss of HK$1,492,000 on buildings which is a manufacturing plant located in Shenzhen and was ceased for production.

In current year, the Group's leasehold land and buildings with the aggregate carrying amount of HK$11,178,000 had been disposed of to four related companies at a total consideration of HK$24,070,000. The consideration has 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 resolutions were approved in the extraordinary general meeting of shareholders on 18 March 2010. Accordingly, the Group recognised the gain on disposal of HK$12,892,000 in profit or loss during the year ended 31 December 2010. Particulars of the transaction are disclosed in notes 11 and 36. These leasehold land and buildings are leased at market rent back to the Group after disposal. Details of rental payment are disclosed in note 36.

As at 31 December 2009 and 1 January 2009, the carrying amount of leasehold land comprised land in Hong Kong under medium-term lease of HK$5,443,000 and HK$5,602,000 respectively, as restated.

As at 31 December 2009 and 1 January 2009, the Group pledged leasehold land and buildings with the aggregate carrying amount of HK$11,230,000 and HK$11,542,000 respectively, as restated, to secure general banking facilities granted to the Group. During the year ended 31 December 2010, the leasehold land and buildings as securities were released before disposal.

20. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land in the PRC under medium-term lease and are released to profit or loss over the term of the lease of 47 years.

	31.12.2010 HK$'000	31.12.2009 HK$'000 (Restated)	1.1.2009 HK$'000 (Restated)
Prepaid lease payments of the Group are analysed for reporting purposes as:			
Current asset	**147**	141	141
Non-current asset	**6,364**	6,240	6,363
	6,511	6,381	6,504

21. INVESTMENT PROPERTY

	HK$'000
COST	
At 1 January 2009, as originally stated	2,235
Effect of changes in accounting policies (note 2)	5,462
At 1 January 2009 and 31 December 2009, as restated	7,697
Disposals	(7,697)
At 31 December 2010	—
AMORTISATION AND IMPAIRMENT	
At 1 January 2009, as originally stated	213
Effect of changes in accounting policies (note 2)	1,152
At 1 January 2009, as restated	1,365
Provided for the year, as restated	183
At 31 December 2009, as restated	1,548
Provided for the year	31
Eliminated on disposals	(1,579)
At 31 December 2010	—
CARRYING VALUES	
At 31 December 2010	—
At 31 December 2009, as restated	6,149
At 1 January 2009, as restated	6,332

21. INVESTMENT PROPERTY *(continued)*

In current year, the Group's investment property with the carrying amount of HK$6,118,000, had been disposed of to a related Company at a consideration of HK$7,040,000. The consideration has been arrived at based on a valuation carried out by Messrs. Jones Lang LaSalle Sallmanns Limited, independent valuers not connected with Group. The valuation was determined by reference to recent market prices of similar properties. The resolutions were approved in the extraordinary general meeting of shareholders on 18 March 2010. Accordingly, the Group recognised the gain on disposal of HK$922,000 in profit and loss during the year ended 31 December 2010. Particulars of the transaction are disclosed in notes 11 and 36.

As at 31 December 2009, the fair value of the Group's investment property was HK$7,040,000. The fair value as at 31 December 2009 has 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 was rented out under an operating lease during both years.

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

As at 31 December 2009, the investment property was pledged to secure banking facilities granted to the Group.

22. INTANGIBLE ASSET

	HK$'000
COST	
At 1 January 2009, 31 December 2009 and 31 December 2010	1,906
IMPAIRMENT	
At 1 January 2009	—
Impairment loss recognised in the year	845
At 31 December 2009 and 31 December 2010	845
CARRYING VALUES	
At 31 December 2010	1,061
At 31 December 2009	1,061

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 end of the reporting period.

During the year ended 31 December 2009, impairment loss was recognised with reference to the latest transaction price quoted in the second hand market ("Second Hand Price"). As at 31 December 2010, as the carrying amount of the club membership approximate the Second Hand Price, no reversal of impairment on further impairment was recognised.

23. DEPOSIT PLACED FOR A LIFE INSURANCE POLICY

In April 2009, the Company's subsidiary Vitar Insulation Manufactures Limited ("Vitar Hong Kong") entered into a life insurance policy with an insurance Company to insure an Executive Director. Under the policy, the beneficiary and policy holder is Vitar Hong Kong and the total insured sum is approximately HK$10,763,000. Vitar Hong Kong is required to pay an upfront deposit of HK$1,997,000, including a premium charge at inception of the policy amounting to HK$120,000. Moreover, Vitar Hong Kong is required to pay a monthly insurance premium determined by the insurance Company. Vitar Hong Kong can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront payment of HK$1,997,000 plus accumulated interest earned and minus insurance premium charged at inception of HK$120,000 and the accumulated monthly insurance premium charged ("Cash Value"). In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge. The insurance Company will pay Vitar Hong Kong an interest of 5.45% per annum on the outstanding Cash Value of the policy for the next 20 years. Commencing on the 21st year, the interest will become 2.9% per annum plus a premium determined by the insurance Company.

The effective interest rate on initial recognition was 5.45%, which was determined by discounting the estimated future cash receipts through the expected life of the policy of 20 years, excluding the financial effect of surrender charge. The carrying amount of deposit placed for a life insurance policy as at 31 December 2010 and 2009 represented the Cash Value of such insurance policy. As at 31 December 2010 and 2009, the expected life of the policy was remained unchanged from the initial recognition and the Directors considered that the financial impact of the option to terminate the policy was insignificant.

As at 31 December 2010 and 2009, the deposit placed for a life insurance policy was pledged to a bank to secure general banking facilities granted to the Group.

The deposit placed for a life insurance policy is denominated in USD, the currency other than the functional currency of the respective group entity.

24. INVENTORIES

	2010 HK$'000	2009 HK$'000
Raw materials	**7,123**	7,669
Work-in-progress	**1,792**	1,155
Finished goods	**7,916**	6,253
	16,831	15,077

25. TRADE RECEIVABLES

	2010 HK$'000	2009 HK$'000
Trade receivables	**61,741**	52,637
Less: Allowance for bad and doubtful debts	**(8,353)**	(4,773)
	53,388	47,864

25. TRADE RECEIVABLES *(continued)*

The Group allows a credit period ranging from 30 days to 90 days to its trade customers. 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 aging analysis of trade receivables (net of allowance for bad and doubtful debts) presented based on invoice date at the end of the reporting period:

	2010 HK$'000	2009 HK$'000
0–30 days	**22,462**	14,425
31–60 days	**15,863**	10,691
61–90 days	**12,779**	8,748
Over 90 days but less than two years	**2,284**	14,000
Total	**53,388**	47,864

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 end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Trade receivables that are neither past due nor impaired are those debtors with satisfactory credit quality under the management's assessment and with good past repayment record. 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:

	2010 HK$'000	2009 HK$'000
USD	**27,113**	25,421
RMB	**141**	229
	27,254	25,650

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK$2,284,000 (2009: HK$14,000,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as certain of the receivables were subsequently settled or 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 135 days (2009: 159 days).

25. TRADE RECEIVABLES *(continued)*

Aging of trade receivables which are past due but not impaired

	2010 HK$'000	2009 HK$'000
91–180 days	**2,284**	11,582
181–365 days	**—**	2,412
Over 365 days but less than two years	**—**	6
Total	**2,284**	14,000

Movement in the allowance for bad and doubtful debts

	2010 HK$'000	2009 HK$'000
Balance at beginning of the year	**4,773**	1,062
Impairment losses recognised on trade receivables	**3,580**	4,068
Amounts written off as uncollectible	**—**	(357)
Balance at end of the year	**8,353**	4,773

At 31 December 2010, allowance for bad and doubtful debts were individually impaired trade debtors with an aggregate balance of HK$8,353,000 (2009: HK$4,773,000) which had been in financial difficulties. The Group did not hold any collateral over these balances.

26. AMOUNT DUE FROM A RELATED COMPANY

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 shareholder	Balance at 31.12.2010 HK$'000	Balance at 31.12.2009 HK$'000	Maximum amount outstanding during the year 2010 HK$'000	Maximum amount outstanding during the year 2009 HK$'000
First Phoenix Investments Limited ("First Phoenix") (note 36)	Leung Kai Wing	Leung Kai Wing	**56**	56	**56**	56

The amount due from a related Company is unsecured, non-interest bearing and repayable on demand.

27. BANK BALANCES

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 0.8% (2009: 0.01% to 0.2%) per annum.

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

	Bank balances	
	2010	2009
	HK$'000	HK$'000
USD	**15,446**	6,885
RMB	**407**	669
HK$	**6,241**	—
	22,094	7,554

28. TRADE PAYABLES

An aging analysis of the Group's trade payables at the end of the reporting period is as follows:

	2010	2009
	HK$'000	HK$'000
0–30 days	**11,246**	6,115
31–60 days	**4,328**	3,650
61–90 days	**80**	322
90 days but less than one year	**5,252**	5,489
Total	**20,906**	15,576

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

	2010	2009
	HK$'000	HK$'000
USD	**6,516**	3,866
RMB	**1,990**	3,119
	8,506	6,985

29. AMOUNTS DUE TO RELATED COMPANIES

Related companies are companies in which the Directors of the Company have beneficial interests.

The amounts are unsecured, non-interest bearing and repayable on demand.

30. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, non-interest bearing and repayable on demand.

31. BANK BORROWINGS AND BANK OVERDRAFTS

	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000 (restated)
Secured bank loans	**4,900**	15,513	20,801
Secured trust receipt loans	**6,132**	14,260	20,585
	11,032	29,773	41,386
Carrying amount repayable (note):			
Within one year	**7,332**	26,173	38,053
More than one year, but not exceeding two years	**1,200**	2,400	3,333
More than two years, but not exceeding five years	**2,500**	1,200	—
	11,032	29,773	41,386
Less: Carrying amount of loans contain a repayable on demand clause (shown under current liabilities)	**(11,032)**	(29,773)	(41,386)
Amounts due after one year, as restated	**—**	—	—

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements.

All the bank borrowings are floating-rate borrowings. The range of effective interest rates on the Group's interest bearing borrowings is 1.95% to 2.45% (2009: 1.91% to 2.91%) per annum.

As at 31 December 2010, trust receipt loans of HK$1,299,000 were secured by deposit placed for a life insurance policy and the details of which are set out in note 23.

As at 31 December 2009, the bank borrowings were secured by leasehold land and buildings, investment property and deposit placed for a life insurance policy, the details of which are set out in notes 19, 21 and 23 respectively.

The bank borrowings that are denominated in USD, the currency other than the functional currency of the respective group entity, are HK$6,132,000 (2009: HK$10,072,000).

Bank overdrafts carried interest at market rate of 2.2% (2009: nil) per annum.

32. SHARE CAPITAL

	Notes	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.005 each			
Authorised:			
At 1 January 2009 and 31 December 2009		1,000,000,000	100,000
Share subdivision	(b)	19,000,000,000	—
At 31 December 2010		20,000,000,000	100,000
Issued:			
At 1 January 2009 and 31 December 2009		100,000,000	10,000
Issued on share placement on 19 January 2010	(a)	20,000,000	2,000
		120,000,000	12,000
Share subdivision	(b)	2,280,000,000	—
		2,400,000,000	12,000
Issued on share placement on 29 April 2010	(c)	480,000,000	2,400
At 31 December 2010		2,880,000,000	14,400

Notes:

(a) Pursuant to a placing agreement dated 30 December 2009, the Company completed a placing and issue of 20,000,000 ordinary shares at a placing price of HK$2.15 per share (before share subdivision) on 19 January 2010 ("First Placing"). These shares rank pari passu in all respect with other shares in issue. The net proceeds from the First Placing are intended to be used for the general working capital of the Group.

(b) Pursuant to the resolutions passed by the shareholders on 23 February 2010, the existing issued and unissued shares of par value of HK$0.10 each in the share capital of the Company was subdivided into twenty subdivided shares of par value of HK$0.005 each.

(c) Pursuant to a placing agreement dated 26 February 2010, the Company completed a placing and issue of 480,000,000 subdivided ordinary shares at a placing price of HK$0.65 per share (after share subdivision) on 29 April 2010 ("Second Placing"). These shares rank pari passu in all respect with other shares in issue. The net proceeds from the Second Placing are intended to be used for the general working capital of the Group.

33. RETIREMENT BENEFIT 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 profit or loss 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 2010 and 2009.

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

During each of the years ended 31 December 2010 and 2009, the total amounts contributed by the Group to the schemes and charged to profit or loss was disclosed in note 16.

34. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, deferred tax asset and liability have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2010 HK$'000	2009 HK$'000
Deferred tax asset	**—**	755
Deferred tax liability	**(280)**	—
	(280)	755

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

	Tax losses HK$'000	**Accelerated tax depreciation** HK$'000	**Total** HK$'000
At 1 January 2009	—	(900)	(900)
Credit to profit and loss (note 15)	1,655	—	1,655
At 31 December 2009	1,655	(900)	755
(Charge) credit to profit and loss (note 15)	(1,655)	620	(1,035)
At 31 December 2010	**—**	**(280)**	**(280)**

34. DEFERRED TAXATION *(continued)*

As at 31 December 2010, the Group had estimated unused tax losses of approximately HK$11,824,000 (2009: HK$14,810,000) available for offset against future profits. As at 31 December 2009, a deferred tax asset had been recognised in respect of approximately HK$10,030,000 of such losses and no deferred tax asset has been recognised in respect of the remaining HK$4,780,000 due to the unpredictability of future profit streams. As at 31 December 2010, no deferred tax had been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$2,968,000 (2009: HK$4,780,000) that will be expired on various dates till 31 December 2014. Other losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2010, deferred taxation had not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$12,932,000 (2009: HK$5,562,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

35. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010 **HK$'000**	2009 HK$'000
Within one year	**3,601**	699
In the second to fifth year inclusive	**3,712**	—
	7,313	699

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.

The Group as lessor

As at 31 December 2009, the Group had contracted with a tenant for future minimum lease payments which fall due within one year of HK$144,000. Leases were negotiated and rentals were fixed for a term of two years.

36. RELATED PARTY TRANSACTIONS

During the year, the Group has entered into the following transactions with related parties:

	2010 HK$'000	2009 HK$'000
Proceeds from disposal of property, plant and equipment received from:		
New Ocean (China) Limited ("New Ocean") (note 19)	**860**	—
Grandeur (China) Limited ("Grandeur China") (note 19)	**17,000**	—
Joy Success Corporation Limited ("Joy Success") (note 19)	**3,150**	—
Major Business Limited ("Major Business") (note 19)	**3,060**	—
	24,070	—
Proceeds from disposal of investment property received from New Ocean (note 21)	**7,040**	—
Rentals paid to:		
First Phoenix (note 26)	**336**	336
Grandeur China	**456**	—
Joy Success	**105**	—
Major Business	**119**	—
Sharaton Limited	**144**	—
	1,160	336

New Ocean, Grandeur China, Joy Success and Major Business are companies wholly owned by Vitar Development, a substantial shareholder of the Company.

Sheraton Limited is a Company in which the family of a Director of the Company has beneficial interest.

Details of amounts due from and to related parties are set out in notes 26, 29 and 30.

Compensation of key management

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

	2010 HK$'000	2009 HK$'000
Short-term benefits	**8,934**	4,110
Contributions to retirement benefit scheme	**121**	103
	9,055	4,213

37. 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 had been granted or agreed to be granted to any person under the Share Option Scheme since the date of adoption by the Company.

38. CAPITAL COMMITMENTS

	2010 HK$'000	2009 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**160**	1,831

39. EVENTS AFTER THE REPORTING PERIOD

(a) The Group entered into a conditional sales and purchase agreement on 13 July 2010 and supplemental deeds on 30 December 2010 and 28 February 2011 respectively with an independent third party for acquiring the entire equity interest in Parksong, a limited liability Company incorporated in Hong Kong, at a consideration of HK$1,086,500,000 (including HK$280,000,000 cash consideration and HK$806,500,000 by the issuance of convertible bonds, subject to adjustments as detailed in the Company's circular on 31 December 2010).

As at 31 December 2010, a deposit of HK$280,000,000 had been paid by the Group and was classified as deposit paid for acquisition of a target Company in the consolidated statement of financial position. Parksong and its subsidiaries mainly engaged in the metal tin mining operation in Tasmania, Australia. As at 31 December 2010, the transaction is subject to the approval by the shareholders of the Company and the fulfillment of other conditions. The acquisition was completed on 4 March 2011. As at the date of the report, the Directors are in the process of considering and quantifying the potential impact of the issuance of convertible bonds and valuation of all identifiable assets and liabilities of Parksong. For details of the transaction, please refer to the Company's circular on 31 December 2010 and announcements on 16 August 2010, 30 December 2010, 28 February 2011 and 4 March 2011 respectively.

On 25 March 2011, a framework agreement was entered into between YT Parksong Australia Holding Pty Ltd. ("YT Parksong Australia"), a subsidiary of Parksong, and Yunnan Tin Australia TDK Resources Pty Ltd. ("Yunnan Tin Australia"), a wholly owned subsidiary of Yunnan Tin Group (Holdings) Co., Ltd. ("Yunnan Tin PRC"), a substantial shareholder of YT Parksong Australia,pursuant to which YT Parksong Australia agreed to supply and Yunnan Tin Australia agreed to buy the tin concentrates for the period from April 2011 to December 2013. As both Yunnan Tin Australia and Yunnan Tin PRC are the connected persons of the Company and the transactions contemplated under the framework agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). These continuing connected transactions are subject to shareholders' approval at the general meeting. For details of the transactions, please refer to the Company's announcement on 25 March 2011.

(b) On 17 January 2011, a total of 110,000,000 share options to subscribe for ordinary shares of par value of HK$0.005 each of the Company (the "Shares") with exercise price of HK$1.704 per share, were granted by the Company under its Share Option Scheme to the Directors, consultants and other employees of the Company, subject to their acceptance. The closing price of the Shares on the date of grant was HK$1.65 per Share. 50% of the Share Options shall become exercisable from 18 July 2011 to 16 January 2021 (both days inclusive) while 50% of the Share Options shall become exercisable from 18 January 2012 to 16 January 2021 (both days inclusive). The Directors are in the process of considering and quantifying the financial impact of the part of share options.

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2010 and 2009 are as follows:

Name of the subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital		Proportion of ownership interest held by the Company				Principal activities
				Directly		Indirectly		
		2010	2009	2010	2009	2010	2009	
Vitar Hong Kong	Hong Kong	HK$10,000,000	HK$10,000,000	–	–	100%	100%	Trading of insulated sleeving, tubes, wires, mica sheets, copper and silicone rubber
Alpha Allied Investments Limited	Hong Kong	HK$1	–	100%	–	–	–	Provision of administrative services to group companies
Leader Tech Limited	Hong Kong	HK$10,000	HK$10,000	–	–	100%	100%	Investment holding
Ever Success Global Holdings Limited	The British Virgin Islands (the "BVI")	US$100	–	100%	–	–	–	Inactive
Gallop Pioneer Limited	The BVI	US$100	–	100%	–	–	–	Investment holding
Vitar Insulation Holdings Limited	The BVI	US$1,001	US$1,001	100%	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	HK$2,000,000	–	–	100%	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 +	The PRC	US$9,000,000	US$6,600,000	–	–	100%	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	HK$12,000,000	HK$1,800,000	–	–	100%	100%	Manufacturing and trading of insulated sleeving, tubes, wires and mica sheets
萬嘉世紀貿易(深圳)有限公司#	The PRC	HK$50,000,000	–	–	–	100%	–	Inactive

\# Wholly foreign owned enterprise registered in the PRC.

\+ The English names of these entities established in the PRC are for identification purpose only.

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

Financial Summary

RESULTS

	Year ended 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Revenue	175,896	204,540	193,890	134,586	**207,350**
Profit (loss) attributable to owners of the Company	22,659	24,253	6,210	(12,738)	**(12,756)**

ASSETS AND LIABILITIES

	As at 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Total assets	203,187	219,383	241,121	210,172	**549,972**
Total liabilities	78,529	78,950	68,591	57,727	**51,690**
Total equity	124,658	140,433	172,530	152,445	**498,282**

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 "Prospectus").

The results of the Group for each of the three years ended 31 December 2008 and the assets and liabilities of the Group as at 31 December 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.