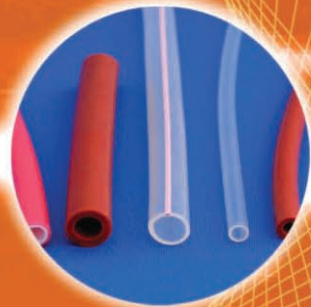
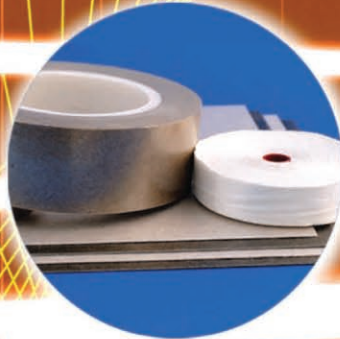
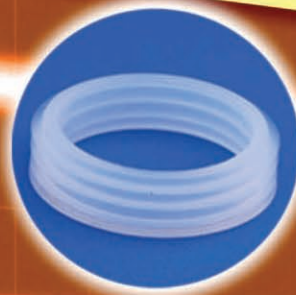




Vitar International Holdings Limited 威達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 195



HONG KONG PUBLIC OFFER AND INTERNATIONAL PLACING

Sponsor

 光大控股
EVERBRIGHT
China Everbright Capital Limited

Bookrunner and Lead Manager

 光大控股
EVERBRIGHT
China Everbright Securities (HK) Limited

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Vitar International Holdings Limited 威達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

HONG KONG PUBLIC OFFER AND INTERNATIONAL PLACING

Number of Offer Shares	:	28,000,000 Shares
Number of International Placing Shares	:	25,200,000 Shares (subject to the Clawback Adjustment)
Number of Hong Kong Public Offer Shares	:	2,800,000 Shares (subject to the Clawback Adjustment)
Offer Price	:	HK\$2.1 for each Offer Share (plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) payable in full upon application
Nominal value	:	HK\$0.10
Stock code	:	195

Sponsor



China Everbright Capital Limited

Bookrunner and Lead Manager



China Everbright Securities (HK) Limited

Prior to making any investment decision, you should consider carefully all the information set forth in this prospectus which includes, but without limitation to, the risk factors set forth in the section headed “Risk factors” in this prospectus.

The Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents set forth in the paragraphs under “Documents delivered to the Registrar of Companies” in appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Hong Kong Companies Ordinance. The SFC and the Registrar of Companies take no responsibility as to the contents of this prospectus or any other documents referred to above.

Pursuant to the termination provisions set forth in the Underwriting Agreements, China Everbright Securities (on behalf of the Underwriters) shall have the right exercisable under certain circumstances, at its sole discretion, to terminate the obligations of the Underwriters under the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further information on the termination provisions is set forth in the paragraphs under “Underwriting arrangements and expenses” in the section headed “Underwriting” in this prospectus.

EXPECTED TIMETABLE FOR THE HONG KONG PUBLIC OFFER⁽¹⁾

If there is any change to the following expected timetable, we will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

Application Lists open⁽²⁾ 11:45 a.m. on Tuesday, 4 November 2008

Latest time for lodging **WHITE** and **YELLOW** Application

Forms and giving **electronic application instructions**

to HKSCC⁽³⁾ 12:00 noon on Tuesday, 4 November 2008

Application Lists close⁽²⁾ 12:00 noon on Tuesday, 4 November 2008

(1) Announcement of:-

- the level of indications of interest in the International Placing;
- the level of applications of the Hong Kong Public Offer;
- the basis of allocation of the Hong Kong Public Offer Shares; and
- the number of Offer Shares reallocated under the Clawback Adjustment, if any.

to be published in the South China Morning Post

(in English) and the Hong Kong Economic Times

(in Chinese) on or before Tuesday, 11 November 2008

(2) Announcement of the results of allocation (with successful applicants' identification document numbers, where applicable) of the Hong Kong Public Offer will be available through a variety of channels, including the website of the Stock Exchange at www.hkex.com.hk, the website of Tricor Investor Services Limited at www.tricor.com.hk/ipo/result and our website at www.vitar.com.hk as described in the paragraphs under "Publication of results" in the section headed "How to apply for the Hong Kong Public Offer Shares" Tuesday, 11 November 2008

A full announcement of the Hong Kong Public Offer

containing (1) and (2) above will be published on

our website at www.vitar.com.hk and the website

of the Stock Exchange at www.hkex.com.hk Tuesday, 11 November 2008

Despatch of Share certificates or deposit of Share certificates

into CCASS in respect of wholly or partially successful

applications on or before⁽⁴⁾ Tuesday, 11 November 2008

Despatch of refund cheques in respect of wholly or

partially unsuccessful applications on or before⁽⁴⁾ and ⁽⁵⁾ Tuesday, 11 November 2008

Listing Date 9:30 a.m. on Wednesday, 12 November 2008

EXPECTED TIMETABLE FOR THE HONG KONG PUBLIC OFFER⁽¹⁾

Notes:-

1. All times refer to Hong Kong time. Details of the structure of the Share Offer, including its conditions, are set forth in the section headed “Structure and conditions of the Share Offer” in this prospectus.
2. If there is a “**BLACK**” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. to 12:00 noon on Tuesday, 4 November 2008, the Application Lists will not open and close on that day. Detailed arrangements are set forth under “Effect of bad weather on the opening and closing of the Application Lists” in the section headed “How to apply for the Hong Kong Public Offer Shares” in this prospectus.
3. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the paragraphs under “Applications by giving electronic application instructions” in the section headed “How to apply for the Hong Kong Public Offer Shares” in this prospectus.
4. Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more may collect their Share certificate and/or refund cheque (where applicable) in person from Tricor Investor Services Limited between 9:00 a.m. and 1:00 p.m. on Tuesday, 11 November 2008 or on the date notified by our Company as the date of despatch of Share certificates and refund cheques. In order to do so, the applicant must complete the appropriate box on the **WHITE** Application Form. Applicants being individuals who opt for collection in person must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for collection in person must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation’s chop. Both individuals and authorised representatives, as the case may be, must produce at the time of collection evidence of identity acceptable to Tricor Investor Services Limited. If an applicant has opted for collection in person but does not collect the Share certificate and/or refund cheque by 1:00 p.m. on Tuesday, 11 November 2008, the Share certificate and/or refund cheque will be sent to the address as appeared on the relevant Application Form in the afternoon on the date of despatch by ordinary post at the applicant’s own risk.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more may collect their refund cheque (where applicable) in person from Tricor Investor Services Limited between 9:00 a.m. and 1:00 p.m. on Tuesday, 11 November 2008 or on the date notified by our Company as the date of despatch of Share certificates and refund cheques. In order to do so, the applicant must complete the appropriate box on the **YELLOW** Application Form. The procedure for collection of the refund cheque (where applicable) is the same as that for applicants using **WHITE** Application Forms. Share certificates for successful applicants using **YELLOW** Application Form will be deposited into CCASS for credit to the applicant’s investor participant stock account or the stock account of the applicant’s designated CCASS Participant. Detailed arrangements are set forth under “Collection/posting of Share certificates/refund cheques and deposit of Share certificates into CCASS” in the section headed “How to apply for the Hong Kong Public Offer Shares” in this prospectus.

Applicants who have not indicated on their Application Forms that they will collect their Share certificates and/or refund cheques (where applicable) in person, their Share certificates and/or refund cheques will be sent to the address as appeared on the relevant Application Form in the afternoon on the date of despatch by ordinary post at the applicant’s own risk.

5. Refund will be made in respect of wholly or partially unsuccessful applications.
6. In the event of any change to the above expected timetable, an announcement will be made by our Company.

Share certificates will become valid certificates of title only if the Share Offer has become unconditional in all respects and none of the Underwriting Agreements has been terminated in accordance with their respective terms. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of the relevant Share certificates or prior to the Share certificates becoming valid certificates of title will do so entirely at their own risk.

TABLE OF CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Vitar International Holdings Limited solely in connection with the Hong Kong Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Bookrunner and Lead Manager, the Underwriters, any of our or their respective directors or any other person or party involved in the Share Offer.

	<i>Page</i>
Expected timetable for the Hong Kong Public Offer	i
Table of contents	iii
Summary	1
Definitions	12
Glossary of technical terms	18
Risk factors	20
Information about this prospectus and the Share Offer	31
Directors and parties involved in the Share Offer	34
Corporate information	39
Industry overview	41
History and development	55
Reorganisation	58
Business	62

TABLE OF CONTENTS

	<i>Page</i>
Future plans and proposed use of net proceeds from the Share Offer	90
Directors, senior management and compliance adviser	92
Corporate governance	97
Share capital	98
Substantial Shareholders	101
Relationship with our Controlling Shareholders	102
Exempt continuing connected transaction	104
Financial information	105
Underwriting	143
Structure and conditions of the Share Offer	148
How to apply for the Hong Kong Public Offer Shares	152
Appendix I — Accountants' report	I-1
Appendix II — Unaudited pro forma financial information	II-1
Appendix III — Property valuation	III-1
Appendix IV — Regulatory overview	IV-1
Appendix V — Summary of the constitution of our Company and certain aspects of the Cayman Islands Company Law	V-1
Appendix VI — Statutory and general information	VI-1
Appendix VII — Documents delivered to the Registrar of Companies and available for public inspection in Hong Kong	VII-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarised in the section headed "Risk factors". You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

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 specialised in the production, design and sales of insulation and heat-resistance materials. Our products are sold to customers in Hong Kong, China and selected 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.

The following table sets forth our sales by products during the Track Record Period:-

	Year ended 31 December						Four months ended 30 April			
	2005		2006		2007		2007		2008	
Products	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Manufacturing and sales										
of products	121,233	84.2	144,883	82.4	145,754	71.3	47,649	84.1	44,921	67.8
Fibre-glass sleeving	40,130	27.9	41,355	23.5	40,377	19.7	13,342	23.6	11,298	17.1
Silicon-based tubes.....	9,534	6.6	15,107	8.6	18,552	9.1	6,194	10.9	4,752	7.2
High-temperature										
electric wires.....	31,333	21.8	44,603	25.4	51,131	25.0	16,677	29.4	16,319	24.6
Mica sheets	40,236	27.9	43,818	24.9	35,694	17.5	11,436	20.2	12,552	18.9
Trading of copper and										
silicone rubber	22,812	15.8	31,013	17.6	58,786	28.7	9,012	15.9	21,319	32.2
Copper	5,589	3.9	16,157	9.2	26,018	12.7	6,016	10.6	7,753	11.7
Silicone rubber	17,223	11.9	14,856	8.4	32,768	16.0	2,996	5.3	13,566	20.5
Total	144,045	100.0	175,896	100.0	204,540	100.0	56,661	100.0	66,240	100.0

SUMMARY

During the Track Record Period, our revenue grew from HK\$144.0 million for the year ended 31 December 2005 to HK\$204.5 million for the year ended 31 December 2007, representing a CAGR of 19.2%.

Most of our customers are OEM manufacturers of household electrical appliances for leading brands in Southern China. Our sales to OEM manufacturers accounted for 99.8%, 98.6%, 98.4% and 98.2% of our sales of manufactured products, respectively, during the Track Record Period. Apart from OEM manufacturers, our customers also include subsidiaries of leading brands of household electrical appliances in China, and our sales to these customers accounted for 0.2%, 1.4%, 1.6% and 1.8% of our sales of manufactured products, respectively, during the Track Record Period. According to the market report issued by CCID, the preparation of which was commissioned by us, we ranked the 10th in terms of the annual production value in the list of the 60 largest insulation material manufacturers in 2007.

With regard to our trading business, we had three active trading customers for silicone rubber and one active trading customer for copper as of the Latest Practicable Date. During the Track Record Period, our trading customers submitted their purchase orders to us and we then issued back-to-back purchase orders to our suppliers. Our suppliers then delivered the silicone rubber and copper to our trading customers.

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 operated by Weida Longchuan and Vitar Shenzhen. The production facilities operated by Weida Longchuan are accredited with various awards and recognised quality standards, such as ISO 9001:2000.

OUR COMPETITIVE ADVANTAGES

Our Directors believe that we have the following competitive advantages:-

Established player in the industry

We have a history of 30 years. We have established our business reputation, customer base and production know-how. Our production facilities in Southern China enable us to offer to our customers quality wiring products and tubes at competitive prices. We also work closely with our major customers in developing appropriate and dedicated wiring products and tubes. Most of our customers are OEM manufacturers for leading brands in Southern China, and our wiring products and tubes are part of their product specifications.

SUMMARY

According to the China Statistics Bureau and the market report issued by CCID, the market share of our insulation and heat-resistance products in the household electrical appliances market in 2007 was as follows:-

	<i>(a)</i>	<i>(b)</i>	<i>(c)=(b)/(a)</i>
	Industry total	Our production value	Our market share
	<i>RMB million</i>	<i>RMB million</i>	<i>%</i>
Fibre-glass sleeving products.....	705.0	40.4	5.7
Silicon-based tubes.....	133.0	18.5	14.0
High-temperature electric wires	705.0	91.5	13.0
Mica sheets	76.0	35.7	47.0

Capability to provide cost-effective and one-stop solutions

We provide cost-effective and one-stop solutions to our customers. Our production facilities are strategically located in Guangdong Province, providing us with ready access to low-cost but skillful labour and engineers for our business growth. In addition, with 30 years of business operations, our experience and production know-how in handling raw materials, production, management and process control enable us to effectively manage the production process with recognised quality standards. Our products satisfy the production requirements presented by our customers from time to time. As part of our one-stop solutions offered to our major customers, we are involved in the product design and development stage, which distinguishes us from most of our competitors.

We believe that the high-quality and the high versatility of our products are important in attracting our customers and building-up our customer base during our operating history.

Internationally recognised product standards

We strive to maintain the highest possible standards for our products and have implemented stringent quality control systems. Our production process at Weida Longchuan is accredited with ISO 9001:2000 certification for manufacturing of heat-resistant insulation wires, insulation sleeving, rubber tubes and sealing profiles. Our products have obtained more than 50 certifications from UL, VDE, CSA and NSF. We also have a wide range of measurement and testing equipment to ensure that our quality control and inspection standards satisfy our customers' requirements.

SUMMARY

Experienced management team and skillful workforce

Our management team has extensive experience in the insulation solution industry. A majority of our core management team has accumulated technical expertise and experience in operating and managing foundries and has been with us since our inception in 1978. We believe that our experienced and stable management team is one of the key factors for our success and will continue to enable us to effectively implement our business strategies and capture future business opportunities.

Good relationship with our suppliers

We maintain good relationship with our major suppliers, most of which have been doing business with us for more than a decade. This enhances our capability to provide comprehensive manufacturing solutions and propose new solutions to our customers. We are also able to obtain the latest market information from our major suppliers, which assists us in improving our product portfolio and the production process.

DIVIDEND POLICY

The payment and the amount of any dividend to be declared by us in the future is at the discretion of our Board and will depend on, amongst other things, our results of operations, cash flow, operating and capital requirements, the amount of distributable profit based on HKFRS and the applicable laws and regulations.

For the current financial year and all subsequent financial years following the Listing, we intend to recommend and declare dividends which are expected to be not less than 40% of the net profit distributable to our Shareholders. Nevertheless, such intention does not amount to any guarantee or representation or indication that we must or will declare and pay dividends in such manner or declare and pay any dividend at all. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

Pursuant to a resolution passed at a meeting of our Board held on 29 September 2008, Vitar Hong Kong declared a total dividend of HK\$25,000,000 which was distributed to the then shareholders on 8 October 2008.

SUMMARY

TRADING RECORD

The following table summarises our audited combined results for the Track Record Period, which is based on the information included in the accountants' report, the text of which is set forth in appendix I to this prospectus:-

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i> <i>(unaudited)</i>	<i>HK\$</i>
Revenue.....	144,045,079	175,896,091	204,539,963	56,661,201	66,239,996
Cost of sales.....	(110,334,641)	(136,850,898)	(161,345,247)	(44,288,143)	(52,509,489)
Gross profit	33,710,438	39,045,193	43,194,716	12,373,058	13,730,507
Bank interest income	412,552	416,789	516,701	119,189	112,929
Other income	365,118	745,244	1,437,229	606,530	114,200
Selling and distribution costs	(2,243,960)	(1,763,033)	(2,784,069)	(711,232)	(866,710)
Administrative expenses.....	(11,518,014)	(11,635,900)	(12,572,787)	(3,273,540)	(3,981,886)
Listing expenses	—	—	—	—	(3,084,519)
Finance costs	(1,037,578)	(1,657,086)	(2,551,384)	(581,004)	(659,256)
Profit before taxation.....	19,688,556	25,151,207	27,240,406	8,533,001	5,365,265
Taxation.....	(1,688,000)	(2,492,138)	(2,987,102)	(969,526)	(948,000)
Profit for the year/ period	18,000,556	22,659,069	24,253,304	7,563,475	4,417,265
Dividend					
- declared and recognised as distributions	—	15,000,000	12,000,000	—	—
- proposed and yet to be approved by shareholders, and no distributions	15,000,000	—	—	—	—
Earnings per share					
Basic (HK dollars ⁽¹⁾)	0.25	0.31	0.34	0.11	0.06

Note:-

- The calculation of the basic earnings per Share for the Track Record Period is based on our profit for each of the three years ended 31 December 2007 and the four months ended 30 April 2008, and on the assumption that 72,000,000 Shares in issue and issuable, comprising 22,000,000 Shares in issue as at the date of this prospectus and 50,000,000 Shares to be issued pursuant to the Capitalisation Issue, as described under "Resolutions in writing of the Sole Shareholder on 21 October 2008" in appendix VI to this prospectus, were outstanding during the Track Record Period.

SUMMARY

ACCOUNTING TREATMENT ON LISTING EXPENSES

According to paragraph 37 of Hong Kong Accounting Standard 32 issued by Hong Kong Institute of Certified Public Accountants, the transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. In this regard, of the total estimated listing expense of HK\$18.4 million, we will allocate approximately HK\$9.6 million to share premium and the remaining HK\$8.8 million, which is not directly related to the Share Offer, as administration expenses which will be charged to the consolidated income statement for the year ending 31 December 2008. The amount of the listing expenses of HK\$8.8 million is equivalent to 70.2% and 36.4% of our administrative expenses and our net profit for the year ended 31 December 2007, respectively. For the four months ended 30 April 2008, listing expenses of HK\$3.1 million have been charged to the audited combined income statement.

Further information on our audited combined results for the Track Record Period is set forth in the section headed “Financial information” in this prospectus.

FUTURE PLANS

Our future plans can be summarised under the following:-

Establish a production line for the production of silicone rubber

We are currently relying on third-party suppliers to produce the required silicone rubber for our production requirements. Following completion of the Share Offer, we plan to establish a production line for the production of silicone rubber at Weida Longchuan. The designed annual production capacity of the silicone rubber production line is expected to be 3,000 tonnes with an estimated investment cost of RMB40.0 million (equivalent to HK\$45.5 million). The construction of the silicone rubber production line is expected to commence in February 2009 and will take approximately eight months to complete. We expect that the full operation of the silicone rubber production line would reduce our production costs and enhance our control over the quality of silicone rubber. Part of the net proceeds from the Share Offer will be applied for the installation of the silicone rubber production line.

Expand our production capacity

We believe that China will become a production base for high-quality household electrical appliances and hence, the requirements for high-quality components, such as electric wires and fibre-glass sleeving, will increase. We therefore intend to invest in two additional production lines for each of the fibre-glass sleeving, silicon-based tubes and high-temperature electric wires, which are expected to increase our annual production capacity by 22.2 million metres, 1.4 million metres and 19.0 million metres, respectively. The aggregate capital expenditure for the production lines is expected to be RMB9.2 million (equivalent to HK\$10.5 million). The installation of the production lines will commence towards the end of 2008 with trial production to commence during the first quarter of 2009. Part of the net proceeds from the Share Offer will be applied as capital expenditure for the installation and trial production of the production lines.

SUMMARY

Expand our sales network in China

In conjunction with the anticipated increase in our production capacity, we plan to expand our sales network by establishing sales representative offices in four cities in China, namely Nanhai, Wuzhou, Ningbo and Qingdao. The capital expenditure and the annual operating costs of each of these sales office are estimated to be RMB50,000 and RMB200,000, respectively, which will be fully funded by our internally generated financial resources.

Enhance recognition of our brand

With our long operating history, we have established our business reputation in the insulation and heat-resistance solution industry. We have not, however, promoted our brand through intensive business development activities. Following completion of the Share Offer, we intend to commit additional resources on promoting our brand “VITAR” in fibre-glass sleeving, high-temperature electrical wires and tubing products by participating exhibitions and other business promotional activities.

We will not acquire any land for the above future plans. Our new silicone rubber production line and other new production facilities will be housed in our existing factory premises in Longchuan, Guangdong Province, China.

PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Share Offer after deducting the relevant listing expenses, are estimated to be HK\$40.4 million. We currently intend to apply such net proceeds as stated below:-

- HK\$31.4 million for the capital expenditure for the establishment of a silicone rubber production line;
- HK\$9.0 million for the capital expenditure for the installation and trial production of two additional production lines for each of fibre-glass sleeving products, silicon-based tubing products and high-temperature electric wires.

Pending the use of net proceeds from the Share Offer for the above purposes, and to the extent permitted under relevant laws and regulations in Hong Kong, we intend to deposit the net proceeds in short-term interest-bearing accounts with licenced banks and/or financial institutions in Hong Kong.

To the extent that the net proceeds from the Share Offer are not sufficient for the above purposes, we intend to fund the remaining balance through various means, including internally generated financial resources or banking facilities.

SUMMARY

STATISTICS OF THE SHARE OFFER

**Based on
the Offer Price of
HK\$2.1 for each Share**

Market capitalisation of our Company ⁽¹⁾	HK\$210 million
Historical price/earnings multiple ⁽²⁾	8.7
Unaudited pro forma net tangible assets value per Share ⁽³⁾	HK\$1.90

Notes:-

1. The calculation of the market capitalisation of our Company is based on 100,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue.
2. The calculation of the historical price/earnings multiple is based on the earnings per Share for the financial year ended 31 December 2007 and the Offer Price of HK\$2.1 per Share and the assumption set forth in note (1) above.
3. The unaudited pro forma net tangible assets value per Share has been arrived at after the adjustments referred to in the paragraphs under “Unaudited pro forma adjusted net tangible assets” in the section headed “Financial information” in this prospectus and on the basis of the Offer Price of HK\$2.1 per Share and 100,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme.

WE MAY BE ADVERSELY AFFECTED BY THE RECENT ECONOMIC TSUNAMI AND CREDIT TIGHTENING

Starting from September 2008, various leading investment and financial institutions in the U.S. have declared bankruptcy or sought for emergency financial supports, or rescue packages, from the U.S. government. These created a series of financial crises which were allegedly began with the bursting of the “housing bubble” in the U.S. with high default rates on sub-prime mortgages beginning in 2005 and 2006. The sub-prime mortgages crisis, which involves the failure of mortgage companies, investment firms, banks and government sponsored enterprises invested heavily in sub-prime mortgage, is ongoing and has resulted in global credit tightening. This unexpected and sudden reduction in the availability of loans (or credit) and increase in the interest rates affected not only the banking and financial sectors, but also the commercial sector relying on the availability of banking facilities and bank borrowings. Moreover, these crises caused significant downturn in the stock markets both in the U.S. and worldwide. As of the Latest Practicable Date, indexes of major stock exchanges in North America, Europe and the Asia-Pacific region had fallen significantly since the beginning of the year. Whilst stimulus packages have been introduced by various government agencies around the world, economists and forecasters believe that the possibility of a global recession is increasing.

It is also expected that the Chinese economy will be cooling down as exports to the U.S. and Europe are rapidly softening.

SUMMARY

Since the beginning of the economic tsunami, our Directors have closely monitored the macro-economic environment. As of the Latest Practicable Date, we did not experience any material reduction in the amount of purchase orders confirmed by our customers. As our products are one of the essential components for a wide range of household electrical appliances, our Directors do not anticipate that the demand from our customers will drop significantly and immediately. Our production costs have not increased substantially and we do not encounter any significant shortage in the supply of our principal raw materials. As of the Latest Practicable Date, we were not engaged in any hedging transaction that would expose us to significant financial loss.

With regard to our source of funding, in addition to the financial resources generated from our business activities, our unutilised banking facilities amounted to HK\$44.1 million as of the Latest Practicable Date. Our Directors have not received any notification from our principal bankers that the above banking facilities of HK\$44.1 million will not be available in the near future or will be reduced substantially.

In light of the foregoing, our Directors consider that our performance in the near future will not be severely jeopardised by the current weak economic sentiment. Our future plans and the proposed use of the net proceeds from the Share Offer, as set forth in the section headed “Future plans and proposed use of net proceeds from the Share Offer”, will continue to be implemented as scheduled.

RISK FACTORS

Our Directors consider that our business is subject to a number of risks. They can be divided into (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to conducting business in the PRC; (iv) risks relating to the Share Offer; and (v) risks associated with forward-looking statements and reports not prepared by us.

Risks relating to our business

- We have not entered into any long-term sales contract with our customers.
- Our products are not end products and their demand is driven by the demand for household electrical appliances manufactured in Southern China.
- We may not be able to manage our business growth effectively.
- Our profitability is depending on the cost of raw materials.
- Our business may be adversely affected by any further increase in copper spot prices.
- We are depending on a small number of suppliers of silicone rubber and mica plate, and have no control over the supply of silicone rubber and mica plate.
- We are depending on our five largest suppliers.
- Revenue from our trading business is depending on a few customers.

SUMMARY

- We may not be able to sustain the level of sales for our manufactured products.
- We may not be able to sustain our historical profit margin.
- Our financial performance in 2008 may be adversely affected by the accounting treatment on listing expenses.
- We are facing increasing competition from our competitors.
- Our results may continue to be affected by seasonal factors.
- Any significant defect found in our products may, among other things, jeopardise our business reputation, lead to litigation and adversely affect our business.
- We may face disputes over intellectual property rights.
- We rely on our key management team for our success.
- We will not continue to benefit from preferential tax treatment in China.
- We may be adversely affected by the recent economic tsunami and credit tightening.

Risks relating to the industry in which we operate

- Our industry is susceptible to the increase in the prices, and the shortage in the supply, of raw materials.
- Players in our industry with exports to the U.S. market are susceptible to the recent economic downturn in the U.S.

Risks relating to conducting business in the PRC

- The outbreak of any severe communicable disease, if uncontrolled, or the occurrence of any natural disaster could adversely affect our results of operations.
- Political and economic considerations.
- Legal considerations.
- The newly enacted PRC Employment Contract Law may increase our labour costs.
- Fluctuations in the exchange rate between RMB and US\$ may affect our costs and financial condition.

SUMMARY

Risks relating to the Share Offer

- There has been no prior public market for the Shares and the liquidity of the Shares may be low.
- The Offer Price may not be indicative of the trading prices that will prevail following the Listing and such trading prices may be volatile.
- We will continue to be controlled by our Controlling Shareholders, whose interests may be different from other Shareholders.
- The shareholding of our Shareholders may be diluted as a result of additional equity fund raising.

Risks associated with forward-looking statements and reports not prepared or approved by us

- The industry statistics contained in this prospectus may not be unduly relied upon.
- There are risks associated with forward-looking statements.

Amongst the above risk factors, your attention is particularly drawn to the risk factor entitled “We may be adversely affected by the recent economic tsunami and credit tightening” which sets forth the likely impact on our business operations as a result of the recent financial tsunami and credit tightening.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions have the following meanings:-

“ Application Form(s) ”	WHITE application form(s) and YELLOW application form(s) or, where the context requires, any of them used in the Hong Kong Public Offer
“ Application Lists ”	the application lists for the Hong Kong Public Offer
“ Articles ”	our articles of association as amended from time to time
“ associate ”	having the meaning ascribed thereto under the Listing Rules
“ Audit Committee ”	the audit committee of our Board
“ Board ”	board of our Directors
“ Business Day ”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“ BVI ”	the British Virgin Islands
“ Capitalisation Issue ”	the issue of 50,000,000 Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to under the paragraphs under “Further information about our Company and its subsidiaries” in appendix VI to this prospectus
“ Cayman Companies Law ”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“ CCASS ”	the Central Clearing and Settlement System established and operated by HKSCC
“ CCASS Clearing Participant ”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“ CCASS Custodian Participant ”	a person admitted to participate in CCASS as a custodian participant
“ CCASS Investor Participant ”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“ CCASS Participant ”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

DEFINITIONS

“CCID”	CCID Consulting Company Limited, an independent professional market research and management consulting company, with its shares listed on the Growth Enterprise Market of the Stock Exchange
“China” or “PRC”	The People’s Republic of China which for the purpose of this prospectus and for geographical reference only, does not include Taiwan, Macau Special Administrative Region of the People’s Republic of China and Hong Kong
“China Everbright” or “Sponsor”	China Everbright Capital Limited, a corporation licenced to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO, acting as the sponsor to the Listing
“China Everbright Securities”	China Everbright Securities (HK) Limited, a corporation licenced to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (advising on asset management) of the regulated activities under the SFO, acting as the bookrunner and lead manager of the Share Offer
“Clawback Adjustment”	the clawback adjustment referred to in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Company”	Vitar International Holdings Limited (威達國際控股有限公司), an exempted company incorporated in the Cayman Islands on 22 January 2008 with limited liability
“connected person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	our controlling shareholders (as defined under the Listing Rules) of our Company and, in the context of this prospectus, refers to Vitar Development and 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
“Deed of Non-Competition”	the deed of non-competition dated 21 October 2008 and entered into between our Controlling Shareholders and us
“Director(s)”	the director(s) of our Company
“HKFRS”	the Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited

DEFINITIONS

“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Hong Kong Public Offer”	the offer for subscription of the Hong Kong Public Offer Shares by members of the public in Hong Kong at the Offer Price (plus brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) on and subject to the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Public Offer Shares”	2,800,000 Offer Shares being initially offered for subscription under the Hong Kong Public Offer, subject to the Clawback Adjustment
“Hong Kong Public Offer Underwriters”	the underwriters listed under “Hong Kong Public Offer Underwriters” in the section headed “Underwriting” in this prospectus
“Hong Kong Public Offer Underwriting Agreement”	the underwriting agreement dated 29 October 2008 relating to the Hong Kong Public Offer entered into among us, our executive Directors, Warranting Shareholders (as defined therein as Vitar Development, Mr. LEUNG Chau Hiu, Mr. LEUNG Kai Wing, Ms. TSANG Chi Yung and Ms. LEUNG Chun Yin), China Everbright, China Everbright Securities and other Hong Kong Public Offer Underwriters
“Independent Third Party(ies)”	third party(ies) who is/are independent of any of us and the connected persons of our Company
“International Placing”	the placing of the International Placing Shares at the Offer Price to professional, institutional and private investors as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“International Placing Shares”	25,200,000 Shares being initially offered for subscription under the International Placing, subject to the Clawback Adjustment
“International Placing Underwriters”	the underwriters listed under “International Placing Underwriters” in the section headed “Underwriting” in this prospectus

DEFINITIONS

“International Placing Underwriting Agreement”	the underwriting agreement proposed to be entered into on or about 10 November 2008 relating to the International Placing entered into among us, our executive Directors, Warranting Shareholders (as defined therein as Vitar Development, Mr. LEUNG Chau Hiu, Mr. LEUNG Kai Wing, Ms. TSANG Chi Yung, Ms. LEUNG Chun Yin), China Everbright, China Everbright Securities and other International Placing Underwriters
“Latest Practicable Date”	23 October 2008, being the latest practicable date for the purpose of ascertaining certain information in this prospectus
“Leader Tech”	Leader Tech Limited (龍滔有限公司), a company incorporated in Hong Kong on 29 October 2004 under the Companies Ordinance and one of our wholly-owned subsidiaries
“Listing”	the proposed listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares first commence on the Main Board
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“New Jadwson”	新集誠電工材料(深圳)有限公司 (New Jadwson Electronic Manufacturing (Shenzhen) Company Limited), a limited liability company established in China on 23 February 2004, one of our five largest suppliers during the Track Record Period, and was owned indirectly by Vitar Hong Kong as to 40% until 19 October 2004
“Offer Price”	HK\$2.1 for each Offer Share
“Offer Shares”	the Hong Kong Public Offer Shares and the International Placing Shares
“Remuneration Committee”	the remuneration committee of our Board

DEFINITIONS

“Reorganisation”	the corporate reorganisation in preparation for the Listing as described under “Reorganisation” in appendix VI to this prospectus
“SARS”	Severe Acute Respiratory Syndrome
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares in the share capital of our Company with a nominal value of HK\$0.10 each
“Share Offer”	the Hong Kong Public Offer and the International Placing
“Share Option Scheme”	the share option scheme conditionally adopted by us on 21 October 2008, the principal terms of which are summarised in the paragraphs under “Share Option Scheme” in appendix VI to this prospectus
“Shareholder(s)”	holder(s) of the Shares
“Shenzhen Mica”	深圳麥卡電工器材有限公司 (Shenzhen Mica Electric Material Limited), a limited liability company established in China on 23 June 1989, one of our five largest suppliers during the Track Record Period, and was owned indirectly by Vitar Hong Kong as to 40% until 19 October 2004
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	have the meaning ascribed thereto under the Hong Kong Companies Ordinance
“Substantial Shareholder(s)”	the substantial shareholder(s) (as defined under the Listing Rules) of our Company and, in the context of this prospectus, refers to Vitar Development, Mr. LEUNG Chau Hiu and Mr. LEUNG Kai Wing
“Track Record Period”	the period comprising the three financial years ended 31 December 2007 and the four months ended 30 April 2008
“Underwriters”	the Hong Kong Public Offer Underwriters and the International Placing Underwriters
“Underwriting Agreements”	the Hong Kong Public Offer Underwriting Agreement and the International Placing Underwriting Agreement
“U.S.”	the United States of America

DEFINITIONS

“Vitar Development”	Vitar Development Holdings Limited (威達發展控股有限公司), a company incorporated in the British Virgin Islands on 25 January 2008, acting as the holding company of our Company, which is owned as to 35% by Mr. LEUNG Chau Hiu, 32.5% by Mr. LEUNG Kai Wing, 10% by Ms. TSANG Chi Yung, 10% by Ms. LEUNG Chun Yin, 7.5% by Mr. YIP Sai Keung and 5% by Ms. WONG Lai Mui, respectively, and a connected person of our Company
“Vitar Factory”	梧桐山威達絕緣材料廠 (Vitar Insulation Materials Factory), a production sub-contracting arrangement formed under Vitar Hong Kong and 深圳市羅湖梧桐山企業公司 (Shenzhen City Luohu Wutung Mountain Enterprise Company), an Independent Third Party, which ceased business in December 2006
“Vitar Hong Kong”	Vitar Insulation Manufacturers Limited (威達絕緣材料製造有限公司), a company incorporated in Hong Kong on 7 November 1978 and one of our wholly-owned subsidiaries
“Vitar Insulation”	Vitar Insulation Holdings Limited (威達絕緣控股有限公司), a company incorporated in the British Virgin Islands on 25 January 2008 and one of our wholly-owned subsidiaries
“Vitar Shenzhen”	威達絕緣材料(深圳)有限公司 (Vitar Insulation Material (Shenzhen) Limited), a limited liability company incorporated in China on 28 March 2003 and one of our wholly-owned subsidiaries
“Weida Longchuan”	龍川威達絕緣材料有限公司 (Long Chuan Weida Insulation Material Co., Ltd.), a limited liability company incorporated in China on 14 January 2005 and one of our wholly-owned subsidiaries
“we” or “us” or “Group”	our Company and our Subsidiaries or any of them or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, our present subsidiaries
“Euro”	Euro, the lawful currency of certain countries in the European Union
“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of China
“US\$”	U.S. dollars, the lawful currency of the U.S.

Unless otherwise stated, all translation of Renminbi amounts into Hong Kong dollars were made at the rate of RMB0.88 to HK\$1.00.

No representation is made that Renminbi amounts referred to in this prospectus could have been or could be converted into Hong Kong dollars at any particular rate or at all.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus in connection with our business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“CAGR”	means “compound annual growth rate”
“CSA”	refers to Canadian Standards Association, an independent organisation offering product testing and certification services for electrical, plumbing, gas and mechanical products
“DMC”	means dimethylcyclopolysiloxane, which is a silicone intermediate and a mixture with dimethyldichlorosilane as its principal raw material prepared on the basis of hydrolyte through hydrolysis
“fibre-glass” (also known as “fibreglass” and “glass fibre”)	is a material made from fine fibres of glass and used as a reinforcing agent for polymer products, with the resulting composite material, properly known as fibre reinforced polymer (FRP) or glass-reinforced plastic (GRP)
“fibre-glass sleeving”	is composed of modified acrylic resin that has been continuously coated over tubes or electric wires which are commonly used in household electrical appliances such as lighting fixtures, stoves, oven and furnace controls, relays, breaker panels and switchgear, and other commercial and industrial apparatus
“fluoropolymer”	is a polymer that contains fluorine and is characterised by a high resistance to solvents, acids, and bases
“GDP”	means the market value of all final goods and services from a country in a year
“HTV”	means high-temperature-vulcanised silicone rubber, a silicone rubber existing in semi-solid or solid state processed from DMC by undergoing certain chemical reactions
“injection molding”	means a technology for molding plastics through which raw plastic granules are melted under high-temperature and injected by the compressing machine at high pressure into metal moulds
“LSR”	means liquid silicone rubber, a silicone rubber in liquid form processed from DMC by undergoing certain chemical reactions

GLOSSARY OF TECHNICAL TERMS

“NSF”	refers to NSF International, an independent organisation established in 1944, and which is principally engaged in standard development, product certification and risk-management programmes for public health and safety
“OEM”	means an “original equipment manufacturer” that builds or produces components for others without its own brands
“RoHS Directive”	means the “Restriction of Hazardous Substances Directive”, a directive adopted in February 2003 by the European Union that took effect on 1 July 2006, and which provides for a series of restrictions on the use of certain hazardous substances, such as lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyl (PBB) and polybrominated diphenyl ether (PBDE) flame retardants, in electrical and electronic equipment
“rubber”	means natural rubber with properties of good elasticity and tension
“silicone”	means white or colourless crystalline chemical compound of silicone dioxide commonly found in forms including quartz sand and opal
“silicone rubber”	means a composite polymer material which has the properties of both organic and inorganic substances with good thermal, electric and weathering resistance and that can be modified to add other features, such as insulation, water repellence, anti-foaming and non-adhesion
“TÜV”	means the certification service provided by TÜV Rheinland Group to manufacturers in relation to quality and safety
“UL”	refers to Underwriters Laboratories Inc., an independent product safety certification organisation that tests products and formulates standards for product safety, which evaluates more than 19,000 types of products, components, materials and systems on an annual basis
“VDE”	refers to VDE Testing and Certification Institute, an independent organisation established in 1920, which is principally engaged in testing and certification of electrotechnical equipment, components and systems

RISK FACTORS

Investors should consider carefully all of the information set forth in this prospectus and, in particular, should evaluate the following risks in connection with an investment in the Offer Shares. Our business, financial condition and results of operations could be materially adversely affected by any of such risks. The trading price of our Shares could decline due to any of such risks.

RISKS RELATING TO OUR BUSINESS

We have not entered into any long-term sales contract with our customers.

We have not entered into any long-term sales contract with our customers and hence, the sales to our customers, including our five largest customers, are based on individual purchase orders placed by them from time to time. We therefore cannot assure you that the purchase orders from our customers will grow or can be maintained at the present level or at all. Our customers may also cancel or defer their purchase orders, without any recourse, once issued or may terminate their business relationships with us without reason or in circumstances outside our control. In any of these events, our results of operation could be adversely affected.

Our products are not end products and their demand is driven by the demand for household electrical appliances manufactured in Southern China.

Our business depends to a large extent on the market demand for our customers' household electrical appliances. Household electrical appliances are subject to technological change and product obsolescence; and their demand is significantly affected by macro-economic trends and other factors outside our control or prediction. Most of our customers are situated at Southern China which is a manufacturing base for a wide range of household electrical products. If the demand for our customers' household electrical appliances decline or if the prominence of Southern China as a manufacturing base for household electrical appliances diminishes, our business could be adversely affected.

We may not be able to manage our business growth effectively.

We plan to construct new production lines for the production of silicone rubber and expand the capacity of our existing production lines for the production of fibre-glass sleeving, tubing and wiring products. The net proceeds from the Share Offer of HK\$40.4 million will be applied towards the establishment of these production lines. In order to manage our business expansion, we must continuously improve our efficiency in management, production engineering, operation and other key operating functions. We cannot assure you that we will not face any difficulty in the construction of our new production lines, expansion of our existing production lines or recruiting and training adequate staff to manage and operate those production lines. If we are not able to manage our business development effectively, our results of operation could be adversely affected.

Our profitability is depending on the cost of raw materials.

Our manufacturing business consumes substantial amount of copper, silicone rubber and different kinds of raw materials. During the Track Record Period, the total costs of such raw materials amounted to HK\$71.0 million, HK\$85.6 million, HK\$81.8 million and HK\$24.1 million, respectively,

RISK FACTORS

representing 80.2%, 80.0%, 76.8% and 73.7% of the total cost of sales for our manufacturing business, respectively. The availability and the prices of such raw materials depend on a number of factors outside our control. As a result of various factors, prices for such raw materials, particularly for copper, are volatile in recent years. During the Track Record Period, the average purchase cost of copper for our manufacturing business was HK\$33.4/kg, HK\$63.8/kg, HK\$64.3/kg and HK\$63.7/kg, respectively, and the total purchase cost of copper for our manufacturing business was HK\$9.6 million, HK\$32.5 million, HK\$24.3 million and HK\$5.2 million respectively. The average purchase cost of silicone rubber for our manufacturing business during the Track Record Period was HK\$32.5/kg, HK\$30.5/kg, HK\$30.4/kg and HK\$31.4/kg respectively, and the total purchase cost of silicone rubber for our manufacturing business was HK\$13.3 million, HK\$11.9 million, HK\$13.4 million and HK\$4.1 million, respectively. Because of the increasing trend of the raw material prices, we cannot assure you that the costs of our raw materials will not increase in the future. If we are not able to transfer the increased costs to our customers or if our hedging arrangements are not as effective as we anticipate, our results of operations could be adversely affected.

Our business may be adversely affected by any further increase in copper spot prices.

From January 2005 to July 2008, the copper spot prices quoted on the London Metal Exchange increased by more than 166% from US\$3,000 per tonne to over US\$8,000 per tonne. If there are further significant increases in the copper spot prices, our costs of purchase of copper will increase. If we are not able to transfer the increased costs to our customers or if our hedging arrangements are not as effective as we anticipate, our results of operations could be adversely affected.

We are depending on a small number of major suppliers of silicone rubber and mica plate, and have no control over the supply of silicone rubber and mica plate.

Silicone rubber is one of our principal raw materials, accounting for 11.4%, 9.9%, 8.9% and 10.8% of our cost of sales in our manufacturing business during the Track Record Period. We purchase silicone rubber from several suppliers, but we have not entered into any long-term supply contract with any of them. Our largest silicone rubber supplier during the Track Record Period accounted for 6.3%, 5.3%, 9.0% and 15.4% of our total purchase of raw materials, respectively.

Apart from silicone rubber, mica plate is also one of our principal raw materials, accounting for 32.3%, 29.0%, 23.6% and 26.7% of our cost of sales in our manufacturing business during the Track Record Period. We purchase mica plate from New Jadwson and Shenzhen Mica but we have no long-term supply contract with any of them. During the Track Record Period, purchase of mica plate from New Jadwson accounted for 23.3%, 24.1%, 19.2% and 12.8% of our total purchase of raw materials, respectively, and purchase from Shenzhen Mica accounted for 6.5%, 4.2%, 2.6% and 7.0% of our total purchase of raw materials, respectively.

We cannot assure you that these suppliers will continue to supply the required silicone rubber or mica plate to us on existing or similar terms or at all. If the supply of silicone rubber or mica plate is interrupted or if the terms of supply change substantially to our disadvantage, our results of operations could be adversely affected.

RISK FACTORS

We are depending on our five largest suppliers.

During the Track Record Period, our five largest suppliers accounted for 50.2%, 63.4%, 55.2% and 60.0%, respectively, and our largest supplier accounted for 23.3%, 24.1%, 19.2% and 15.6%, respectively, of our total purchase of raw materials. Our largest supplier for the three years ended 31 December 2007 supplied us mica plate and our largest supplier for the four months ended 30 April 2008 supplied us copper. There can be no assurance that these suppliers will continue to supply copper, silicone rubber or mica plate to us on existing or similar terms or at all. If the supply is interrupted or if the terms of supply change substantially to our disadvantage, our results of operations could be adversely affected.

Revenue from our trading business is depending on a few customers.

During the Track Record Period, revenue from our trading business was depending on three active customers for silicone rubber and one active customer for copper, accounting for 9.7%, 7.0%, 15.0% and 20.6% of our total revenue, respectively. Our results of operation are therefore depending on the performance of our trading business which is in turn depending on certain major trading customers. Because of the inherent nature of our trading business, in which we only placed our purchase orders following the receipt of purchase orders from our trading customers, we may not be able to maintain the current level of our trading business in the future. We may also not be able to maintain the profit margin of our trading business. The distribution agreements entered into with our suppliers are not exclusive in nature, and we have not entered into any long-term sales contract with our trading customers. Hence, our suppliers may appoint another distributor or our trading customers may cease to source silicone rubber and copper from us. In any of these events, our results of operations could be adversely affected.

We may not be able to sustain the level of sales for our manufactured products.

During the Track Record Period, our revenue derived from sales of manufactured products amounted to HK\$121.2 million, HK\$144.9 million, HK\$145.8 million and HK\$44.9 million, respectively. Sales of fibre-glass sleeving amounted to HK\$40.1 million, HK\$41.4 million, HK\$40.4 million and HK\$11.3 million, respectively, during the Track Record Period and sales of mica sheet amounted to HK\$40.2 million, HK\$43.8 million, HK\$35.7 million and HK\$12.6 million, respectively. Due to fierce competition in the insulation solution market, we cannot assure you that we will be able to sustain the continued growth in our sales, nor are we able to maintain the sales at the current level or at all in the future.

We may not be able to sustain our historical profit margin.

During the Track Record Period, our gross profit margin was 23.4%, 22.2%, 21.1% and 20.7%, respectively, and our net profit margin was 12.5%, 12.9%, 11.9% and 6.7%, respectively. Our gross and net profit margins depend on a number of factors, including our cost control, the selling prices of our products and the successful implementation of our business expansion plans. As most of these factors are outside our control, we cannot assure you that we will be able to maintain the current level of our profit margins in the future.

RISK FACTORS

Our financial performance in 2008 may be adversely affected by the accounting treatment on listing expenses.

According to paragraph 37 of Hong Kong Accounting Standard 32 issued by the Hong Kong Institute of Certified Public Accountants, the transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. In this regard, of the total estimated listing expense of HK\$18.4 million, we will allocate approximately HK\$9.6 million to share premium and the remaining HK\$8.8 million, which is not directly related to the Share Offer, as administration expenses which will be charged to the consolidated income statement for the year ending 31 December 2008. The amount of listing expenses of HK\$8.8 million is equivalent to 70.2% and 36.4% of our administrative expenses and our net profit for the year ended 31 December 2007, respectively. Our financial performance in 2008 may be adversely affected by such accounting treatment. For the four months ended 30 April 2008, listing expenses of HK\$3.1 million have been charged to the audited combined income statement.

We are facing increasing competition from our competitors.

The industry in which we operate is not difficult to enter into, nor is there any significant technology or entry barrier for new competitors to participate in the industry. Hence, we cannot assure you that there will not be any significant increase in the number of competitors in the industry which can manufacture fibre-glass sleeving and silicon-based high-temperature electric wires, tube and insulating materials with comparable or better quality than us. Such competition could adversely affect our profitability.

Our results may continue to be affected by seasonal factors.

Our business experienced seasonality fluctuations during the Track Record Period. The months of January and February were traditionally slack period for our industry because our products are used as components in household electrical appliances the demand for which would increase before the holiday seasons. Our production activities were also suspended for two weeks in January or February for the Chinese New Year holiday. Hence, our sales for the first quarter for each of the three years ended 31 December 2007 only represented 19.9%, 19.1% and 19.0% of our total sales of respective calendar years. As our products are principally used in household electrical appliances for export to the U.S. market, our sales during the second half of each year during the Track Record Period contributed approximately 55.0% of our annual sales during the Track Record Period. We expect this trend will continue following the Listing. This seasonality fluctuation may affect our production costs and the utilisation rate of our production facilities. Our results for the first half of each calendar year may not be taken as an indication of our performance for the entire calendar year. Hence, investors should be reminded of this seasonal factor when making any comparison of our interim and annual results of operation.

Any significant defect found in our products may, among other things, jeopardise our business reputation, lead to litigation and adversely affect our business.

Most of our products are important components of household electrical appliances on safety issues. We may incur substantial product liability due to quality defects or malfunctions of these parts. If our products fail to meet the required quality standards, we may face product liability claims.

RISK FACTORS

We currently do not maintain any product liability insurance which is not to our belief an industry practice. Furthermore, we have not made any provision or reserve for the potential liability. Therefore, we may be exposed to litigation risks arising out of our product warranty and liabilities that could adversely impact our reputation and financial condition.

We may face disputes over intellectual property rights.

We own a number of proprietary formulas for blending and mixing silicone rubber for our production purposes. Further details of our intellectual property rights are set forth in the paragraphs under “Intellectual property and research” in the section headed “Business” in this prospectus.

If any potentially infringing act is discovered or if there is any claim on infringement of intellectual property brought against us, we may need to defend our intellectual property rights in legal proceedings. Defending such claims would divert our financial and human resources from the core activities and could affect our business. We may not be able to prevent third parties from using the relevant intellectual property or we may be required to pay damages and be prevented from using certain intellectual property, or technologies or production know-how. In any of these events, we may be required to pay damages and/or our production activities may be interrupted. Our business operations would therefore be adversely affected.

We rely on our key management team for our success.

The performance and implementation of our business plans depend, to a significant extent, on the continuing services and performance of our executive Directors and our senior management team, the details of whom are set forth in the section headed “Directors, senior management and compliance adviser” in this prospectus. We cannot assure you that we will be able to maintain the services provided by our key personnel. Any failure to recruit and retain the key management and technical personnel or the loss of any of our key personnel, including our executive Directors, may have a material adverse effect on our business operations.

We will not continue to benefit from preferential tax treatment in China.

In accordance with the “Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises” promulgated by the National People’s Congress on 9 April 1991, our subsidiaries, Vitar Shenzhen and Weida Longchuan, are entitled to full exemption from the Enterprise Income Tax (“EIT”) for two years starting from their first profitable year and a 50% reduction in EIT for the subsequent three years.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People’s Congress passed the new PRC Enterprise Income Tax Law which became effective on 1 January 2008. The new law imposes a uniform EIT rate of 25% on resident enterprises, including enterprises with foreign investment and enterprises established outside China whose “de facto management bodies” are located in China. It contemplates various transition periods and measures for existing preferential tax policies, including among others, a grace period of up to five years for foreign-invested enterprises which are currently entitled to a lower income tax rate, and the continued implementation of existing fixed-term preferential tax treatment measures until the expiration of such fixed term. On 26 December 2007, the

RISK FACTORS

State Council issued a Circular on the Implementation of Transitional Preferential Policies related to the Enterprise Income Tax, which became effective on 1 January 2008. According to this Circular, both Vitar Shenzhen and Weida Longchuan are PRC resident enterprises and will be subject to the uniform tax rate of 25% once the term for preferential treatment expires. Vitar Shenzhen enjoyed an exemption from EIT from 2004 to 2005 and is subject to a 50% reduction on payments of EIT starting from 2006 to 2008. Weida Longchuan had no assessable profit and accordingly its first profitable year did not commence during the Track Record Period. As a result of the new PRC Enterprise Income Tax Law, after the transition period, Vitar Shenzhen and Weida Longchuan will no longer receive preferential tax treatment.

We may be adversely affected by the recent economic tsunami and credit tightening

The recent economic tsunami and credit tightening have adversely affected the U.S. and the world economies. With a deteriorating worldwide economy, demand for electrical appliances may be diminished, which in turn will affect the demand for our products. In addition, the credit tightening environment may aggravate the interest expenses on our bank borrowings, or the bank may even reduce the amount of or discontinue the banking facilities currently available to us. If this economic downturn continues, our business operations could be adversely affected.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Our industry is susceptible to the increase in the prices, and the shortage in the supply, of raw materials.

Manufacturers like us depend on a constant supply of raw materials which include copper and silicone rubber. If the supply of raw materials is interrupted or reduced or if there is any significant increase in the prices of these raw materials, the production activities will be interrupted and/or additional costs would be incurred to purchase sufficient amount of raw materials to meet the production requirements and commitments to our customers. Any significant increase in the prices of these raw materials, which might not be transferred to our customers, would have to be borne by us which could have an adverse effect on the financial conditions and results of operations.

Players in our industry with exports to the U.S. market are susceptible to the recent economic downturn in the U.S.

The recent economic tsunami and credit tightening, as particularly described in the risk factor entitled “We may face adverse impact under the recent economic tsunami and credit tightening”, have adversely affected the U.S. economy and may impair consumers’ confidence and their willingness and ability to spend. These factors affect the demand for household electrical appliances and could in turn adversely affect the demand for our insulation products as they are one of the components used in such appliances. If this economic downturn continues, our results of operations could be adversely affected.

RISK FACTORS

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

The outbreak of any severe communicable disease, if uncontrolled, or the occurrence of any natural disaster could adversely affect our results of operations.

As our turnover is currently primarily derived from our PRC operations, any contraction or slowdown in the economy of the PRC could adversely affect our financial condition, results of operations and future growth. Natural disasters may also affect our production activities, damage our product plants or result in a significant blackout of economic activities. The outbreak of any severe communicable disease in the PRC, if uncontrolled, could have an adverse effect on the overall business sentiments and environment in the PRC, which in turn could have an adverse impact on the domestic consumption and, possibly, the overall GDP growth of the PRC. In addition, if any of our employees is affected by any severe communicable diseases outbreak, it could adversely affect or disrupt our production at the relevant plants and adversely affect our results of operations as we may be required to close our facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of our customers and suppliers, which could have an adverse effect on our business, financial condition and results of operations.

Political and economic considerations.

Prior to the adoption of economic reform policies since 1978, the PRC was primarily a planned economy. Since that time, the PRC government has been reforming the PRC economic system, and has also begun reforming the government structure. These reforms have resulted in significant economic growth and social progress. Nevertheless, we cannot assure you that these or future reforms or changes in political, economic and social conditions, laws, regulations and policies in the PRC will have no adverse effect on our business, results of operations or financial condition.

Legal considerations.

Since 1979, many laws and regulations governing economic matters have been promulgated and supplemented in the PRC. Many of these laws and regulations are promulgated in broad principles and the PRC government has gradually laid down implementation rules and has continued to refine and modify such laws and regulations. As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. The general effect of legislation since 1982, when the National People's Congress amended the constitution to authorise foreign investment, has been able to significantly enhance the protection afforded to foreign invested enterprises in the PRC. However, we cannot assure you that future changes in legislation or the interpretation thereof will not have any adverse effect on us.

The newly enacted PRC Employment Contract Law may increase our labour costs.

The PRC Employment Contract Law became effective on 1 January 2008. Compliance with the requirements under this new law, in particular, the requirements of severance payment and non-fixed term employment contracts, may increase our labour costs.

RISK FACTORS

Pursuant to the PRC Employment Contract Law, our subsidiaries in China are required to enter into non-fixed term employment contracts with employees who have worked for us for more than 10 years or for whom a fixed term employment contract has been concluded for two consecutive terms. We may not be able to efficiently terminate non-fixed term employment contracts under the new PRC Employment Contract Law without cause. We are also required to make severance payments to fixed term contract employees when the term of their employment contract expires, unless the employee voluntarily terminates the contract or voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer, except in circumstances where the employee's monthly wage is three times or more greater than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years. A minimum wage requirement has also been incorporated into the PRC Employment Contract Law. Fines may be imposed for any material breach of the PRC Employment Contract Law.

Under the minimum wages requirement, we estimate that we have to pay additional wages and salaries to staff in China ranging from RMB0.8 million to RMB1.2 million, representing an increase of the labour cost from 10% to 15% compared to the year ended 31 December 2007.

As a result of the requirements imposed by the PRC Employment Contract Law, our historical labour costs may not be indicative of our labour costs going forward. Compliance with the relevant laws and regulations may substantially increase our operating costs, thus may have a material adverse effect on our results of operations.

Fluctuations in the exchange rate between RMB and US\$ may affect our costs and financial condition.

The value and convertibility of RMB are subject to changes in the PRC government's policies and depend on domestic and international economic and political developments, as well as the supply and demand forces of Renminbi in the local market. Since 1994, the conversion of RMB into foreign currencies, including HK\$ and US\$, has been based on rates set by the People's Bank of China, which are set daily based on the previous day's interbank foreign exchange market rates and with reference to the current exchange rates on the global financial markets. The official exchange rate for the conversion of RMB into U.S. dollars has generally been stable during the past ten years. However, as of 21 July 2005, RMB was no longer pegged to the US\$ but instead to a basket of currencies. This revaluation resulted in RMB appreciating against the US\$ and HK\$ by approximately 2%. Any appreciation of RMB would increase the value of, and any dividends payable on, our shares in foreign currency terms. Conversely, any depreciation of RMB would decrease the value of our assets in foreign terms. We cannot assure you that any change in the PRC government's currency policies or any adverse change in the market conditions would not lead to an appreciation or depreciation of RMB. As we are not involved in any currency hedging activities, any fluctuation in the exchange rate or any shortage of foreign currency may have an adverse impact on operating costs and financial condition.

RISK FACTORS

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for the Shares and the liquidity of the Shares may be low.

Prior to the Listing, there has been no public market for the Shares. Moreover, only 28,000,000 Offer Shares, representing 28% of the enlarged number of Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (taking no consideration of the Shares which may be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme), are offered for subscription under the Share Offer. We cannot assure you that an active trading market for the Shares will develop or be sustained following the Listing.

The Offer Price may not be indicative of the trading prices that will prevail following the Listing and such trading prices may be volatile.

The Offer Price has been determined by negotiations between China Everbright Securities (on behalf of the Underwriters) and us and may not be indicative of prices that will prevail in the trading market. Investors may not be able to resell their Shares at or above the initial public offering price. The financial markets in Hong Kong have experienced significant price and volume fluctuations. Volatility in the price of the Shares may be caused by factors outside our control and may be unrelated or disproportionate to our results of the operations.

Following the Share Offer, the trading prices of the Shares may fluctuate substantially in response to, among other factors:-

- our interim or annual results of operations;
- changes in financial estimates by securities analysts;
- the investment environment in Asia, including Hong Kong and China;
- changes in policies and developments in relation to the industry in which we operate;
- changes in pricing policies adopted by us or our competitors;
- the liquidity of the Shares;
- the demand for and supply of the Shares;
- the recruitment or departure of key personnel; and
- general economic and other factors.

RISK FACTORS

We will continue to be controlled by our Controlling Shareholders, whose interests may be different from other Shareholders.

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme), our Controlling Shareholders will hold 72.0% of the issued Shares. Our largest Shareholder, subject to the Articles and applicable laws and regulations will be able to influence major policy decisions, including our overall strategic and investment decisions, by:-

- controlling the election of Directors and, in turn, indirectly controlling the selection of senior management;
- determining the timing and amount of dividend payments;
- deciding on increases or decreases in share capital;
- determining the issuance of new securities; and
- approving mergers, acquisitions and disposals of our assets or businesses.

The interests of our Controlling Shareholders could conflict with the interests of the other Shareholders. Any such actions could adversely affect the interests of minority Shareholders or the price of the Shares.

The shareholding of our Shareholders may be diluted as a result of additional equity fund raising.

We may need to raise additional funds in the future to finance the expansion of our operations or new acquisitions. If additional funds are raised through the issuance of new Shares or other securities that may be converted into the Shares or other equity-linked securities of our Company in a way other than on a pro rata basis to existing Shareholders, the shareholding percentage of the existing Shareholders may be reduced and Shareholders may experience subsequent dilution. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

RISKS ASSOCIATED WITH FORWARD-LOOKING STATEMENTS AND REPORTS NOT PREPARED OR APPROVED BY US

The industry statistics contained in this prospectus may not be unduly relied upon.

Certain statistics contained in the section headed “Industry overview” in this prospectus relating to industry in which we operate are derived from government official publications. Whilst our Directors have taken all reasonable care to ensure that the facts and statistics are accurately reproduced from such sources, such information has not been independently verified by our Company and may be inconsistent, inaccurate, incomplete or out-of-date.

RISK FACTORS

None of our Company, China Everbright, China Everbright Securities and the Underwriters, their respective directors and advisers or any other parties involved in the Share Offer make any representation as to the accuracy or completeness of such information and, accordingly, such information should not be unduly relied upon.

There are risks associated with forward-looking statements.

This prospectus contains certain statements that are forward-looking, often indicated by the use of words such as “anticipate”, “believe”, “could”, “expect”, “estimate”, “may”, “ought to”, “should”, “will” or similar terms. These forward-looking statements address, among other topics, our growth strategy and expectations concerning our future operations, liquidity and capital resources. Prospective investors are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that as a result of any or all of the assumptions or judgements on which such statements are based proving to be incorrect, the forward-looking statements could also be incorrect. In light of these and other uncertainties, the forward-looking statements in this prospectus should not be regarded as representations by us that our plans, expectations or objectives will be achieved, and investors should not place undue reliance on such statements.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules under the SFO and the Listing Rules for the purposes of giving information with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this prospectus misleading.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained in this prospectus and the Application Forms must not be relied upon as having been authorised by our Company, the Sponsor, the Underwriters, any of their respective directors, agents, employees or advisers or any other person involved in the Share Offer.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer which is sponsored by China Everbright and is expected to be fully underwritten by the Underwriters pursuant to the Underwriting Agreements. For additional information on the Underwriters, please refer to the relevant paragraphs in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON THE OFFER AND SALE OF OFFER SHARES

Each person subscribing for the Offer Shares will be required to confirm, or be deemed by his or her or its subscription for the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offer and sale of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

APPLICATION FOR LISTING ON THE MAIN BOARD

We have applied to the Listing Committee for the listing of and permission to deal in the Shares in issue and Shares to be issued as mentioned in this prospectus, including the Offer Shares and the Shares in issue and any Share which may be allotted and issued pursuant to (i) the Capitalisation Issue and (ii) the exercise of any option that may be granted under the Share Option Scheme.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

No part of the Shares or our loan capital is listed on or dealt in on the Main Board, GEM or any other stock exchange and no such listings or permission to deal is being or is proposed to be sought by us at the present time.

Under section 44B(1) of the Hong Kong Companies Ordinance, if the application for the listing of and permission to deal in the Shares on the Main Board has been refused before the expiration of three weeks from the date of the closing of the Application Lists or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Stock Exchange, then any allotment made in respect of an application pursuant to this prospectus shall, whenever made, be void.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors of the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase or disposal of or dealing in the Shares or exercising rights attaching to them. None of our Company, the Sponsor, the Bookrunner and the Lead Manager, the other Underwriters and their respective directors and any other person involved in the Share Offer accepts responsibility for tax effects on, or liability of, any person resulting from subscribing for, or purchasing, holding, disposing of, dealing in or the exercise of any rights in relation to the Shares.

STAMP DUTY

Dealings in the Shares registered on our branch register of members maintained by the Hong Kong Branch Share Registrar will be subject to Hong Kong stamp duty.

HONG KONG BRANCH REGISTER OF MEMBERS

All Shares issued pursuant to the Share Offer will be registered on the branch register of members of our Company to be maintained in Hong Kong. Our Company's principal register of members will be maintained in the Cayman Islands.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Listing Committee grants the listing of, and permission to deal in, the Shares on the Main Board and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as shall be determined by HKSCC. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights, interests and liabilities.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALINGS AND SETTLEMENT

Dealings in the Shares are expected to commence at 9:30 a.m. on 12 November 2008. Shares will be traded in board lots of 1,000 Shares each.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. LEUNG Chau Hiu (梁秋曉)	No. 656 The Wonderland Tai Po Tau Tai Po New Territories Hong Kong	Canadian
Mr. LEUNG Kai Wing (梁啟榮) (Chief Executive Officer)	3A, Ascot Heights 21 Lok Lam Road Fo Tan Shatin New Territories Hong Kong	Chinese
Ms. TSANG Chi Yung (曾志蓉)	3A, Ascot Heights 21 Lok Lam Road Fo Tan Shatin New Territories Hong Kong	Chinese
Ms. LEUNG Chun Yin (梁春燕)	3D, Tropicana Dynasty Heights 8 Yin Ping Road Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
<i>Independent non-executive Directors</i>		
Mr. WONG Chi Kin (黃智堅)	Room 1125 Kai Him Lau Cho Yiu Chuen Kwai Chung New Territories Hong Kong	Chinese
Mr. CHAU Shing Yu (周勝裕)	Flat C, 1st Floor Valiant Park 52 Conduit Road Mid-Levels Hong Kong	British
Mr. LEE Wing Yiu, William (李永耀)	Flat B, 8th Floor Wilmer Building No. 19-23 Wilmer Street Sai Ying Pun Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor	China Everbright Capital Limited 40th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Bookrunner and Lead Manager	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
International Placing Underwriters	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong First Shanghai Securities Limited 19th Floor, Wing On House 71 Des Voeux Road Central Hong Kong Grand Vinco Capital Limited Units 4909-10, 49th Floor The Center 99 Queen's Road Central Hong Kong KAB Asia Securities Limited 30th Floor, Chinachem Century Tower 178 Gloucester Road Wanchai Hong Kong Kingsway Financial Services Group Limited 5th Floor, Hutchison House 10 Harcourt Road Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

**Hong Kong Public Offer
Underwriters**

China Everbright Securities (HK) Limited
36th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

First Shanghai Securities Limited
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

Grand Vinco Capital Limited
Units 4909-10, 49th Floor
The Center
99 Queen's Road Central
Hong Kong

KAB Asia Securities Limited
30th Floor, Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

Kingsway Financial Services Group Limited
5th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law
Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC law
Commerce & Finance Law Offices
6th Floor
NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022
China

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

	<i>As to the Cayman Islands law</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal adviser to the Sponsor, Bookrunner and Lead Manager and the Underwriters	<i>As to Hong Kong law</i> Squire, Sanders & Dempsey 24th Floor, Central Tower 28 Queen's Road Central Hong Kong
Auditor and reporting accountant	Deloitte Touche Tohmatsu 35th Floor, One Pacific Place 88 Queensway Admiralty Hong Kong
Property valuer	Jones Lang LaSalle Sallmanns Limited 22nd Floor, Shui On Centre 188 Lockhart Road Wanchai Hong Kong
Receiving banker	DBS Bank (Hong Kong) Limited 16th Floor, The Center 99 Queen's Road Central Hong Kong

CORPORATE INFORMATION

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
Company headquarters	Flat 4-6, 3rd Floor New Trade Plaza Tower B 6 On Ping Street Siu Lek Yuen Shatin Hong Kong
Company website ^(Note)	www.vitar.com.hk
Company secretary	Mr. WONG Fai Kit (黃暉傑), <i>F CPA</i>
Qualified accountant	Mr. WONG Fai Kit (黃暉傑), <i>F CPA</i>
Authorised representatives	Mr. LEUNG Kai Wing (梁啟榮) 3A, Ascot Heights 21 Lok Lam Road Fo Tan Shatin New Territories Hong Kong Mr. WONG Fai Kit (黃暉傑) Flat D 6th Floor 23 Shu Kuk Street North Point Hong Kong
Audit Committee	Mr. WONG Chi Kin (黃智堅), <i>Chairman</i> Mr. CHAU Shing Yu (周勝裕) Mr. LEE Wing Yiu, William (李永耀)

Note: The information on our website does not form part of this prospectus.

CORPORATE INFORMATION

Remuneration Committee	Mr. CHAU Shing Yu (周勝裕), <i>Chairman</i> Mr. LEUNG Kai Wing (梁啟榮) Mr. WONG Chi Kin (黃智堅)
Principal share registrar and transfer office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705 Grand Cayman KY1-1107 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	<i>In Hong Kong</i> The Hongkong and Shanghai Banking Corporation Limited Level 10, HSBC Main Building 1 Queen's Road Central Hong Kong DBS Bank (Hong Kong) Limited 16th Floor, The Centre 99 Queen's Road Central Central, Hong Kong Dah Sing Bank, Limited 35th Floor, Dah Sing Financial Centre 108 Gloucester Road Hong Kong <i>In China</i> China Construction Bank Corporation Luohu Branch, Shenzhen City No. 2028 Jian She Road Luohu District, Shenzhen 518005 China

INDUSTRY OVERVIEW

Certain information and statistics set forth in this section are extracted from official government publications. Reasonable care has been taken by our Directors in the exercise of extracting and repeating such information. The information may not be consistent with each other or with other information compiled for our industry. No independent verification has been carried out by our Directors of such information and statistics.

INTRODUCTION

Insulation materials are used in controlling the flow of electric current in different environments. Such materials can be used in a variety of apparatuses, ranging from large-scale high-voltage power transmission networks to household electrical appliances. Because of its widely used applications, insulation materials are in different forms — solid, liquid and gaseous insulators — all of which are commonly used in electrical apparatus.

Common materials used for insulation purposes are glass, fibre-glass, porcelain and composite polymer materials — such as silicone rubber, fluoro-polymer and mica plate. Porcelain is generally used in large-scale high-voltage applications, whereas silicone rubber and fluoro-polymer are increasingly used in electric wires in household electrical appliances.

Mica has a high dielectric strength and excellent chemical stability, making it a suitable material for manufacturing capacitors for radio frequency applications. It has also been used as an insulator in high voltage electrical equipment.

INSULATION MATERIALS MARKET IN CHINA

The following is extracted from a market report issued by CCID in February 2008 (*Note*), the preparation of which was commissioned by us. The scope of the report includes (i) analysis on the current insulation materials industry; (ii) research on the insulation materials by products (silicone rubber, fibre-glass, mica) and (iii) prepare an industry forecast on the insulation materials industry in China for 2008 to 2010. CCID analysed information obtained from the “2007 the Industrial Enterprise Database” (工業企業數據庫) published by China Statistics Bureau regarding insulation materials manufacturers. CCID then produced a list of the 60 largest insulation materials manufacturers engaged in the manufacturing of insulation materials for household electrical appliances in terms of the annual production value, in which we ranked the 10th in terms of annual production value in 2007.

Introduction

Insulation materials are components, hence their demand is to a large extent depending on the demand for the electrical appliances in which they are installed. Manufacturers of insulation materials are generally strategically located in proximity with large-scale electrical apparatus manufacturers for ease of delivery and communications with customers.

Note: We commissioned CCID to prepare the report for a fee of RMB30,000.

INDUSTRY OVERVIEW

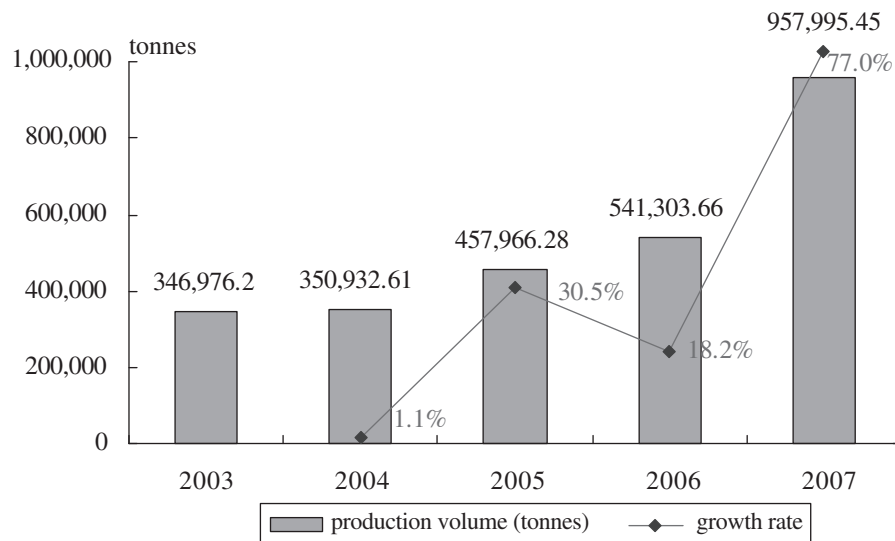
Southern China is a leading base for the manufacture of household electrical appliances

Southern China is renowned for the manufacturing of a variety of electrical appliances, ranging from household electrical appliances, such as micro-wave ovens, kettles, irons and refrigerators, to sophisticated electrical apparatuses, such as computers, television sets and electricity generators. During the year ended 31 December 2007, the total production value of household electrical appliances in Southern China amounted to RMB143.9 billion which represents a growth of 15.7% as compared with the year ended 31 December 2006. As at 31 December 2007, there were an aggregate of 1,492 manufacturers in Guangdong Province, China producing a variety of household electrical appliances.

Five-year analysis of the insulation material market in China

According to the market report issued by CCID, the production volume of insulation materials in China grew at 77.0% during the year ended 31 December 2007. The following diagram illustrates the growth in the production volume of insulation materials in China during the period between 2003 and 2007:-

2003-2007 Annual production volume of insulation materials in China

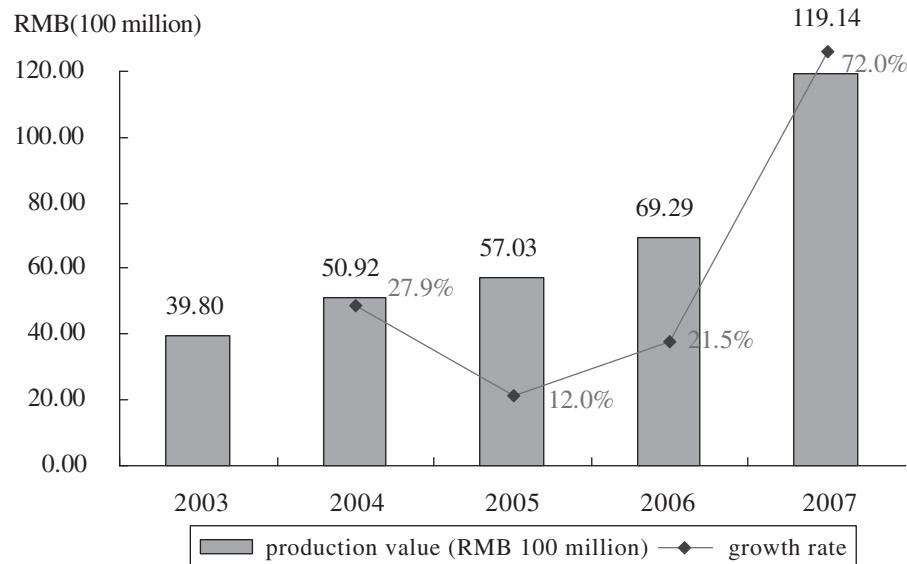


Source: National Statistics Bureau

INDUSTRY OVERVIEW

The following diagram illustrates the growth in the production value of insulation materials in China during the period between 2003 and 2007:-

2003-2007 Annual production value of insulation materials in China



Source: National Statistics Bureau, China Electric Appliances Association (Division of Insulation Materials)

As shown in the above diagram, the substantial increase in the production volume of insulation materials in 2007 resulted in a corresponding increase in the production value of insulation materials to RMB11.9 billion. This represented a growth of 72.0% in the production value as compared with the year ended 31 December 2006. The insulation materials market in China started accelerating during the year ended 31 December 2005 with the continuous economic growth experienced in China and the increasing number of sophisticated electrical apparatuses produced in China — which accelerated the use of insulation materials.

Although the insulation materials market in China is growing significantly, according to CCID, such growth hinges on the growth of the electrical apparatus industry as the insulation materials are not end products.

According to the market report issued by CCID, we ranked the 10th amongst the largest insulation materials suppliers for household electrical appliances in China. CCID analysed the information obtained from the “2007 Enterprise Productivity Database” (工業企業數據庫) published by China Statistics Bureau on insulation materials manufacturers and produced a list of 60 of the largest insulation materials manufacturers engaged in the manufacturing of insulation material for household electrical appliances in terms of the annual production value. According to the list, we ranked the 10th in terms of the annual production value, with our market share accounting for 12.0%, during the year ended 31 December 2007.

INDUSTRY OVERVIEW

INSULATION MATERIALS PRODUCED IN CHINA

Materials used for insulation purposes are glass, porcelain and composite polymer materials — such as silicone rubber, fluoro-polymer and mica plate.

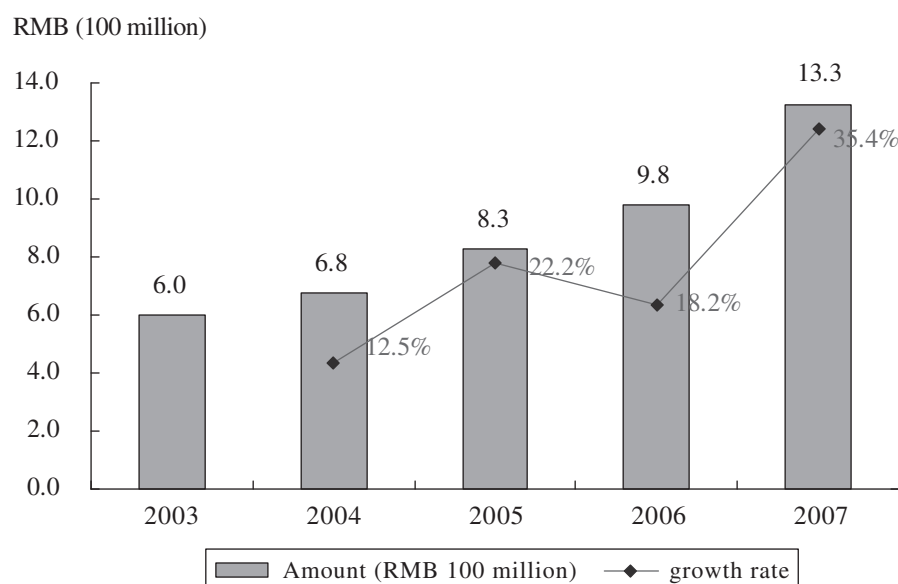
Silicone rubber

Silicone rubber offers good electrical insulation properties and resistance to extreme temperatures, being able to operate effectively from -55 C to +300 C.

In 1998, the total market value of silicone rubber used in electricity cables was less than RMB50.0 million. Such amount was increased to RMB1,330.0 million in 2007, with an average annual growth rate of 40.0%.

The following diagram illustrates the annual production value of silicone rubber insulation materials in China:-

2003-2007 Annual production value of silicone rubber insulation materials in China



Source: National Statistics Bureau, China Chemical Engineering Information Centre

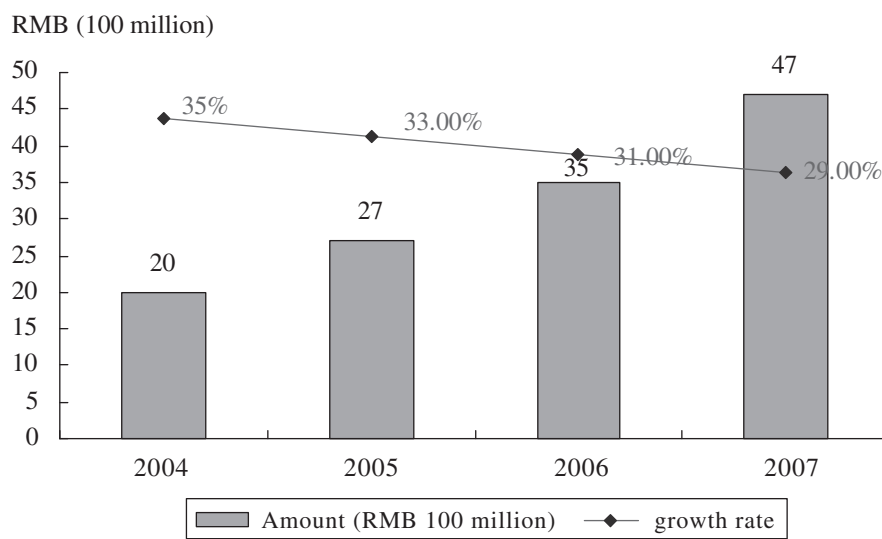
As illustrated in the above diagram, the production value of silicone rubber used for insulation purpose increased substantially during the year ended 31 December 2007. According to the market report issued by CCID, the silicone rubber products produced in China during the previous decade were generally of low quality and reliant on imported silicone gum or DMC. This market situation has changed significantly over recent years, and there is an increasing number of silicone rubber insulation products, such as electric wires, tubes and protectors, produced in China used in high-temperature resistance environment. This was one of the reasons for the accelerated growth in the production value of the silicone rubber market.

INDUSTRY OVERVIEW

Fibre-glass

Whilst silicone rubber has its own feature of resistance to high temperatures, fibre-glass also provides similar insulation properties with high strength. According to the market report issued by CCID, the demand for fibre-glass insulation materials is steady, and they are principally used in household electrical appliances, but not large-scale sophisticated electrical apparatuses. The following diagram illustrates the annual production value of fibre-glass insulation materials in China during the four-year period between 2004 and 2007:-

2004-2007 Annual production value of fibre-glass insulation materials in China



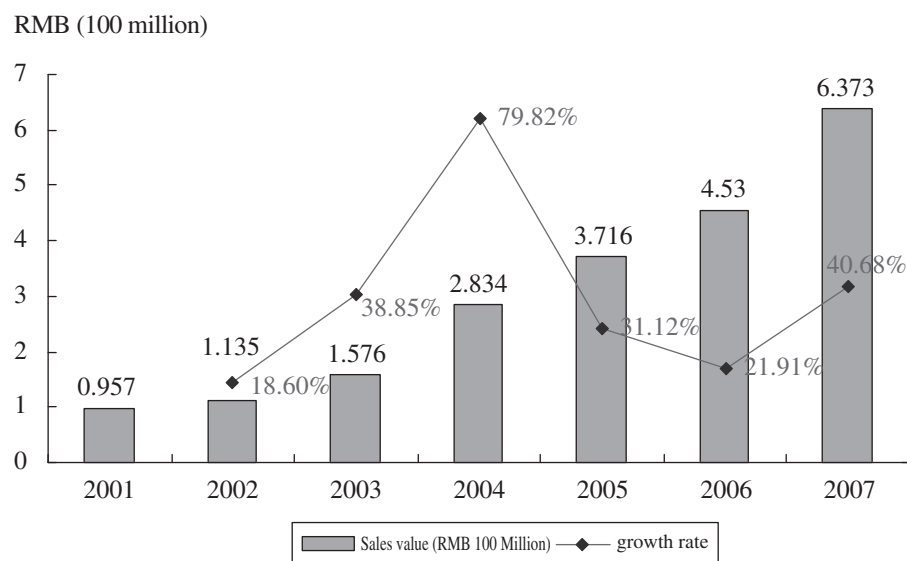
Source: China Fibreglass Industry Association

INDUSTRY OVERVIEW

Mica plate

Mica plate is a solid insulation material that is used to cover certain area in household electrical appliances for resistance of high-temperature. The applications of mica plate are therefore different from silicone rubber and fibre-glass. Mica plate is generally used in household electric appliances, such as microwave ovens, hair dryers and kettles, for heat resistance purpose. The following diagram illustrates the annual sales value of mica insulation products in China during the seven-year period between 2001 and 2007:-

2001-2007 Annual sales value of mica insulation materials in China



INDUSTRY OVERVIEW

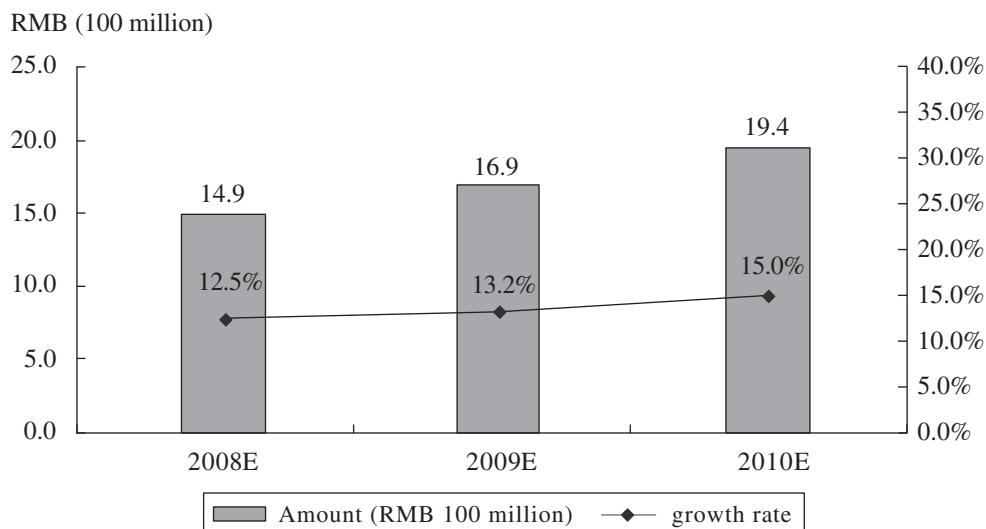
FUTURE DEVELOPMENT OF THE INSULATION MATERIALS MARKET IN CHINA

Silicone rubber insulation materials

Amongst the silicone rubber insulation materials, silicone rubber insulators and silicone rubber lightning arresters are the latest generation of silicon-based products to replace porcelain, fibre-glass insulators and lightning arresters.

Furthermore, because of its flexibility and cost efficiency, the market report issued by CCID anticipates that substantial growth will occur in the application of silicone rubber in critical high-temperature resistance parts and components, such as electric wire, signal cables and protectors for increasingly sophisticated electrical appliances. On this basis, the market report issued by CCID anticipates that the demand for silicone rubber insulation materials will continue to increase, albeit at a slower pace, principally because of the recent economic slowdown and the shift of production process of certain household electrical appliances to other low-cost countries. The following diagram illustrates the estimated annual production value of silicone rubber insulation materials during the three-year period between 2008 and 2010:-

2008-2010 Estimated annual production value of silicone rubber insulation materials in China



There exists a difference between China and overseas regarding the technology level of silicone insulation materials. In China, the product range of high-temperature silicone rubber insulation materials comprise only a few hundred types, whereas some international renowned organic silicone manufacturers offer 3,000 to 5,000 product types with different product features. Furthermore, the product range structure of silicone rubber insulation materials in China is not complete, and there is a shortage of specialised high-end products. The manufacturers of silicone rubber insulation materials in China are generally small in scale, thus their productivity efficiency is low with less emphasis on research and development.

INDUSTRY OVERVIEW

Silicon-based insulation materials are the latest generation insulation materials being applied in high pressure electricity transmission equipment. The rapid development in the organic silicone industry in China has improved the technology of silicone rubber. The integration of silicone rubber insulation materials will be raised and this will lead to lower production costs. Gradually, other porcelain insulation materials will be replaced by silicon-based insulation materials because of the structure and the function of silicone rubber compounds are more suitable and are generally better than that of porcelain; and porcelain is not suitable for incorporation into many new products.

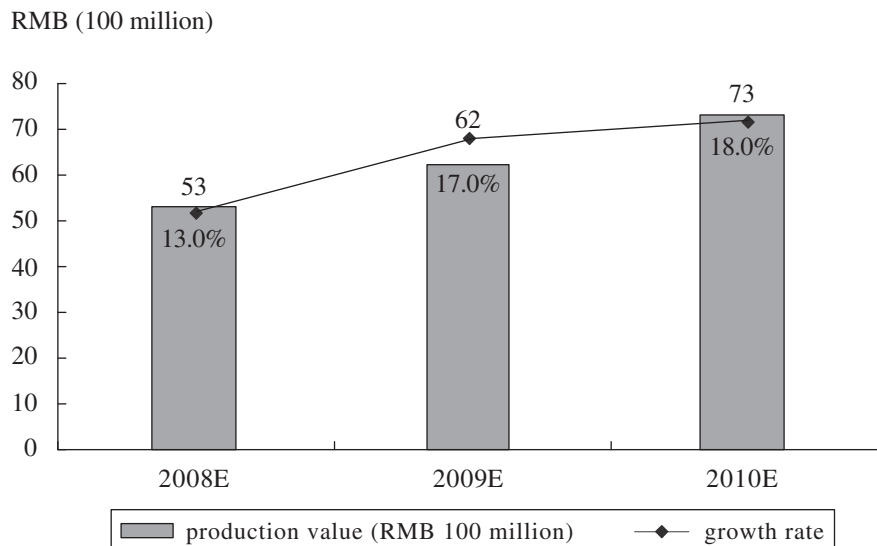
Fibre-glass insulation materials

Currently, China is the world's largest producer of fibre-glass and copper clad laminate as well as electron-grade fibre-glass.

According to the market report issued by CCID, the annual growth in the fibre-glass insulation material market in China is expected to remain in the range between 12% and 16% from 2008 to 2010. It is further estimated that during the same period, the annual production volume and the annual production value of the fibre-glass insulation material industry will be 210 kilotonnes, 240 kilotonnes and 280 kilotonnes and RMB5,300 million, RMB6,200 million and RMB7,300 million, respectively.

The following diagram illustrates the estimated annual production value of fibre-glass insulation materials in China:-

2008-2010 Estimated annual production value of fibre-glass insulation materials in China

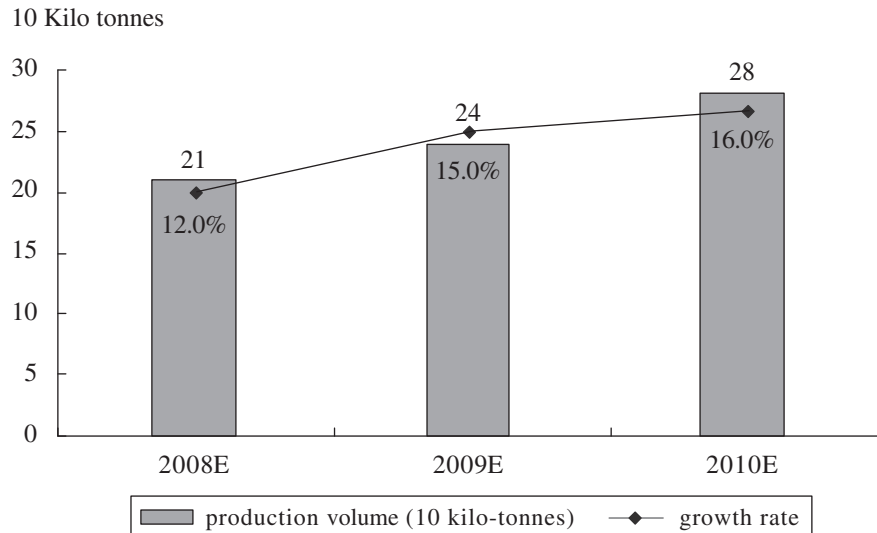


Source: China Fibre-glass Industry Association

INDUSTRY OVERVIEW

The following diagram illustrates the estimated annual production volume of fibre-glass insulation materials in China:-

2008-2010 Estimated annual production volume of fibre-glass insulation materials in China



Source: China Fibre-glass Industry Association

The trend for the increasing use of electronic products results in rapid growth in the demand for fibre-glass insulation materials, which in turn has driven a significant growth in the fibre-glass industry in China. The overall development trend of the fibre-glass insulation materials in China is expected to include the following:-

1. To develop fibre-glass insulation materials of smaller size without detracting from performance levels; and
2. To improve the reliability of fibre-glass insulation.

Mica products

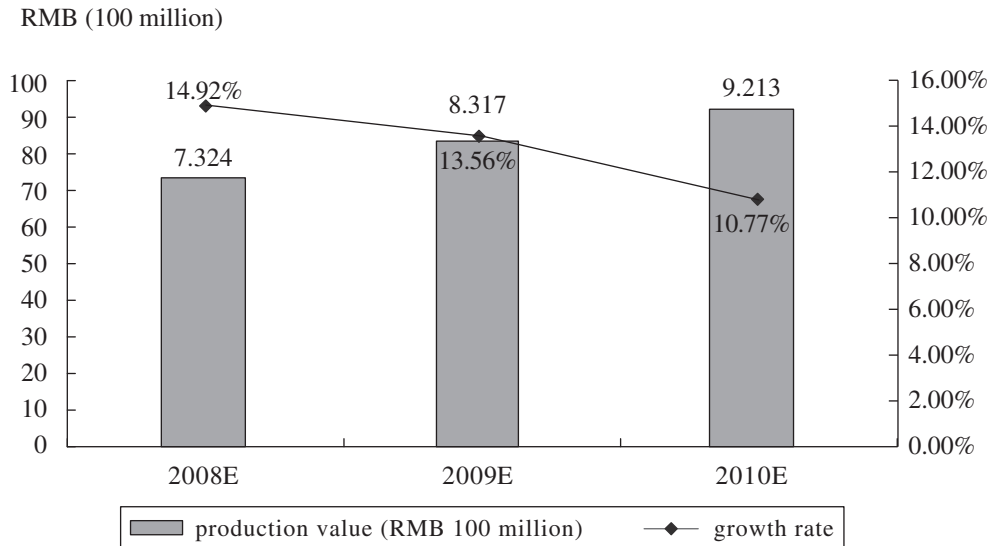
Mica insulation materials will continue to be used in electrical equipment, thermal electrical equipment, electric wires and cables.

The growth in the production capacity and the sales volume of electrical equipment, electric wires and cables and home appliances will continue to enhance and maintain the high growth in the production volume and the production value of mica insulation materials in China. The market report issued by CCID estimates that by 2010 the production value of mica products in China would reach RMB921 million and the production volume of which would reach 24.9 kilotonnes.

INDUSTRY OVERVIEW

The following diagram illustrates the estimated annual production value of mica insulation materials in China:-

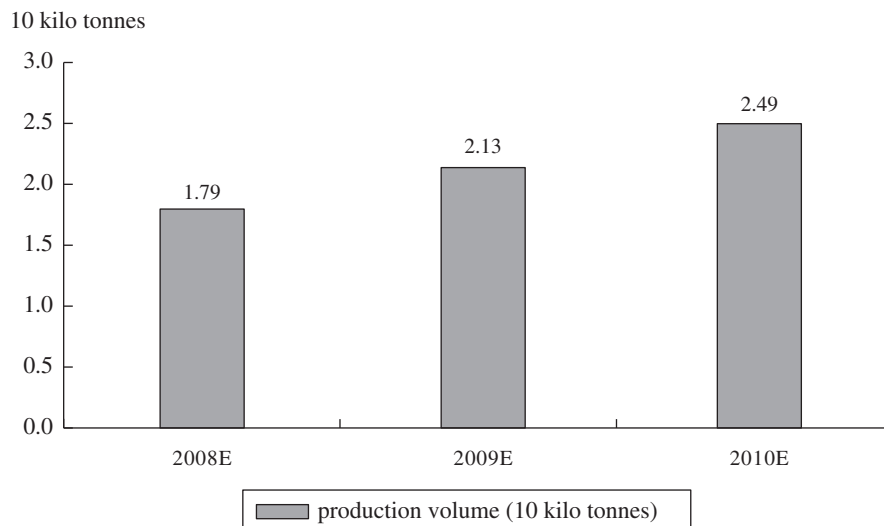
2008-2010 Estimated annual production value of mica insulation materials in China



Source: CCID

The following diagram illustrates the estimated annual production volume of mica insulation materials in China:-

2008-2010 Estimated annual production volume of mica insulation materials in China



Source: CCID

INDUSTRY OVERVIEW

OTHER MARKET INDICATORS AFFECTING OUR RESULTS OF OPERATIONS

Copper prices

The international copper price rose continuously from January 2005 to July 2008 due to the growing consumption of copper from strong economic growth in the U.S., countries in Europe and developing countries such as China and India. Speculations in copper futures markets and energy shortages also tighten the supply of copper.

The copper spot prices quoted on the London Metal Exchange have risen over 166% from approximately US\$3,000 per tonne to over US\$8,000 per tonne over the period from January 2005 to July 2008.

Copper spot prices in London Metal Exchange



Source: Bloomberg

During the Track Record Period, the average purchase cost of copper for our manufacturing business was approximately HK\$33.4/kg, HK\$63.8/kg, HK\$64.3/kg and HK\$63.7/kg, respectively.

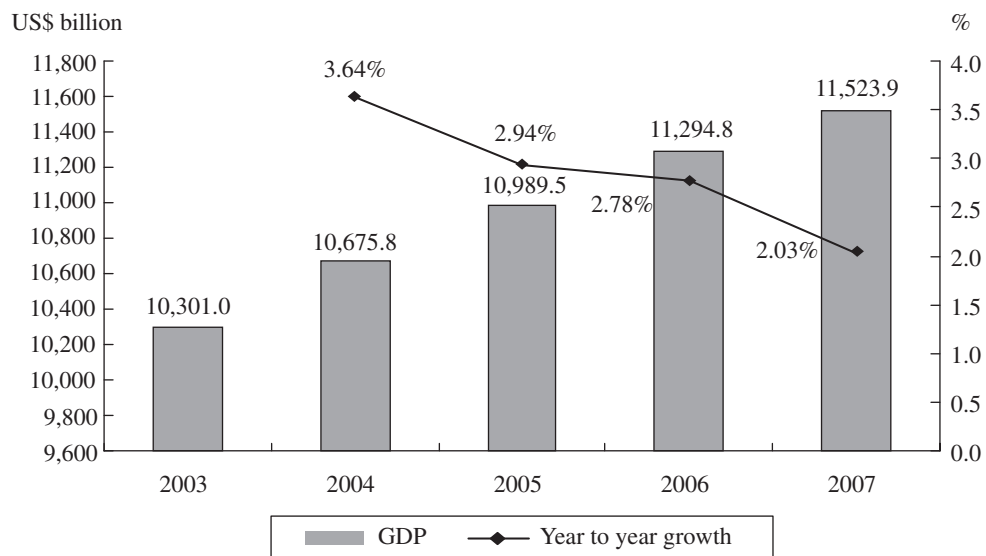
INDUSTRY OVERVIEW

The U.S. economy

The U.S. economy experienced modest growth from 2003 to 2007 with its GDP increasing at a CAGR of 2.94% from US\$10,301 billion in 2003 to US\$11,523 billion in 2007.

The U.S. economy is a consumption-driven economy and to a certain extent, it has been supported by personal consumption. The annual personal consumption level in the U.S. showed a steady growth at a CAGR of 3.21% from 2003 to 2007, outpacing the growth of the U.S. GDP.

U.S. annual GDP growth

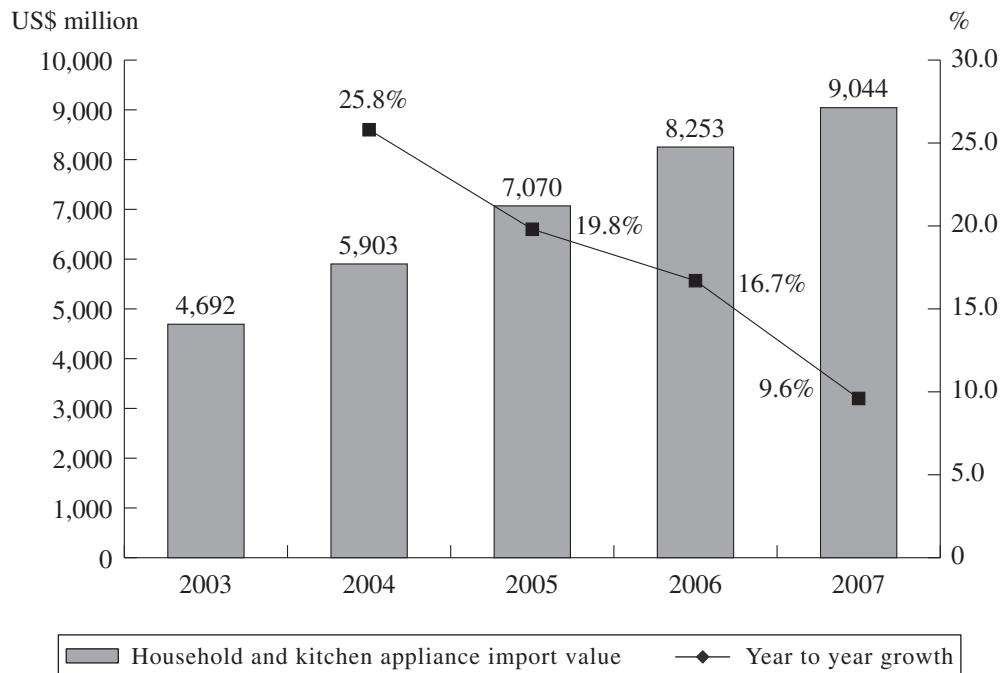


INDUSTRY OVERVIEW

U.S. imports from China of household and kitchen appliances

Chinese-made products have dominated the U.S. consumers' goods market in recent years. The following diagram illustrates the U.S. import growth from China by value for household and kitchen appliances. The import value increased from US\$4,691.6 million in 2003 to US\$9,044.1 million in 2007, representing a CAGR of 17.8%.

U.S. imports from China of household and kitchen appliances from 2003 to 2007



Source: Foreign Trade Division, U.S. Census Bureau, Washington, D.C.

Latest development of the U.S. economy and the retail sector

The U.S. unemployment rate rose from 5.0% to 5.5% in May 2008, and the non-agricultural employment rate continued to drop. Gasoline prices went over US\$1.0567 per litre in June 2008. U.S. retailers' sales in March 2008 fell 0.5%. The weak job market, higher gasoline prices, along with the declining housing and credit markets have not only had an adverse impact on U.S. retail markets, but have also affected the consumers' confidence on the economy and curbed their willingness to spend.

Starting from September 2008, various leading investment and financial institutions in the U.S. have declared bankruptcy or sought for emergency financial supports, or rescue packages, from the U.S. government. These created a series of financial crises which were allegedly began with the bursting of the "housing bubble" in the U.S. with high default rates on sub-prime mortgages beginning in 2005 and 2006. The sub-prime mortgages crisis, which involves the failure of mortgage companies, investment firms, banks and government sponsored enterprises invested heavily in sub-prime mortgage, is ongoing and has resulted in global credit tightening. This unexpected and sudden

INDUSTRY OVERVIEW

reduction in the availability of loans (or credit) and increase in the interest rates affected not only the banking and financial sectors, but also the commercial sector relying on the availability of banking facilities and bank borrowings. Moreover, these crises caused significant downturn in the stock markets both in the U.S. and worldwide. As of the Latest Practicable Date, indexes of major stock exchanges in North America, Europe and the Asia-Pacific region had fallen significantly since the beginning of the year. Whilst stimulus packages have been introduced by various government agencies around the world, economists and forecasters believe that the possibility of a global recession is increasing.

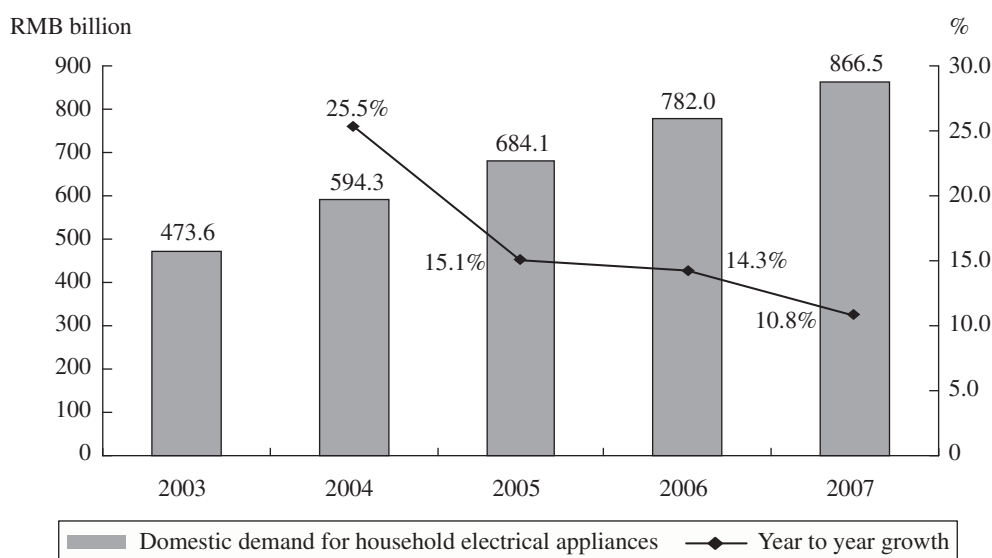
China export of electrical appliances to European countries

China's export to European countries of household electrical appliances amounted to US\$9.9 billion in 2007, representing a growth of 40.4% compared to the previous year. China's export sales to European countries accounted for 28.3% of the total export of household electrical appliances in 2007, ranking after Asia at 33.7%. The major types of electrical appliances exported to European countries included microwave ovens, air conditioners, refrigerators, vacuum cleaners, heaters, coffee machines and electric irons.

Demand for household electrical appliances in China

Following the economic growth in China over the past few years, domestic demand for household electrical appliances also posted increases. The following diagram illustrates the domestic demand of household electrical appliances in China by value for household electrical appliances. Such demand increased from RMB473.6 billion in 2003 to RMB866.5 billion in 2007, representing a CAGR of 16.3%.

Demand for household electrical appliances in China from 2003 to 2007



Source: National Bureau of Statistic of China

HISTORY AND DEVELOPMENT

INTRODUCTION

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 specialised in the production, design and sales of insulation and heat-resistance materials. Our products are sold to customers in Hong Kong, China and selected 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.

ESTABLISHMENT OF VITAR HONG KONG

Our history can be traced back to 1976 when Mr. LEUNG Chau Hiu established a sole proprietorship firm producing fibre-glass sleeving products. In November 1978, Mr. LEUNG Chau Hiu and Mr. YIP Sai Keung, one of our Controlling Shareholders, established Vitar Hong Kong for the manufacturing of fibre-glass sleeving products. Mr. LEUNG Chau Hiu and Mr. YIP Sai Keung held equal shares in Vitar Hong Kong. In March 1979, two individual investors, namely Mr. CHANG Hsing Lai and Mr. OR Hing Sun, joined Vitar Hong Kong.

Following the trend of Hong Kong manufacturers relocating their production facilities to the PRC in the mid-1980s, Vitar Hong Kong moved all its production facilities to Shenzhen, the PRC and entered into a sub-contracting arrangement with 深圳市羅湖梧桐山企業公司 (Shenzhen City Luohu Wutung Mountain Enterprise Company) (the “**Sub-contracting Party**”), an Independent Third Party, and operated under the name of Vitar Factory in the production of fibre-glass sleeving. Pursuant to the sub-contracting agreement, the Sub-contracting Party was responsible for providing the factory premises and the required labour and Vitar Hong Kong was responsible for payment of the processing fees including production overheads, wages and salaries of factory workers and staff, and rental of the factory premises. The production overheads were calculated on the basis of the actual cost incurred for the previous calendar month, the wages and salaries and rental were calculated on the basis of the actual number of workers and staff employed and the size of the factory premises occupied with reference to a pre-determined unit rate. The sub-contracting agreement expired in July 2006. During the Track Record Period, the processing fees paid were HK\$5.9 million, HK\$2.3 million, nil and nil, respectively, among which the management fees received by Sub-contracting Party were HK\$0.32 million, HK\$0.16 million, nil and nil, respectively. The products manufactured by Vitar Factory were exported to Vitar Hong Kong for forward sales to end customers. Apart from the sub-contracting agreement, there was no other agreement entered into for the purpose of operations of Vitar Factory. Following the expiration of the sub-contracting agreement, all operations under the name of Vitar Factory ceased in December 2006.

HISTORY AND DEVELOPMENT

In December 1986, Mr. CHANG Hsing Lai and Mr. OR Hing Sun transferred their entire equity interest in Vitar Hong Kong to Mr. LEUNG Chau Hiu and Mr. YIP Sai Keung, respectively. In May 1988, Mr. LEUNG Kai Wing joined Vitar Hong Kong and in June 1995, Ms. LEUNG Chun Yin and Ms. WONG Lai Mui joined Vitar Hong Kong. In August 1990, Ms. TSANG Chi Yung joined Vitar Hong Kong.

Starting in the mid-1990s, the market demand for silicon-based tubes and high-temperature electric wires increased, and Vitar Hong Kong started the production of silicon-based tubes and high-temperature electric wires.

ESTABLISHMENT OF VITAR SHENZHEN

On 28 March 2003, Vitar Shenzhen was established by Vitar Hong Kong as a wholly-foreign owned enterprise in China with registered capital of HK\$2,000,000 which was fully paid-up as of the Latest Practicable Date. In January 2004, Vitar Shenzhen commenced its business of producing fibre-glass sleeving and high-temperature electric wires for domestic sales in Southern China.

During the period between 2004 and 2006, concurrent operations at Vitar Factory and Vitar Shenzhen served different markets. Vitar Factory focused on production for sales orders received by Vitar Hong Kong from OEM manufacturers and overseas markets, and Vitar Shenzhen focused on both sales and production for domestic sales in Southern China. Commencing from October 2006, all production activities of Vitar Factory have been undertaken by Vitar Shenzhen. Vitar Shenzhen had sufficient production capacity to undertake the production function of Vitar Factory, and has obtained all the required approvals for the conduct of domestic and export sales in China. All workers working for Vitar Factory continued to be employed by Vitar Shenzhen with new terms.

ESTABLISHMENT OF WEIDA LONGCHUAN

On 14 January 2005, as part of our business expansion plan, Weida Longchuan was established by Leader Tech as a wholly-foreign owned enterprise in China with registered capital of US\$6,000,000 which was fully paid-up as of the Latest Practicable Date. The relocation of all of the production facilities and assembly lines from Vitar Shenzhen to Weida Longchuan was commenced in October 2006 and completed in January 2008, and Weida Longchuan is now undertaking all of our production activities.

As of the Latest Practicable Date, we maintained our customers' services centre, showroom, research and development centre and warehouse in Shenzhen, but all of our production facilities had been relocated to Longchuan, Guangdong Province, China. Our administrative headquarters and sales offices are located in Hong Kong.

HISTORY AND DEVELOPMENT

BUSINESS MILESTONES

The following sets forth our business milestones:-

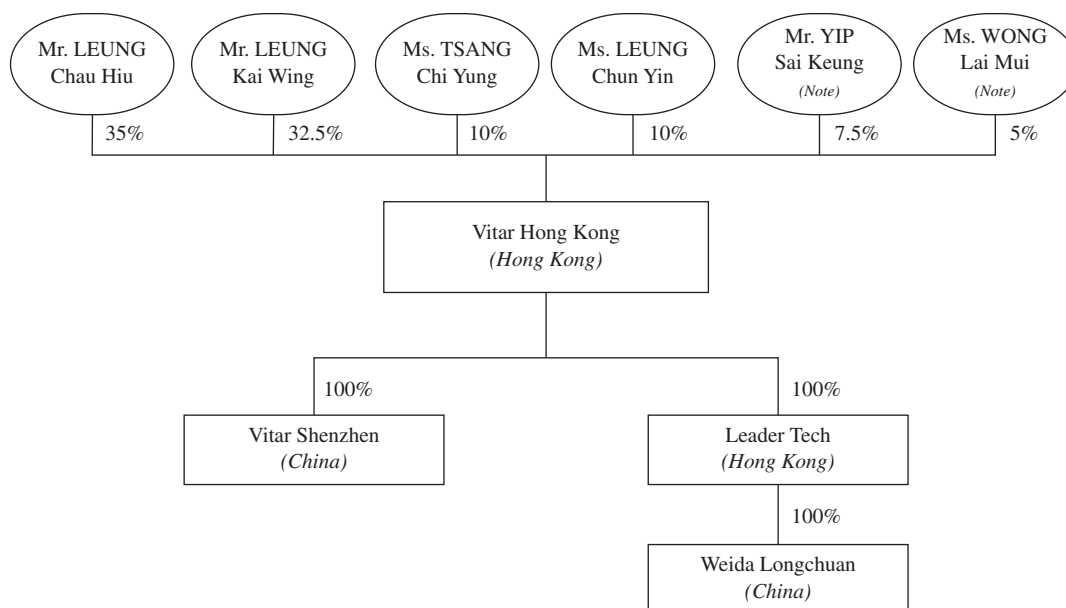
- 1975 Our founder started the exploration and manufacturing of sleeving products.
- 1978 Vitar Hong Kong was founded.
- 1987 Our production facilities were re-located to Shenzhen. Vitar Hong Kong entered into a sub-contracting agreement with the Sub-contracting Party and operated under the name of Vitar Factory.
- 1990 Vitar Hong Kong received UL approval for our fibre-glass sleeving products.
- 1992 Vitar Hong Kong received UL approval for our mica sheets products.
- 1995 Vitar Hong Kong received CSA approval for our fibre-glass sleeving products.
- 1998 Vitar Hong Kong received UL3122, UL3367 and UL3590 approvals for our silicon-based electric wire products.
- 1999 Vitar Hong Kong received the ISO 9002 accreditation.
- 2001 Vitar Hong Kong received UL approval for our silicon-based tube products and glass-fibre braided silicone tube products.
Our mica sheets products were tested by TUV and passed the 0.1 ppm formaldehyde emission requirement.
- 2002 Vitar Hong Kong received VDE approval for our silicon-based electric wire products.
- 2003 Vitar Shenzhen was founded and received the ISO 9001 accreditation for quality management systems.
- 2004 Vitar Shenzhen received the QS-9000 accreditation and commenced production for domestic sales in Southern China.
- 2005 Weida Longchuan was founded; Vitar Hong Kong received VDE and UL approvals for our fluoropolymer wire products.
- 2006 All of our products conformed to RoHS Directives.
In July, the sub-contracting agreement between Vitar Hong Kong and the Sub-contracting Party expired. All production facilities in Vitar Factory were relocated to Vitar Shenzhen.

In October, the relocation of all production facilities at Vitar Shenzhen to Weida Longchuan commenced.

In December, Vitar Factory ceased business operation.
- 2007 Vitar Hong Kong received UL and NSF certification as food safety products in relation to our silicon-based tube products.
In April, Longchuan Weida commenced production.
- 2008 In January, relocation of all of the production facilities at Vitar Shenzhen to Weida Longchuan was completed.
In February, Vitar Shenzhen ceased production and served as services centre, showroom, research and development centre and warehouse.
In March, Weida Longchuan was in full operation after the relocation, adjustment and maintenance of all production facilities.

REORGANISATION

For the purpose of the Listing, we underwent the Reorganisation. The following diagram illustrates our corporate structure immediately before the Reorganisation:-



Note: Save as being one of our Controlling Shareholders, Mr. YIP Sai Keung and Mr. WONG Lai Mui have no other relationship with any of Mr. LEUNG Chau Hiu, Mr. LEUNG Kai Wing, Ms. TSANG Chi Yung and Ms. LEUNG Chun Yin.

Establishment of our Company, intermediate holding company and holding company

Our Company was incorporated under the law of the Cayman Islands on 22 January 2008 as an exempted company with limited liability to be our ultimate holding company. The initial authorised share capital of our Company was HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each.

On 22 January 2008, one subscriber Share (nil paid) was transferred by Codan Trust Company (Cayman) Limited to Mr. LEUNG Chau Hiu.

Vitar Insulation was incorporated on 25 January 2008 to act as our intermediate holding company. The initial authorised share capital of Vitar Insulation is US\$50,000 divided into 50,000 shares of US\$1.0 each.

On 7 March 2008, one share of US\$1 each in the capital of Vitar Insulation was allotted and issued to our Company at par and fully paid representing the entire issued share capital of Vitar Insulation.

Vitar Development was incorporated on 25 January 2008 to act as the holding company of our Company. The initial authorised share capital of Vitar Development is US\$50,000 divided into 50,000 shares of US\$1.0 each.

REORGANISATION

On 7 March 2008, 350 shares, 325 shares, 100 shares, 100 shares, 50 shares and 75 shares of US\$1 each were allotted and issued to 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, respectively at par and fully paid representing 35%, 32.5%, 10%, 10%, 5% and 7.5% of the issued share capital of Vitar Development, respectively.

On 17 October 2008, Vitar Insulation acquired the entire issued share capital of Vitar Hong Kong from its shareholders and as consideration Vitar Insulation allotted and issued 1,000 new shares of US\$1 each to the shareholders of Vitar Hong Kong credited as fully paid at par, that is, 350 shares, 325 shares, 100 shares, 100 shares, 50 shares and 75 shares to each of 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, respectively.

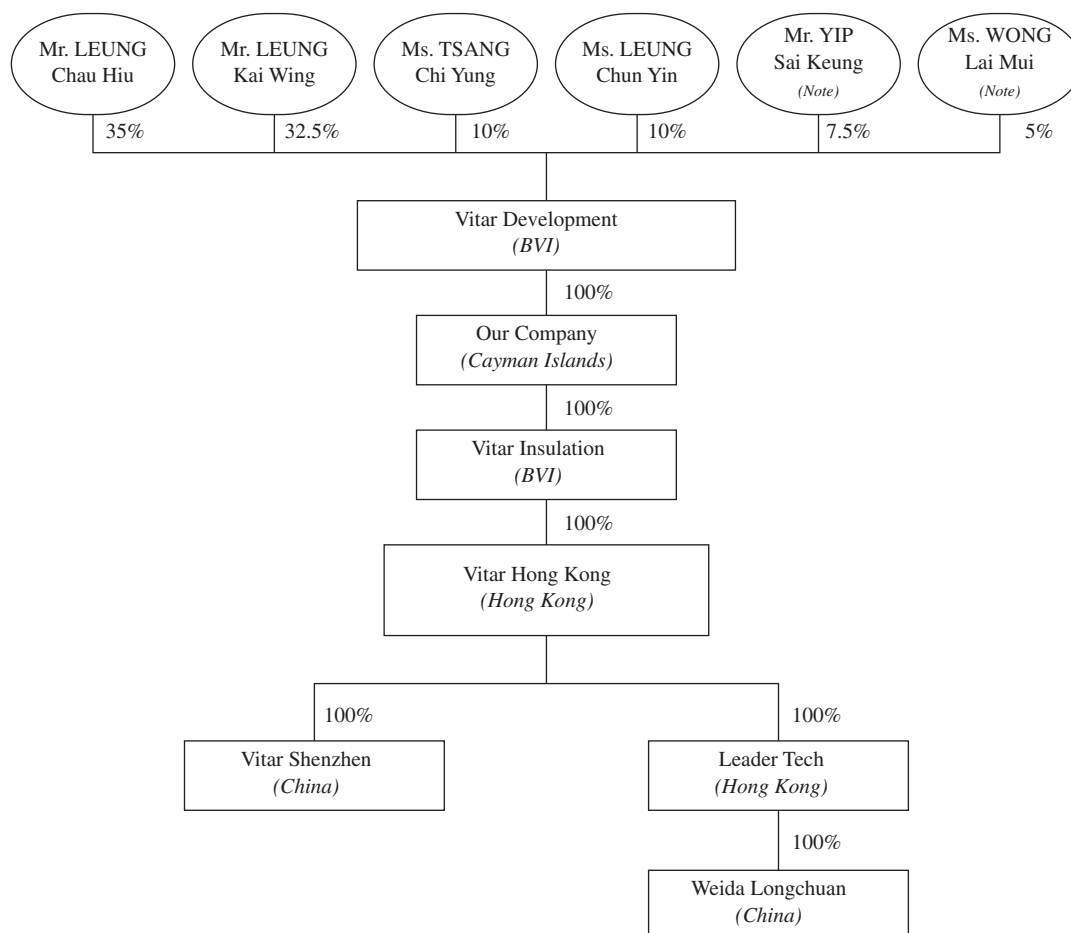
On 21 October 2008, Mr. LEUNG Chau Hiu transferred the one nil-paid Share to Vitar Development.

On 21 October 2008, our Company increased its authorised share capital from HK\$380,000 to HK\$100,000,000 by the creation of 996,200,000 Shares.

Pursuant to the sale and purchase agreement dated 21 October 2008 between (i) LEUNG Chau Hiu, (ii) LEUNG Chun Yin, (iii) LEUNG Kai Wing, (iv) TSANG Chi Yung, (v) WONG Lai Mui, and (vi) YIP Sai Keung, as vendors and our Company as purchaser, our Company acquired 1,000 shares of US\$1.00 each in the issued share capital of Vitar Insulation in consideration of (a) the crediting as fully paid at par of the one (1) nil-paid Share held by Vitar Development and (b) the issue of 21,999,999 Shares, all credited as fully paid, to Vitar Development.

REORGANISATION

Upon the completion of the Reorganisation but immediately before completion of the Share Offer and the Capitalisation Issue, our shareholding and corporate structure was as follows:-



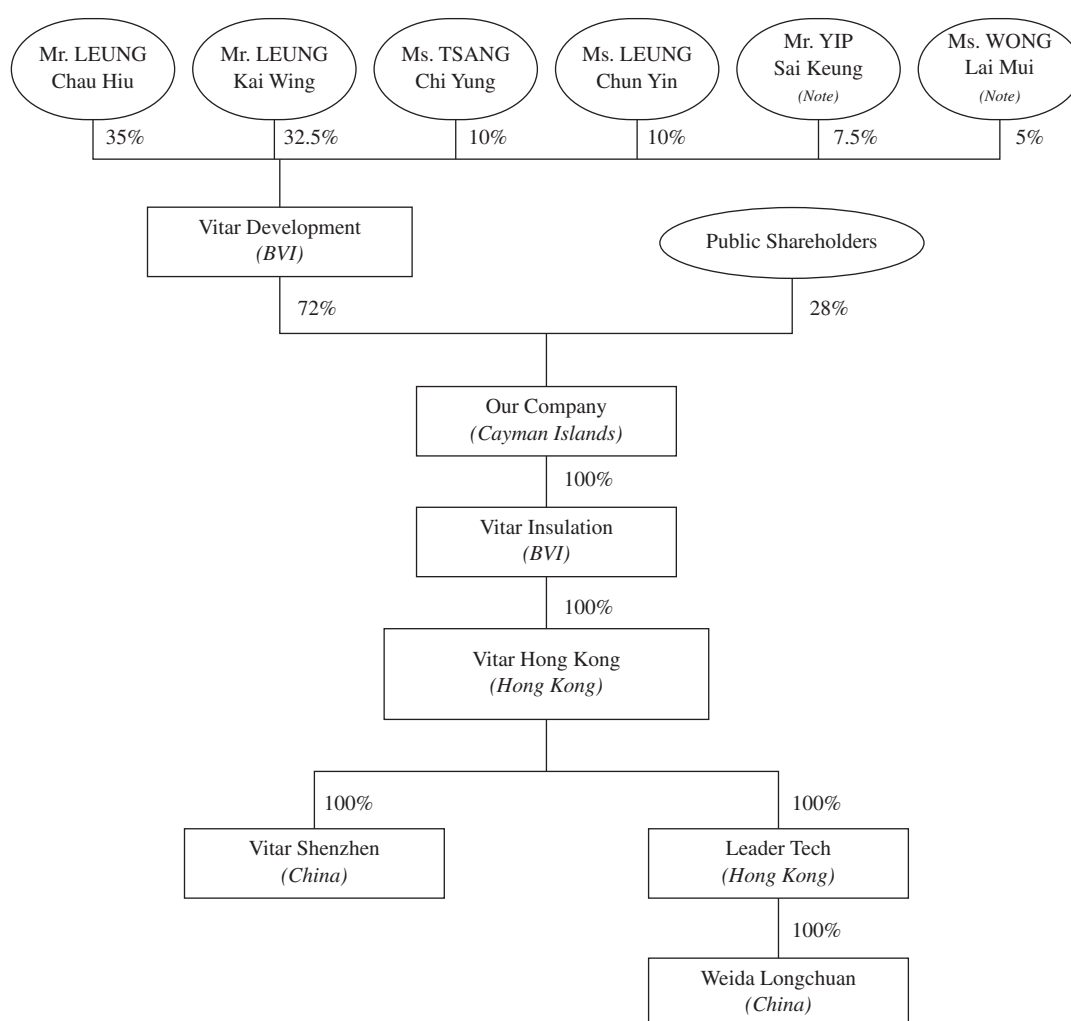
Note: Save as being one of our Controlling Shareholders, Mr. YIP Sai Keung and Mr. WONG Lai Mui have no other relationship with any of Mr. LEUNG Chau Hiu, Mr. LEUNG Kai Wing, Ms. TSANG Chi Yung and Ms. LEUNG Chun Yin.

REORGANISATION

Capitalisation Issue

Conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to capitalise an amount of HK\$5,000,000 from such account and apply such sum in paying up in full at par a total of 50,000,000 Shares for allotment and issue to Vitar Development.

Immediately after completion of the Share Offer and the Capitalisation Issue, taking no account of any Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme, our shareholding and corporate structure would be as follows:-



Note: Save as being one of our Controlling Shareholders, Mr. YIP Sai Keung and Mr. WONG Lai Mui have no other relationship with any of Mr. LEUNG Chau Hiu, Mr. LEUNG Kai Wing, Ms. TSANG Chi Yung and Ms. LEUNG Chun Yin.

BUSINESS

OVERVIEW

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 specialised in the production, design and sales of insulation and heat-resistance materials. Our products are sold to customers in Hong Kong, China and selected 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.

The following table sets forth our sales by products during the Track Record Period:-

	Year ended 31 December						Four months ended 30 April			
	2005		2006		2007		2007		2008	
Products	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Manufacturing and sales										
of products	121,233	84.2	144,883	82.4	145,754	71.3	47,649	84.1	44,921	67.8
Fibre-glass sleeving	40,130	27.9	41,355	23.5	40,377	19.7	13,342	23.6	11,298	17.1
Silicon-based tubes.....	9,534	6.6	15,107	8.6	18,552	9.1	6,194	10.9	4,752	7.2
High-temperature										
electric wires.....	31,333	21.8	44,603	25.4	51,131	25.0	16,677	29.4	16,319	24.6
Mica sheets	40,236	27.9	43,818	24.9	35,694	17.5	11,436	20.2	12,552	18.9
Trading of copper and										
silicone rubber	22,812	15.8	31,013	17.6	58,786	28.7	9,012	15.9	21,319	32.2
Copper	5,589	3.9	16,157	9.2	26,018	12.7	6,016	10.6	7,753	11.7
Silicone rubber	17,223	11.9	14,856	8.4	32,768	16.0	2,996	5.3	13,566	20.5
Total	144,045	100.0	175,896	100.0	204,540	100.0	56,661	100.0	66,240	100.0

During the Track Record Period, our revenue grew from HK\$144.0 million for the year ended 31 December 2005 to HK\$204.5 million for the year ended 31 December 2007, representing a CAGR of 19.2%.

Most of our customers are OEM manufacturers of household electrical appliances for leading brands in Southern China. Our sales to OEM manufacturers accounted for 99.8%, 98.6%, 98.4% and 98.2% of our sales of manufactured products, respectively, during the Track Record Period. Apart from OEM manufacturers, our customers also include subsidiaries of leading brands of household electrical appliances in China, and our sales to these customers accounted for 0.2%, 1.4%, 1.6% and 1.8% of our sales of manufactured products, respectively, during the Track Record Period.

BUSINESS

CCID analysed information obtained from the “2007 Industrial Enterprise Database (工業企業數據庫) published by the China Statistics Bureau on insulation materials manufacturers engaged in the manufacturing of insulation materials for household electrical appliances and produced a list of the 60 largest insulation materials manufacturers in terms of the annual production value which. Our Company ranked the 10th in terms of the annual production value in the list of the 60 largest insulation material manufacturers in 2007. In light of the foregoing, our Directors consider that we are one of the established players in the industry with significant market share.

With regard to our trading business, we have three active trading customers for silicone rubber and one active trading customer for copper as of the Latest Practicable Date. During the Track Record Period, our trading customers submitted their purchase orders to us and we then issued back-to-back purchase orders to our suppliers. Our suppliers then delivered the silicone rubber and copper to our trading customers.

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 operated by Weida Longchuan and Vitar Shenzhen. The production facilities operated by Weida Longchuan are accredited with various awards and recognised quality standards, such as ISO 9001:2000.

BUSINESS

OUR PRODUCTS

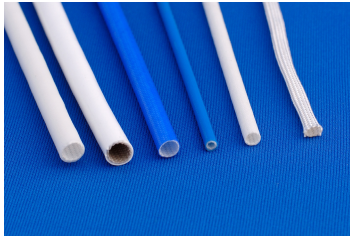
The following table summarises our principal products:-

Product types

Production process

Major applications and end products

Fibre-glass sleeving

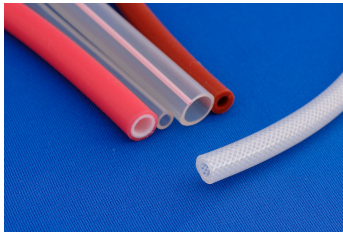


Fibre-glass is closely woven then impregnated with silicone varnish and dried

Used in the internal wiring of household electrical appliances in dry areas where flexibility is a major concern.

End products range from household electrical appliances, electrical heating apparatus, specialty lighting systems and computer and telecommunication equipment

Silicon-based tubes

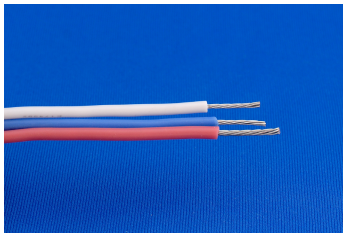


Silicone rubber is blended and extruded to meet different customers' requirements

Suitable for use in household electrical appliances where constant contact with liquid and high-temperature is necessary. The tubes must be tolerant to high-pressure, highly transparent, have high-dielectric strength and be flame retardant.

End products include coffee machines, kettles, baby food containers and electric irons.

High-temperature electric wires

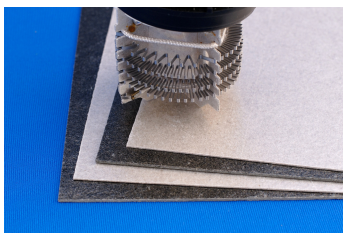


Include single or multi-conducting wire in silicone rubber wrap or fluoropolymer wrap

Designed for a specific application as defined for a particular construction such as heat resistant silicone wire, equipment wire with extended temperature range for different applications.

End products range from heating elements in household electrical appliances, automobiles, air conditioners or refrigerators, defrost heater wire, crankcase heater wire and other insulation wiring for safety applications.

Mica sheets



Cut and curved with the required shape and strength

Mica is widely used as an insulation material in household electrical appliances such as irons, hair dryers, toasters, coffee machines and microwave ovens.

BUSINESS

OUR COMPETITIVE ADVANTAGES

Our Directors believe that we have the following competitive advantages:-

Established player in the industry

We have a history of 30 years. We have established our business reputation, customer base and production know-how. Our production facilities in Southern China enable us to offer our customers quality wiring products and tubes at competitive prices. We also work closely with our major customers in developing appropriate and dedicated wiring products and tubes. Most of our customers are OEM manufacturers for leading brands in Southern China, and our wiring products and tubes are part of their product specifications.

According to the China Statistics Bureau and the market report issued by CCID, the market share of our insulation and heat-resistance products in the household electrical appliances market in 2007 was as follows:-

	(a)	(b)	(c)=(b)/(a)
	<u>Industry total</u>	<u>Our production value</u>	<u>Our market share</u>
	<i>RMB million</i>	<i>RMB million</i>	<i>%</i>
Fibre-glass sleeving products.....	705.0	40.4	5.7
Silicon-based tubes.....	133.0	18.5	14.0
High-temperature electric wires.....	705.0	91.5	13.0
Mica sheets	76.0	35.7	47.0

Capability to provide cost-effective and one-stop solutions

We provide cost-effective and one-stop solutions to our customers. Our production facilities are strategically located in Guangdong Province, providing us with ready access to low-cost but skillful labour and engineers for our business growth. In addition, with 30 years of business operations, our experience and production know-how in handling raw materials, production management and process control enable us to effectively manage the production process with recognised quality standards. Our products satisfy the production requirements presented by our customers from time to time. As part of our one-stop solutions offered to our major customers, we are involved in the product design and development stage, which distinguishes us from most of our competitors.

We believe that the high-quality and the high versatility of our products are important in attracting our customers and building-up our customer base during our operating history.

BUSINESS

Internationally recognised product standards

We strive to maintain the highest possible standards for our products and have implemented stringent quality control systems. Our production process at Weida Longchuan is accredited with ISO 9001:2000 certification for manufacturing of heat-resistant insulation wires, insulation sleeving, rubber tubes and sealing profiles. Our products have obtained more than 50 certifications from UL, VDE, CSA and NSF. We also have a wide range of measurement and testing equipment to ensure that our quality control and inspection standards satisfy our customers' requirements.

Experienced management team and skillful workforce

Our management team has extensive experience in the insulation solution industry. A majority of our core management team has accumulated technical expertise and experience in operating and managing foundries and has been with us since our inception in 1978. We believe that our experienced and stable management team is one of the key factors for our success and will continue to enable us to effectively implement our business strategies and capture future business opportunities.

Good relationship with our suppliers

We maintain good relationship with our major suppliers, most of which have been doing business with us for more than a decade. This enhances our capability to provide comprehensive manufacturing solutions and propose new solutions to our customers. We are also able to obtain the latest market information from our major suppliers, which assists us in improving our product portfolio and the production process.

OUR BUSINESS STRATEGIES

Our business objective is to further enhance our position as one of the leading manufacturers of high-quality and reliable insulation materials with profitable growth in China. We plan to accomplish this objective primarily through sustainable, organic growth as well as selective acquisitions and development of technologies that complement our product mix. We also plan to continuously enhance our industry reputation and brand awareness. The following sets forth our business strategies:—

Improve production know-how and explore new production methods and technology

We will continue to develop new products and production methods which simplify the production process and maintain high quality and high product stability. We have formulated comprehensive plans and support such activities to increase production. Through these initiatives, we believe that we will be better equipped to increase our production efficiency, thereby broadening our market reach and further improving our margins.

BUSINESS

We also have our own research and development team working with our production teams to further optimise our production process and improve our cost efficiency. This includes initiatives in selecting and blending silicone rubber, developing new production processes and improving our production processes.

Enhance our industry reputation and increase our brand awareness

We will continue to build and enhance our image as an integrated manufacturer of high-quality and high stability insulation materials that provides cost-effective, one-stop solutions to our customers. We have gained a reputation as a reliable supplier of quality products in the industry through “word-of-mouth” amongst our broad customer base. We plan to further enhance our industry reputation and the awareness of the “*Vitar*” brand through promotion at selected trade fairs and targeted marketing activities. Awareness of our brand will also enhance our ability to attract more customers and further develop our market base.

Vertical integration of our production facilities

Our integrated capability, ranging from product development, production and process design, pilot production and laboratory testing to heat resistance and 100% voltage test to all electric wire products to product assemble service, assists our customers to use our insulation products, which differentiate ourselves from other manufacturers. We will continue to enhance our production capability. In addition, in order to secure a constant supply of quality silicone rubber we plan to expand our production capability of silicone rubber. In this connection, we are undertaking a feasibility study on establishing a silicone rubber production line in the production plant operated by Weide Longchuan. The designed annual production capacity of the production line is expected to be 3,000 tonnes with an estimated investment cost of RMB40.0 million (representing HK\$45.5 million). We expect that the full operation of the silicone rubber production line would reduce our production cost and enhance our control over the quality of silicone rubber.

PRODUCTION

Production facilities

As of the Latest Practicable Date, all of our production facilities were located at Longchuan, Guangdong Province, China and were owned and operated by Weida Longchuan. In addition, we have our customers’ service centre, product research development centre and warehouses strategically located at Shenzhen, China, enabling us to provide prompt and convenient delivery services to our customers and granting us convenient access to our customers for business development activities.

BUSINESS

Our principal production facilities in Longchuan, Guangdong Province, China commenced their commercial production in April 2007 with a total site area of 86,269.1 square metres. Prior to commencement of the commercial production of the production facilities, our production activities were carried out by Vitar Shenzhen and Vitar Factory, details of which are set out in the paragraphs under “Business milestones” in the section headed “History and development” in this prospectus. Due to our business expansion, a specifically-designed factory building is required. As such, we relocated all the production facilities and assembly lines from Vitar Shenzhen to Weida Longchuan during the period from October 2006 to January 2008. Furthermore, the staff cost in Longchuan is generally lower than in Shenzhen.

As of the Latest Practicable Date, our production facilities were housed with more than 2,000 braiding machines, nine production lines of silicon-based and fluoro-polymer-based electric wiring products, ten production lines for silicone and PVC tubes and six self-developed production lines for fibre-glass sleeving with silicone coating.

In addition to silicon-based wiring and tubing products, we also produce mica sheet products for our customers. Micanite is cut and curved to the required shape and strength according to the requirements of our customers.

The following table sets forth the production capacity and the utilisation rate of our production facilities during the Track Record Period:-

	Year ended 31 December						Four months ended 30 April	
	2005		2006		2007		2008	
	<i>Designed annual capacity</i>	<i>Utilisation rate (%)</i>	<i>Designed annual capacity</i>	<i>Utilisation rate (%)</i>	<i>Designed annual capacity</i>	<i>Utilisation rate (%)</i>	<i>Four months designed capacity</i>	<i>Utilisation rate (%)</i>
Products								
Fibre-glass sleeving (metres).....	55,200,000	84.5	66,240,000	72.6	66,240,000	72.6	22,080,000	59.7
Silicon-based tubes (metres)	4,080,000	69.6	4,920,000	90.9	6,600,000	81.4	2,200,000	62.0
High-temperature electric wires (metres).....	64,800,000	96.7	86,400,000	73.7	96,000,000	75.0	32,000,000	70.4
Mica sheets ^(Note) (pieces)	25,333,000	74.9	25,301,000	95.7	25,021,000	79.7	8,340,000	75.2

Note:-

As the production process of mica sheets involves a significant portion of manual operations, the designed capacity was based on 90 workers dedicated to the production process working 10 hours a day, six days a week. The fluctuations in the utilisation rate during the Track Record Period were due to changes in sales and the levels of demand for mica sheets.

BUSINESS

As indicated above, the utilisation rate of our production facilities for the four months ended 30 April 2008 was lower than that in the previous years during the Track Record Period. After completion of the relocation of our production facilities from Vitar Shenzhen to Weida Longchuan during the period from October 2006 to January 2008, we began to adjust and maintain the production facilities at Weida Longchuan until the end of February 2008. Therefore, we rejected some sales order during the period of relocation, adjustment and maintenance of production facilities and hence, the utilisation rate of our production facilities decreased.

However, after the relocation was completed, our sales orders picked up and we recorded a higher utilisation rate for the three months ended 30 June 2008 as compared to the corresponding period in the previous years. The following table sets forth the utilisation rate of our production facilities for the three months ended 30 June 2008:-

	Three months ended 30 June	
	2007	2008
	<i>Utilisation rate</i>	<i>Utilisation rate</i>
Fibre-glass sleeving	61.3%	80.0%
Silicon-based tube	63.3%	67.5%
High-temperature electric wire	82.6%	98.3%
Mica sheets	76.4%	95.9%

BUSINESS

Production process

Each of our four principal products involves a different production process and production know-how. The following diagrams illustrate the production process of each of our four principal types of products, namely fibre-glass sleeving, silicon-based tubes, high-temperature electric wires and mica sheets:-

Fibre-glass sleeving

Fibre-glass sleeving products have been our principal products since the inception of our business.



Procurement

Procurement of raw materials such as fibre-glass yarn, silicone resin and xylene



Initial quality check

Inspection of raw materials



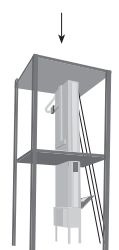
Twisting

Twisting of fibre-glass yarn to suit different properties such as thickness and stiffness



Knitting

Fibre-glass yarn knitted on specially tuned knitting machines to form fibre-glass sleeving



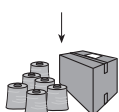
Coating processing

LSR is blended with catalyst and colourings then impregnated on fibre-glass sleeving



Product inspection

Testing on voltage, temperature, mechanical properties, etc.



Packaging

Final products are packaged and ready for delivery

BUSINESS

Silicon-based tubing products

To meet different required specifications and properties, silicone rubber is blended, extruded and undergoes thermal treatment to become tubing products.



Procurement

Procurement of raw materials such as silicone rubber, additive and catalyst



Initial quality check

Inspection of raw materials



Silicone rubber blending

Silicone rubber is blended with different additives and fillers to suit different specifications and properties



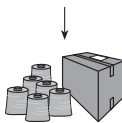
Injection moulding

Silicone rubber tube is extruded to different thickness, size, shape, etc.



Product inspection

Testing on voltage, temperature, mechanical properties, dimension, etc.



Packaging

Final products are packaged and ready for delivery

BUSINESS

High-temperature electric wires

Our high-temperature electric wires are primarily wrapped by silicone rubber or fluoropolymer rubber and are generally used for insulation in high-temperature, high voltage environments. Hence, our wiring products include single and multi-conducting wires with different sizes and insulation thicknesses for different applications.



Procurement

Procurement of raw materials such as copper, silicone rubber and fluoropolymer rubber



Initial quality check

Inspection of raw materials



Twisting

Twisting of conducting wire to suit different properties such as conductivity and resistance



Blending

Silicone rubber or fluoropolymer rubber is blended with different additives and filled to suit different specifications and properties



Extrusion

Wire is extruded through the extruder to different thickness of silicone wrap or fluoropolymer wrap



Knitting

Fibre-glass is knitted outside the wire surface to give extra mechanical protection to the wire



Coating processing

LSR is blended with catalyst and colourings then impregnated on the wire



Product inspection

Testing on voltage, temperature, mechanical properties, dimension, etc.



Packaging

Final products are packaged and ready for delivery

BUSINESS

Mica sheets

Mica plate is cut and curved into the required shape, strength and texture for specific purpose.



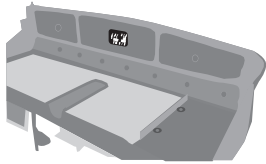
Procurement

Procurement of mica plate and adhesive tape



Initial quality check

Inspection of raw materials



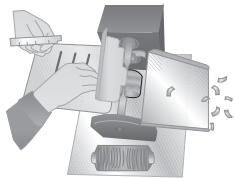
Cutting

Mica plate is cut into the required size for different applications



Fabrication

Mica plate undergoes heat treatment and heat-resistant tape is adhered to the mica sheet



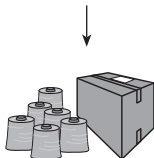
Moulding

Mica sheet is curved into the required shape to suit different applications



Product inspection

Dimension measurement and shape inspection



Packing

Final products are packaged and ready for delivery

BUSINESS

SALES AND CUSTOMERS

Overview

Our products are sold primarily through Vitar Hong Kong, Vitar Shenzhen and Weida Longchuan. As of the Latest Practicable Date, our sales and marketing team had 13 employees, many of whom are experienced employees with over eight years' experience who have extensive technological and industrial knowledge.

Our customers' service centres in Hong Kong and Shenzhen provide prompt and comprehensive customer support and services to our customers in China and other countries. We believe our capability to provide cost-effective and one-stop solutions and services assists many of our customers to consolidate the sourcing process for their insulation materials and hence, lower their total development costs.

Most of our customers are OEM manufacturers of household electrical appliances for leading brands in Southern China. Our sales to OEM manufacturers accounted for 99.8%, 98.6%, 98.4% and 98.2% of our sales of manufactured products, respectively, during the Track Record Period. Apart from OEM manufacturers, our customers also include subsidiaries of leading brands of household electrical appliances in China, and our sales to these customers accounted for 0.2%, 1.4%, 1.6% and 1.8% of our sales of manufactured products, respectively, during the Track Record Period.

During the Track Record Period, our sales were principally denominated in HK\$, US\$, RMB and Euro and settled by way of telegraphic transfers and cheques. The following table illustrates our sales in different currencies:-

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	(%)	(%)	(%)	(%)	(%)
HK\$.....	67	61	54	54	50
US\$	23	26	34	37	40
RMB.....	9	12	11	8	9
Euro.....	1	1	1	1	1
Total.....	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

BUSINESS

Pricing policy

Our pricing policy is intended to facilitate significant and sustainable growth by increasing the market share in the industry in which we operate. We adopt different pricing policies for different customers by tailor-made price quotations for different kinds of products. In determining the relevant product prices for different customers, our sales teams will assess the customer's trading history with us, the sales volume and the required delivery time and product specification. All the prices are negotiated on an arm's length basis and on normal commercial terms.

In addition, we may enter into arrangements with customers to adjust the product pricing in light of special market circumstances such as significant fluctuations in raw material prices and foreign exchange rates.

Credit terms

The credit terms of our customers for manufactured products range from 30 days to 120 days after the end of each month and the credit terms for our trading customers range from 90 days to 120 days. During the year ended 31 December 2007 and the four months ended 30 April 2008, most of our customers settled the sales amount within the granted credit terms. We reviewed settlement on a regular basis and we made provision for bad and doubtful debts based on the financial positions of our customers and the duration of the amount being past due. During the Track Record Period, our provision for bad and doubtful debts amounted to HK\$0.8 million, HK\$0.5 million, HK\$0.1 million and HK\$0.05 million, respectively, and amounts written off as uncollectible amounted to nil, HK\$3.6 million, HK\$0.6 million and HK\$0.05 million, respectively. Such uncollectible amounts were outstanding for more than three years and we had ceased trading with those customers. Our provision policy for bad and doubtful debts was consistently applied over the Track Record Period.

Customers

Our products are sold to the domestic market in China as well as to international markets. Although we have not entered into any long-term sales contract with our customers, we have maintained stable and long-term relationships with most of our major customers, the majority of which are OEM manufacturers and have worked with us for over 10 years. Most of our customers are OEM manufacturers of household electrical appliances for leading brands, with their products exported to overseas markets. Apart from OEM manufacturers, our customers also include subsidiaries of leading brands of household electrical appliances in China. During the Track Record Period, the number of our active customers was 290, 278, 269 and 212, respectively. We will only accept sales return where the relevant customer is able to provide evidence demonstrating our products fall short of the relevant specifications. The evidence of defects normally includes deviation from the standards required by the relevant customers whereas the types of defects generally include colour deviation of wire, mica joint defects and internal diameter deviation of sleeving.

During the Track Record Period, 24.4%, 28.9%, 36.2% and 46.0% of our sales were contributed by our five largest customers and 7.1%, 9.2%, 12.8% and 11.9% of our sales were made to our largest customer. None of our Directors or Controlling Shareholders or their respective associates had any interests in any of our top five customers during the Track Record Period.

BUSINESS

Seasonality of our sales

Based on our experience, the months of January and February are traditionally slack period for our industry because our products are used as components in household electrical appliances the demand for which would increase before the holiday seasons. Our production activities will also be temporarily suspended for two weeks in January or February for the Chinese New Year holiday. As our products are principally used in household electrical appliances for export to the U.S. market, our sales during the months between July and September would generally increase, so as to the utilisation rate of our production facilities. This enables our customers to deliver their finished products to overseas markets in time for the holiday seasons. For the three years ended 31 December 2007, the sales for the months between July and September in each year accounted for 32.0%, 30.5% and 28.1% of our total sales (other than the sales derived from our trading business), respectively.

Trading business

Silicone rubber and copper are our principal raw materials. Some of our trading customers also require silicone rubber and copper. Because of our long business relationship with certain established silicone rubber and copper suppliers, Vitar Hong Kong has been appointed as a distributor of these raw materials to our customers. The distribution agreements restrict us in terms of period, territory, minimum quantity and the type of silicone product or copper that may be distributed. Pursuant to the distribution agreements, we have a non-exclusive right to distribute the respective raw materials to our customers. The distribution agreements will be renewed annually until either our suppliers or us terminate the relevant agreements by not less than six months' written notice to the other party. In addition, since we purchase such raw materials in bulk for our own manufacturing use and trading with our clients, we are able to obtain favourable terms from these suppliers for purchases of silicone rubber and copper.

All purchase orders placed by us for trading purposes are supported by customers' orders and we only placed such orders following the receipt of confirmations from our customers. This decision was made by Mr. LEUNG Kai Wing, our executive Director, during the Track Record Period. In relation to copper trading, we have one active trading customer for copper bars (the "**Copper Trading Counterparty**"). The Copper Trading Counterparty has been sourcing our manufactured products for more than 15 years and we started to supply copper bars to such customer since 2005. We also source copper rods from the Copper Trading Counterparty which are different in shape, chemical properties and quality compared to the copper bars supplied to the Copper Trading Counterparty. During the Track Record Period, our purchase of copper rods from the Copper Trading Counterparty amounted to HK\$3.1 million, HK\$2.5 million, HK\$11.5 million and HK\$3.5 million, respectively.

In relation to the trading of silicone rubber, we have three active trading customers for silicone gum and/or silicone rubber. These customers are engaged in the production of silicone products, such as silicone key pads and electrical equipment and are located in Southern China. Among our three active trading companies for silicone, one customer (the "**Silicone Gum Trading Counterparty**") supplies us with silicone gum, our principal raw material, while we supply it with silicone rubber.

BUSINESS

Silicone gum is the upstream raw material for the production of silicone rubber and they have different chemical properties. During the Track Record Period, our purchase of silicone gum from the Silicone Gum Trading Counterparty amounted to HK\$1.1 million, HK\$6.7 million, HK\$8.2 million and HK\$3.2 million, respectively.

In respect of our business relationship with the Copper Trading Counterparty and the Silicone Gum Trading Counterparty, the products we source from and sell to them are of different properties and the respective purchase and sales contracts are independent to each other with title to the relevant products being passed from the seller to the buyer for each contract. As we also source copper rods and silicone gum from other suppliers, our purchase amount from the Copper Trading Counterparty and the Silicone Gum Trading Counterparty, in general, were lower than the sales amount to the Copper Trading Counterparty and the Silicone Gum Trading Counterparty during the Track Record Period. As at 31 December 2005, 2006 and 2007 and 30 April 2008, the aggregate amount of the trade receivables due from the Copper Trading Counterparty and the Silicone Gum Trading Counterparty were HK\$10.1 million, HK\$9.6 million, HK\$15.0 million and HK\$17.9 million, respectively; and the aggregate amount of trade payables due to the Copper Trading Counterparty and the Silicone Gum Trading Counterparty were HK\$1.1 million, HK\$0.8 million, HK\$0.7 million and HK\$1.8 million, respectively. As at 31 August 2008, 73% and 100% of the aggregate amount of the trade receivables due from and the trade payables due to the Copper Trading Counterparty and the Silicone Gum Trading Counterparty as of 30 April 2008 were settled. Both of the Copper Trading Counterparty and the Silicone Gum Trading Counterparty are Independent Third Parties.

During the Track Record Period, the revenue generated from our trading business amounted to HK\$22.8 million, HK\$31.0 million, HK\$58.8 million and HK\$21.3 million, respectively, and the gross profit generated from our trading business amounted to HK\$1.0 million, HK\$1.2 million, HK\$4.0 million and HK\$1.5 million, respectively.

PROCUREMENT, RAW MATERIALS AND SUPPLIERS

Raw materials

We purchase a variety of raw materials to produce our products. Metals, such as copper, account for the majority of our raw material purchases in terms of monetary value. We also use insulation and extrusion materials in our production, such as silicone rubber, fluoropolymer rubber and other thermal plastics. We purchase raw materials in an original form instead of as a synthesised compound. Based on our experience in the industry, we believe we can relatively easily identify and replace suppliers for our raw materials and auxiliary materials in the market. Hence, we do not have any long-term contracts with our major suppliers.

During the Track Record Period, the amount of purchase cost of copper for our manufacturing business amounted to HK\$9.6 million, HK\$32.5 million, HK\$24.3 million and HK\$5.2 million, respectively, and the amount of total purchase cost of silicone rubber for our manufacturing business amounted to HK\$13.3 million, HK\$11.9 million, HK\$13.4 million and HK\$4.1 million, respectively.

BUSINESS

The following table illustrates the percentage of our major raw materials compared with our cost of sales in the manufacturing business:-

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	(%)	(%)	(%)	(%)	(%)
Mica plate	32.3	29.0	23.6	22.4	26.7
Copper	14.2	24.7	21.2	17.3	17.4
Silicone rubber	11.4	9.9	8.9	7.7	10.8
Additives or solvent.....	7.8	7.5	7.4	7.1	9.0
Fibre glass	4.0	3.6	3.2	4.0	3.6
Fluoropolymer rubber	0.8	0.2	3.9	4.4	2.4
Thermal plastic	0.8	1.3	1.1	0.3	0.2
Others (<i>Note</i>)	28.7	23.8	30.7	36.8	29.9
Total cost of sales in the manufacturing business.....	100.0	100.0	100.0	100.0	100.0

Note: Others include labour costs, overheads and other miscellaneous costs of sales in the manufacturing business

The following table illustrates our purchase of raw materials in different currencies:-

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	(%)	(%)	(%)	(%)	(%)
HK\$.....	49	34	29	35	29
US\$	33	32	51	44	56
RMB.....	18	34	20	21	15
	100	100	100	100	100

Suppliers

To avoid undue reliance on any single supplier and to maximise our bargaining power, we adopt a procurement policy of maintaining at least two suppliers for any principal raw material. Our suppliers are selected based on the quality of raw materials, pricing and the reliability of prompt delivery. We constantly review our suppliers and the market conditions for the purpose of seeking the most appropriate supply in order to reduce our material costs and to avoid any uncertainty. During the Track Record Period, we had 89, 92, 101 and 116 active suppliers, respectively, which had been dealing with us for more than three years on average. We have not entered into any long-term supply contract with any of our suppliers.

BUSINESS

The credit terms with our existing suppliers ranges from 0 to 90 days after delivery, depending on market supply and demand, price trend, our bargaining power, and the size of the order. During the Track Record Period, approximately 50.2%, 63.4%, 55.2% and 60.0%, respectively, of our purchases were contributed by our five largest suppliers and approximately 23.3%, 24.1%, 19.2% and 15.6%, respectively, of our purchases were made from our largest supplier.

Prior to 31 August 2005, Mr. LEUNG Kai Wing and Ms. TSANG Chi Yung, our executive Directors, were the directors of Shenzhen Mica, and Mr. LEUNG Kai Wing was a director of New Jadwson. Both Shenzhen Mica and New Jadwson were amongst our five largest suppliers during the Track Record Period. Vitar Hong Kong previously held, indirectly, 40% equity interests in New Jadwson and Shenzhen Mica and as such, Mr. LEUNG Kai Wing and Ms. TSANG Chi Yung were appointed as directors of New Jadwson and Shenzhen Mica advising on general business matters. Mr. LEUNG Kai Wing participated in regular meetings of the boards of directors of New Jadwson and Shenzhen Mica and their respective general meetings.

In order to re-deploy our financial resources for our principal business activities, Vitar Hong Kong disposed of all the indirect equity interests in New Jadwson and Shenzhen Mica on 19 October 2004. Mr. LEUNG Kai Wing and Ms. TSANG Chi Yung continued to act as directors of New Jadwson and Shenzhen Mica until 31 August 2005 to facilitate a smooth transition of the business to the new management teams of the two companies.

On 1 September 2005, Mr. LEUNG Kai Wing resigned from the directorship of New Jadwson and Mr. LEUNG Kai Wing and Ms. TSANG Chi Yung resigned from the directorship of Shenzhen Mica. Subsequent to resignation of such directorship, New Jadwson and Shenzhen Mica are not our related parties.

Our Directors confirm that the transactions between us and New Jadwson and Shenzhen Mica were conducted in the ordinary course of business and on normal commercial terms. During the year ended 31 December 2005, the purchase amount of mica sheets from New Jadwson and Shenzhen Mica amounted to HK\$12.3 million and HK\$5.2 million, respectively. Save as disclosed above, none of our Directors or Controlling Shareholders or their respective associates had any interests in any of our five largest suppliers during the Track Record Period.

Hedging of copper products

Because of the fluctuating metal prices in recent years and the potential future volatility in metal prices, we started conducting in January 2007 hedging activities on copper through buying and selling copper cathode futures contracts traded on the Shanghai Futures Exchange for the purpose of reducing our potential exposure to unexpected price fluctuations in copper. The hedging activities on copper were conducted for our manufacturing business only. During the two years ended 31 December 2006, we did not enter into any derivative financial instruments for hedging purposes as we were observing the price trend of copper. During the year ended 31 December 2007, we bought, and subsequently sold, an aggregate of 130 lots of copper cathode futures contracts (representing 650 tonnes of copper) and recorded a trading gain of HK\$333,000. During the same year, we purchased 377.5 tonnes of copper for our manufacturing business. In general, the holding period for each futures contract on hand is less than three months. During the four months ended 30 April 2008, we did not enter into any derivative financial instruments for hedging purposes as we foresaw the volatility of copper price in these four months would be low and therefore no hedging on the copper price was required.

BUSINESS

As an end user of copper during the production process, we have formulated quarterly purchase plans for copper taking into consideration (i) the planned production volume of high-temperature electric wires (which is the only product which contains copper) in the next quarter; (ii) the current copper inventory level and (iii) the safety stock level. Based on the quantity of copper to be purchased under the quarterly purchase plans and the likely price fluctuations of copper in the coming months, we may purchase copper futures contracts for the same amount for hedging purposes. Through the hedging transactions, we intend to stabilise our purchase cost of copper so that we can determine the most appropriate pricing on high-temperature electric wires without being exposing to copper price fluctuations. During the Track Record Period, we did not enter into derivative financial instruments for speculative purpose. In addition, we do not intend to engage in speculative trading of derivative financial instruments in the future.

Currently, Mr. LEUNG Kai Wing, Ms. TSANG Chi Yung and Ms. LEUNG Chun Yin are the key management personnel involved in the decision making of our purchase plan. According to the anticipated amount under the purchase plan, Mr. LEUNG Kai Wing will take the appropriate hedging activities.

QUALITY CONTROL

We have established and maintained stringent quality control and assurance standards and inspection procedures at most of the steps of our production process. As of the Latest Practicable Date, we had 11 quality control staff responsible for performing quality control measures and implementing inspection procedures throughout the production process. Out of the 11 quality control staff, two have obtained undergraduate degrees with the remaining staff completed specialised vocational training for quality control activities. In addition, we organised training workshops in order to further improve the technical skills of our staff. During the Track Record Period, sales returns resulting from defective products only accounted for 1.8%, 1.0%, 0.8% and 0.7% of our revenue, respectively. Our quality control department is also responsible for verification of goods returned due to defective problems. We arrange personnel to visit our customers and inspect the alleged defective products or collect samples of such defective products for further inspection at our offices. The quality control personnel will then submit reports to our operation manager for approval of sales return to customers.

We conduct tests on all our products to ensure the satisfaction of customers' product specifications. Firstly, we conduct an initial quality check to examine the raw materials upon delivery to ensure they meet the requirements in size, specification and quality before they are used for production. We further check the raw materials by samples being used for production. For all wire products, we conduct in-progress quality checks, closely monitoring and inspecting the initial stage of each production line as this is the relatively unstable stage in wire production. We then conduct 100% voltage-strength test on the full-length of all wire products to ensure there are no defects. We also carry out sample inspections by infra-red and computerised systems to check the usage capabilities and physical shape of the wire products.

As a result of our quality control efforts, our quality management system has been accredited the ISO 9001 certification since March 2003. Our ISO 9001 certification will expire in January 2009 and is subject to annual review and renewal. We have also started the process of obtaining ISO/TS 16949 and expect to obtain the accreditation in about June 2009.

BUSINESS

Our Directors confirm that we have established standard procedures and compliance manuals for our production processes so that we are able to comply with the requirements set forth under ISO 9001 and ISO/TS16949. We also employ advanced testing machines to ensure that our products are in full compliance with all requirements. Additional training will also be provided to our staff so that they understand the production procedure and the standards required.

PRODUCT DEVELOPMENT

Our products are not end products but will be used as parts and components of a wide range of household electrical appliances. Our product development activities include obtaining certification of our products and focusing on developing appropriate materials for our products in order to meet the customers' requirements on insulation and heat resistance.

The following table sets forth the certification of our products and their features, as of the Latest Practicable Date:-

<u>Certification</u>	<u>Model number</u>	<u>Working temperature (°C)</u>	<u>Breakdown voltage</u>
Fibre-glass sleeving			
UL	GS-1U	200	7000V
UL	GS-30-1E	180	4000V
UL	GS-30-2E	180	2500V
UL	GS-30-3E	180	1500V
UL	GS-30-4E	180	600V
UL	GF-0E	400	N/A
UL	SGR-30	180	7000V
CSA	GS-1U	200	7000V

<u>Certification</u>	<u>Model number</u>	<u>Rated temperature (°C)</u>	<u>Rated voltage</u>
High-temperature electric wires			
UL & cUL	3066	200	600V
UL & cUL	3068	150	300V
UL & cUL	3071	200	600V
UL & cUL	3081	150	600V
UL & cUL	3122	200	300V
UL & cUL	3132	150	300V
UL & cUL	3133	150	600V

BUSINESS

<u>Certification</u>	<u>Model number</u>	<u>Rated temperature (°C)</u>	<u>Rated voltage</u>
UL & cUL	3135	200	600V
UL & cUL	3136	150	300V
UL & cUL	3138	150	600V
UL & cUL	3139	200	600V
UL & cUL	3140	150	300V
UL & cUL	3141	150	600V
UL & cUL	3142	150	600V
UL & cUL	3172	200	600V
UL & cUL	3219	150	300V
UL & cUL	3222	150	300V
UL & cUL	3318	200	600V
UL & cUL	3323	200	300V
UL & cUL	3350	200	600V
UL & cUL	3367	200	300V
UL & cUL	3512	200	600V
UL & cUL	3590	200	300V
UL & cUL	3604	150/200	600V
UL & cUL	1007	80	300V
UL & cUL	1015	105	600V
UL & cUL	1080	105	300V
UL & cUL	1137	105	300V
UL & cUL	1283	105	600V
UL & cUL	1285	105	125V
UL & cUL	1330	200	600V
UL & cUL	1332	200	300V
UL & cUL	1726	250	300V
UL & cUL	1727	250	600V
UL & cUL	10129	250	150V
UL & cUL	10357	90	125V
UL & cUL	10362	250	600V
UL & cUL	10480	80	150V
UL & cUL	4389	200	600V
VDE	Heat Resistant Silicone Wire	180	300V
VDE	Equipment wire with extended temperature range	180	900V

BUSINESS

<u>Certification</u>	<u>Model number</u>	<u>Maximum operating temperature (°C)</u>
Silicon-based tubes		
UL	GRM-PLUS	200
	GR-60	200
	GRM	150
NSF	GRM	200
	GR-60	200
	GRM-EX	260
	GRM-PLUS	260

<u>Certification</u>	<u>Model number</u>	<u>Relative thermal index (°C)</u>
Mica Sheets		
UL & cUL	M928	200
	MT38-P	200
	MT38-S	200

We manage and coordinate our product development activities, production processes and customer services in a fast and efficient manner so as to satisfy our customers' demands.

As of the Latest Practicable Date, we had eight staff working in our research and development centre in Longchuan, Guangdong Province, China. Our research and development efforts focus on the following areas:-

- (a) Increasing the high-temperature and high-pressure resistance of our electric wiring and tubing products — thereby increasing the applications of our products to sophisticated household electrical appliances. As of the Latest Practicable Date, we successfully developed the production of silicon-based electric wires that can be used within an environment of up to 250°C.
- (b) Improving the production process — we are developing a new production process whereby silicone rubber can be coated on fibre-glass tubes by means of a solvent-free method.
- (c) Exploring new applications for our tubing products — with the international quality standards, we are actively exploring markets for our silicon-based products in the healthcare and automobile industries.

BUSINESS

INVENTORY

Our inventory consists of finished products, work-in-progress and raw materials used in the production process. In general, our raw material inventory is maintained at a level sufficient for approximately 90 days' production. We constantly monitor, review and evaluate our inventory level to ensure smooth supply of raw materials for production as well as minimise over-stock. We prepare quarterly purchase plans for our principal raw materials after taking into account (i) the planned production volume in the coming quarter; (ii) the current raw material inventory level; and (iii) the sufficient inventory safety level. In addition, we conduct monthly reviews on our inventory level and planned production volume to ensure the sufficiency of raw materials for production.

Our inventory turnover days were 47, 57, 68 and 82 for the Track Record Period, respectively. During the same period, we increased the types of silicone rubber and chemicals applied in the manufacturing process for the purpose of increasing the varieties of manufactured products with different properties. Therefore, the amount and the quantity of raw materials maintained as inventory increased during the Track Record Period, which resulted in an increase in the inventory turnover days.

INTELLECTUAL PROPERTY AND RESEARCH

During our operating history, we have developed a comprehensive set of proprietary formulae that can assist us in developing the most suitable kind of silicone rubber with different ingredients without undue reliance on purchasing the same from leading brands. This technical know-how assists us in reducing our production costs and improving the quality of our silicon-based wiring and tubing products.

We have implemented a system whereby only restricted technical staff are permitted to access our know-how for the production of silicone rubber. As of the Latest Practicable Date, we had four staff dedicated to our research and development activities in respect of silicone rubber.

With regard to our electrical wiring products, all such products are approved by the relevant industry standards, such as RoHS Directive, UL, VDE, CSA and NSF.

Save as disclosed in appendix VI to this prospectus, our Company has no other registered trademarks or patents. Our Directors are of the view that we have not suffered any infringement of our intellectual property rights. As of the Latest Practicable Date, our Directors are of the view that we have not violated any third party's intellectual property rights.

COMPETITION

Our competitors are in China and other countries providing similar products. Because of our broad range of product offerings and comprehensive development and production capabilities, we compete with different manufacturers in different product areas, including product quality, pricing, production capacity and technology, customer services, value-added services and variety of products.

BUSINESS

We believe that our high-quality, competitively priced products, coupled with our production capacity, one-stop solutions, timely delivery and comprehensive after-sales service enable us to maintain a competitive advantage over many of our competitors. The unit prices of our products are insignificant compared to the total unit production costs and the unit selling prices of the end products, i.e. household electrical appliances. We believe that our products are crucial to the quality and safety of the end products, and therefore most of our customers, particularly those who are leading brand manufacturers, would not source insulation products simply by considering the unit prices alone. In addition, our prompt delivery of the products is an important factor in ensuring our customers avoid any interruption to their production schedules. Our Directors believe that selling price of our products is not the most important factor for consideration by our customers.

We are facing competition from smaller-scale manufacturers in China which compete with us in terms of price. “Small-scale manufacturers” are those manufacturers with one or two production lines producing one or two types of product. Our Directors consider that the cost structure of our products is different from that of small-scale manufactures as most of our products have complied with international standards and our production and operation are in full compliance with the applicable rules and regulations. Based on our experience in the industry, we estimate that our production and operation costs are generally 10% to 15% higher than those of the “small-scale manufacturers”. As a result, our cost of production and accordingly the selling prices of our products are generally higher than those of our competitors (which are small-scale manufacturers).

ENVIRONMENTAL MATTERS

Our production process does not result in any significant pollution to the environment that requires specific licences or approvals. No hazardous substances or directives, or material waste products or substances are released or generated from our operations. Therefore, we have not implemented any specific or hazardous waste collection process.

Our Directors confirm, with the advice from our PRC counsel, that Vitar Shenzhen and Weida Longchuan have obtained all the required permits and environmental approvals for their production requirements. Based on the official reply, opinion and reference issued by the local environmental authority, our PRC legal advisers confirm that during the Track Record Period, Vitar Shenzhen and Weida Longchuan complied with relevant environmental rules and regulations in all materials aspects. Our Directors further confirm that we did not and are not in breach of any relevant environmental laws and regulations.

We expanded and focused our manufacturing facilities and workforce at Longchuan. The cost of production in Longchuan is generally lower than that in Shenzhen. As a result, Vitar Shenzhen is no longer engaged in any production process and no specific environmental protection facilities are required to be installed. Our Directors and our PRC counsel confirm that our production process carried out by Vitar Shenzhen before its relocation to Longchuan, complied with the then environmental laws and regulations. Our Directors further confirm that, save and except for the laws and regulations on environmental protection as set out in appendix IV to this prospectus, there are no other specific environmental measures in the PRC with which we are required to comply.

BUSINESS

We do not employ any staff dedicated to environmental protection matters. Our Directors confirm that the costs for annual inspection by the local environmental protection authority and other environmental costs (such as sewerage charges, charges on environmental infrastructure construction, garbage-dumping fees) were insignificant during the Track Record Period.

EMPLOYEES

We believe that developing and maintaining a highly motivated and skilled workforce is critical to our success. As of the Latest Practicable Date, we had 480 employees: 458 employees were substantially based in China and 22 employees were based in Hong Kong. As of the Latest Practicable Date, seven employees held qualifications in various scientific disciplines.

The following table sets forth the breakdown of our employees by function and geographical locations:-

	<u>Hong Kong</u>	<u>PRC</u>	<u>Total</u>
Finance, accounting and administration	15	43	58
Sales and marketing	5	8	13
Production and quality control	2	399	401
Research and development	<u>0</u>	<u>8</u>	<u>8</u>
Total	<u>22</u>	<u>458</u>	<u>480</u>

PROPERTIES

Our factory is located at Longchuan, Guangdong Province, China with a site area of 86,269.1 square metres. The land premium for the factory premises is RMB5.78 million which has been fully settled. The building ownership certificates thereof have been duly issued to Weida Longchuan. We also lease properties for our customers' services centre, show room, product research and development centre and warehouse at Shufangmen, Maozai Village, Wutongshan, Shenzhen (the "**Shenzhen Leased Properties**").

With regard to Shenzhen Leased Properties, the lessors are not able to provide any land use rights certificates, building ownership certificates or any other document evidencing that the lessors are the lawful owners of the Shenzhen Leased Properties. The lessors have provided us with letters of undertaking pursuant to which the lessors warrant that they are the lawful owners of the Shenzhen Leased Properties and that the lessors agree to compensate us for all losses arising from any government action or third party claim that causes loss to us or otherwise impedes the proper performance of the tenancy agreements between the lessors and us.

BUSINESS

Our Controlling Shareholders have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) to provide indemnity jointly and severally in respect of, among others, any claim or loss resulting from the above lease agreements that may be incurred by us.

Since January 2008, all our production facilities have been relocated to Weida Longchuan. Our headquarters are situated at workshops 4, 5 and 6 on 3rd Floor of Block B, New Trade Plaza, No.6 On Ping Street, Shatin, New Territories, Hong Kong. On this basis, our Directors consider that the Shenzhen Leased Properties are not crucial to our production process and do not anticipate any difficulty in identifying suitable premises should Vitar Shenzhen be required to vacate the Shenzhen Lease Properties. Our Directors anticipate that the relocation cost would be in the range between HK\$300,000 and HK\$400,000. We expect that the relocation time would be around one month and there should be no material impact on our sales as all production activities are currently undertaken at our factory premises in Longchuan.

Further information on our property interests in Hong Kong and China is stated in appendix III to this prospectus.

INSURANCE AND SOCIAL SECURITY PAYMENTS

We maintain insurance to cover potential damage to our properties, machines and equipment, vehicles, office equipments and other properties owned by our company. We believe that the insurance coverage for our property is adequate to cover any material property damage. We do not maintain product liability insurance because all our products meet their required specifications, and therefore, we believe insurance for product liability is unnecessary. As of the Latest Practicable Date, we had not received any product liability claims in relation to our products.

We have duly filed and endorsed social security insurance in China. We also provide medical, unemployment and other insurance to our employees as required by applicable laws in Hong Kong and China. We did not pay certain social security payments in the total estimated amount of RMB263,461 during the Track Record Period, but the relevant PRC labour and social security authorities have confirmed that both Vitar Shenzhen and Weida Longchuan have settled all the required social security contributions.

Our Directors confirm that a small number of our employees have their social security fund contributed by their previous employers. It is difficult to handle the transfer of social security funds for temporary staff and workers recruited from other provinces. More importantly, the local government does not accept contributions by us because it does not maintain social security accounts for such employees. Our Directors confirm that the practice is not uncommon and is generally consistent with the practice accepted by both employees and the local labour social security authorities.

As of the Latest Practicable Date, there were no penalties imposed by the labour and social security authorities, nor has any arbitration or litigation been initiated by the employees.

BUSINESS

Our PRC counsel confirms that we comply with laws, regulations and local policies in the PRC by obtaining social security registrations and contributing to a social security fund for employees. However, the PRC counsel also confirms that, even though local practices and policies allow us not to contribute to a social security fund for some employees according to their wishes, such practice may not be consistent with the provisions set forth in the “*Collection and Payment of Social Insurance Premiums Tentative Regulations*” promulgated by the State Council on 22 January 1999 (the “**Tentative Regulations**”) and other relevant rules and regulations promulgated by the Ministry of Labour and Social Security. The Tentative Regulations require employers to declare and pay social insurance contribution for all employees.

According to section 13 of the Tentative Regulations, if an employer fails to pay its own social insurance premiums or fails to withhold and pay the same for its employees according to the provisions, the administrative department of labour and social security or the tax authority may order it to make payments within a prescribed time limit. If it fails to do so within the time limit, it shall, in addition to paying the sum it owes, pay a late payment fine of 0.2 per cent per day computed from the date when the amount became overdue. Late payment fines shall be consolidated into the social insurance funds.

Section 23 of the Tentative Regulations states that if an employer fails to report the amount of social insurance premiums payable according to the applicable laws and regulations, the administrative department of labour and social security may order it to rectify the situation within a prescribed time limit; and may impose a fine of RMB 5,000 up to RMB10,000.

The local labour and social security authorities in Shenzhen and Longchuan have already confirmed in writing that Vitar Shenzhen and Weida Longchuan are in compliance with national and local laws, regulations and policies regarding employment and social security.

Our Controlling Shareholders have entered into a deed of indemnity in favour of our Company and our subsidiaries to indemnify jointly and severally, among others, any penalty, fine or payment in relation to any shortfall of payment of social security contribution payable by Vitar Shenzhen and Weida Longchuan in China. The aggregate amount of the shortfall in social security contributions payable by Vitar Shenzhen and Weida Longchuan is estimated at approximately RMB263,461.

COMPLIANCE

Save as disclosed in the following:-

- (i) the legality of the tenancy agreements in relation to the land and buildings occupied by Vitar Shenzhen as set forth in properties 7 and 8 in appendix III to this prospectus (under note 2 and note 3 respectively), where each of the lessors did not provide any land use rights certificates, building title certificates or any other documentation evidencing that it is authorised to enter into the tenancy agreements, and accordingly, the legality of the tenancy agreements cannot be determined; and

BUSINESS

- (ii) we did not pay certain social security payments in the total estimated amount of approximately RMB263,461 during the Track Record Period as a small number of our employees have their social security fund contributed by their previous employers and it is difficult to handle the transfer of social security fund for temporary staff and workers recruited from other provinces. In addition, the local government does not accept contributions by us because it does not maintain social security accounts for such employees,

we have complied with all relevant laws and regulations in all jurisdictions where we have operated during the Track Record Period and we have obtained all relevant approvals, permits, licences and certificates required for our operations.

We will in the future seek advice from the PRC and Hong Kong counsel from time to time to ensure due compliance with the applicable laws and regulations. Our Directors will seek legal advice when needed on a timely basis, including before entering into any relevant transactions. Our management will make sure due compliance with the relevant laws and regulations with the legal advice and assistance. Save as disclosed above, we are currently in compliance with the Tentative Regulations and have arranged all of our staff to join the social security fund and make the required contributions.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, we were not involved in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against us.

FUTURE PLANS AND PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

FUTURE PLANS

Our future plans can be summarised under the following:-

Establish a production line for the production of silicone rubber

We are currently relying on third-party suppliers to produce the required silicone rubber for our production requirements. Following completion of the Share Offer, we plan to establish a production line for the production of silicone rubber at Weida Longchuan. The designed annual production capacity of the silicone rubber production line is expected to be 3,000 tonnes with an estimated investment cost of RMB40.0 million (equivalent to HK\$45.5 million). The construction of the silicone rubber production line is expected to commence in February 2009 and will take approximately eight months to complete. We expect that the full operation of the silicone rubber production line would reduce our production costs and enhance our control over the quality of silicone rubber. Part of the net proceeds from the Share Offer will be applied towards for the installation of the silicone rubber production line.

Expand our production capacity

We believe that China will become a production base for high-quality household electrical appliances and hence, the requirements for high-quality components, such as electric wires and fibre-glass sleeving, will increase. We therefore intend to invest in two additional production lines for each of the fibre-glass sleeving, silicon-based tubes and high-temperature electric wires, which are expected to increase our annual production capacity of by 22.2 million metres, 1.4 million metres and 19.0 million metres, respectively. The aggregate capital expenditure for the production lines is expected to be RMB9.2 million (equivalent to HK\$10.5 million). The installation of the production lines will commence towards the end of 2008 with trial production to commence during the first quarter of 2009. Part of the net proceeds from the Share Offer will be applied as capital expenditure for the installation and trial production of the production lines.

Expand our sales network in China

In conjunction with the anticipated increase in our production capacity, we plan to expand our sales network by establishing sales representative offices in four cities in China, namely Nanhai, Wuzhou, Ningbo and Qingdao. The capital expenditure and the annual operating costs of each of these sales office are estimated to be RMB50,000 and RMB200,000, respectively, which will be fully funded by our internally generated financial resources.

Enhance recognition of our brand

With our long operating history, we have established our business reputation in the insulation and heat-resistance solution industry. We have not, however, promoted our brand through intensive business development activities. Following completion of the Share Offer, we intend to commit additional resources on promoting our brand “VITAR” in fibre-glass sleeving, high-temperature electrical wires and tubing products by participating exhibitions and other business promotional activities.

FUTURE PLANS AND PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

We will not acquire any land for the above future plans. Our new silicone rubber production line and other new production facilities will be housed in our existing factory premises in Longchuan, Guangdong Province, China.

PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Share Offer after deducting the relevant listing expenses, are estimated to be HK\$40.4 million. We currently intend to apply such net proceeds as stated below:-

- HK\$31.4 million for the capital expenditure for the establishment of a silicone rubber production line;
- HK\$9.0 million for the capital expenditure for the installation and trial production of two additional production lines for each of fibre-glass sleeving products, silicon-based tubing products and high-temperature electric wires.

Pending the use of net proceeds from the Share Offer for the above purposes, and to the extent permitted under relevant laws and regulations in Hong Kong, we intend to deposit the net proceeds in short-term interest-bearing accounts with licensed banks and/or financial institutions in Hong Kong.

To the extent that the net proceeds from the Share Offer are not sufficient for the above purposes, we intend to fund the remaining balance through various means, including internally generated financial resources or banking facilities.

DIRECTORS, SENIOR MANAGEMENT AND COMPLIANCE ADVISER

EXECUTIVE DIRECTORS

Mr. LEUNG Chau Hiu (梁秋曉), aged 70, is our founder and is a director and chairman of Vitar Hong Kong since November 1978. Mr. LEUNG is an executive Director and is principally responsible for formulating our overall strategic planning. Mr. LEUNG has over 30 years of experience in the insulation materials industry and business management. Mr. LEUNG is the father of Mr. LEUNG Kai Wing and Ms. LEUNG Chun Yin and the father-in-law of Ms. TSANG Chi Yung. In January 2007, Mr. LEUNG was appointed as a member of the Chinese People's Political Consultative Conference, Longchuan County, Guangdong Province. Mr. LEUNG was appointed as a Director on 22 January 2008 and re-designated as an executive Director on 6 March 2008.

Mr. LEUNG Kai Wing (梁啟榮), aged 42, is an executive Director and our chief executive officer. Mr. LEUNG is principally responsible for our business planning and general management. Mr. LEUNG has over 19 years of experience in the insulation materials industry. Mr. LEUNG is the son of Mr. LEUNG Chau Hiu, the spouse of Ms. TSANG Chi Yung and an elder brother of Ms. LEUNG Chun Yin. Mr. LEUNG joined us in May 1988 as a marketing executive. Mr. LEUNG was promoted to become our marketing manager in November 1991 and a director in May 1992. Mr. LEUNG has obtained two diplomas in marketing from Lingnan College and The Chartered Institute of Marketing in November 1988 and December 1989, respectively. Mr. LEUNG was appointed as an executive Director on 6 March 2008.

Ms. TSANG Chi Yung (曾志蓉), aged 43, is an executive Director and our marketing manager. Ms. TSANG is principally responsible for our sales and marketing. Ms. TSANG is the spouse of Mr. LEUNG Kai Wing and the daughter-in-law of Mr. LEUNG Chau Hiu. Ms. TSANG has over 18 years of experience in the insulation materials industry. From July 1990 to 1998, Ms. TSANG had held various positions in Vitar Hong Kong including marketing executive, senior marketing executive and marketing manager. Ms. TSANG became a director of Vitar Hong Kong in August 1999. Ms. TSANG obtained a diploma in Asian Pacific Studies from Lingnan College in July 1989. Ms. TSANG was appointed as an executive Director on 6 March 2008.

Ms. LEUNG Chun Yin (梁春燕), aged 40, is an executive Director and is principally responsible for our purchasing and system administration. Ms. LEUNG is the daughter of Mr. LEUNG Chau Hiu and a younger sister of Mr. LEUNG Kai Wing. Ms. LEUNG has over 16 years of experience in the insulation materials industry. Ms. LEUNG joined us in October 1991 as a production and operation manager. Ms. LEUNG became our system and administration manager in October 1996 and served as a director of Vitar Hong Kong in May 1995. Ms. LEUNG graduated from Oxford Brookes University in the United Kingdom with a bachelor's degree in business administration and management and catering in July 1991. Ms. LEUNG was appointed as an executive Director on 6 March 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Chi Kin (黃智堅), aged 35, is an independent non-executive Director appointed on 21 October 2008. Mr. WONG has over 12 years of experience in financial and auditing industry. From

DIRECTORS, SENIOR MANAGEMENT AND COMPLIANCE ADVISER

October 1995 to December 2006, Mr. WONG has held various auditing positions in W.O. Lo & Co, a certified public accountants firm. Since January 2007, Mr. WONG has been serving as a director in Faith Joy CPA Limited. Mr. WONG graduated with a bachelor degree of business administration in accounting from The Hong Kong University of Science & Technology in July 1995.

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

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

SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. WONG Fai Kit (黃暉傑)	48	Financial Controller, Company Secretary
Mr. FENG Jianzhong (馮建中)	34	Assistant to Financial Controller
Mr. CHAN Moon Wing (陳滿榮)	52	Factory Manager
Mr. YUNG Kin Wing Wayne (容建榮)	46	Operation Manager
Mr. XIA Zhibing (夏志兵)	28	Quality Control Manager
Mr. CHENG Weimin (程偉民)	86	Technology Consultant

Mr. WONG Fai Kit (黃暉傑), aged 48, is our financial controller, company secretary and qualified accountant. Mr. WONG is responsible for our financial management and treasury matters. Mr. WONG joined us in February 2007. Mr. WONG has over 20 years of experience in auditing,

DIRECTORS, SENIOR MANAGEMENT AND COMPLIANCE ADVISER

accounting and financial management. Since 1986, Mr. WONG held various senior finance and management positions with various companies. Mr. WONG has been a fellow member of the Hong Kong Institute of Certified Public Accountants since July 2002, and Mr. WONG received a MBA degree from the Asia International Open University (Macau) in July 1994.

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

Mr. CHAN Moon Wing (陳滿榮), aged 52, is the factory manager of Weida Longchuan. Mr. Chan joined us in July 2007. Prior to joining us, Mr. CHAN worked in various senior management and finance positions in a number of companies in Hong Kong, the PRC and overseas. During the period between January 1997 and August 2001, Mr. CHAN was a manager of business department of China Insurance Group Finance Company Limited and during the period between February 2002 and January 2003 a general manager in Emperor International Bank Limited in Cambodia. During the period between July 2006 and March 2007, Mr. CHAN was a finance manager in JingLi (Jin Tan) Apparel Limited in China. Mr. CHAN graduated from The Hong Kong Polytechnic with a Higher Certificate in Management Accountancy in November 1990 and obtained a Higher Diploma in Banking and Financial Services from The City University of Hong Kong in December 1996.

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

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

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

Company secretary

Mr. WONG Fai Kit, aged 48, joined us in February 2007 as our financial controller, company secretary and qualified accountant on a full-time basis. For details on Mr. WONG's experience, please refer to the paragraphs under "Senior management" in this section.

DIRECTORS, SENIOR MANAGEMENT AND COMPLIANCE ADVISER

Qualified accountant

Mr. WONG Fai Kit. For details regarding Mr. WONG's experience, please refer to the paragraphs under "Senior management" in this section.

DIRECTORS' AND SENIOR MANAGEMENT REMUNERATION

The Remuneration Committee will regularly review and determine from time to time the remuneration and compensation of our Directors and our senior management.

Each of our executive Directors has entered into a service contract with our Company for an initial term of three years commencing from 21 October 2008 and will continue thereafter until terminated by three months' notice in writing served by either party of the other, which notice shall not expire until after the initial fixed term of three years. Each of our executive Directors will receive a salary subject to an annual review. In additions, each of our executive Directors is also entitled to a discretionary bonus at the absolute discretion of our Board.

During the Track Record Period, the aggregate of the remuneration paid to our Directors amounted to approximately HK\$1.7 million, HK\$1.6 million, HK\$2.0 million and HK\$0.6 million, respectively. During the Track Record Period, no emolument was paid to Mr. YIP Sai Keung, being one of our Controlling Shareholders and a director of Vitar Hong Kong, as Mr. YIP Sai Keung was not involved in our management.

STAFF

As of the Latest Practicable Date, we had a total of 480 employees. The following table sets forth the breakdown of our employees by functions and geographical locations:-

	<u>Hong Kong</u>	<u>PRC</u>	<u>Total</u>
Finance, accounting and administration	15	43	58
Sales and marketing	5	8	13
Production and quality control	2	399	401
Research and development	<u>0</u>	<u>8</u>	<u>8</u>
Total	<u>22</u>	<u>458</u>	<u>480</u>

OUR RELATIONSHIP WITH STAFF

We recognise the importance of good relationship with our employees. The remuneration payable to our employees includes salaries, allowances and bonuses. We continue to provide training for our staff to enhance knowledge of industry quality standards.

DIRECTORS, SENIOR MANAGEMENT AND COMPLIANCE ADVISER

We have not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff. Our Directors believe that we have a good working relationship with our employees.

STAFF BENEFITS

We comply in all material aspects with all statutory requirements on retirement contribution in the jurisdictions where we operate. In Hong Kong, we provide a mandatory provident fund scheme for our staff in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Our employees in China have participated in the mandatory pension schemes required by the relevant laws and regulations in China.

SHARE OPTION SCHEME

Our Directors and employees, among others, are entitled to participate in the Share Option Scheme at the discretion of our Board. The principal terms of the Share Option Scheme are summarised in the paragraph under “Share Option Scheme” in appendix VI to this prospectus.

COMPLIANCE ADVISER

We have appointed China Everbright, our Sponsor, as our compliance adviser pursuant to rule 3A.19 of the Listing Rules. Pursuant to rule 3A.23 of the Listing Rules, the compliance adviser will among other things advise us on the following matters:-

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated by our Company including share issues and share repurchases;
- (3) where we propose to use the proceeds of the Share Offer in a manner different to that detailed in this prospectus or where the business activities, developments or our results deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of our Company under rule 13.10 of the Listing Rules.

The term of appointment commences on the Listing Date and ends on the date on which we distribute our annual report in respect of our financial results for the first full financial year ending 31 December 2009.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of our good corporate governance in the management structures and internal control procedures so as to achieve effective accountability.

In accordance with the requirements of the Listing Rules, we have established an audit committee in compliance with the Code on Corporate Governance Practices as set forth in appendix 14 to the Listing Rules and appointed a qualified accountant to oversee our financial reporting procedures and internal controls so as to ensure compliance with the Listing Rules.

To further enhance our corporate governance and its transparency, we have established a remuneration committee. We have also implemented a compliance manual which covers areas such as ongoing compliance obligations of our Company and our Directors, our business operations, financial management systems, human resources management systems, internal control systems, quality assurance and property management systems.

Audit Committee

We have established the Audit Committee on 21 October 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set forth in appendix 14 to the Listing Rules. The primary responsibilities of the Audit Committee include the review and supervision of the financial reporting processes and our internal control systems. Currently Mr. WONG Chi Kin, Mr. CHAU Shing Yu and Mr. LEE Wing Yiu, William, all being independent non-executive Directors, are members of the Audit Committee with Mr. WONG Chi Kin, being the chairman.

Remuneration Committee

We have established the Remuneration Committee on 21 October 2008 with written terms of reference. The primary responsibilities of the Remuneration Committee include reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the Share Option Scheme. The Remuneration Committee has three members comprising Mr. LEUNG Kai Wing, Mr. WONG Chi Kin and Mr. CHAU Shing Yu, two of whom are independent non-executive Directors. Mr. CHAU Shing Yu is the chairman of the Remuneration Committee. Given that Mr. LEUNG Kai Wing is our chief executive officer, Mr. LEUNG is in the Remuneration Committee to provide insight to other members on the reasonableness, suitability and appropriateness of the remuneration package of our senior management. The chairman of the Remuneration Committee will have no casting vote in case of a deadlock. The two independent non-executive Directors constitute a majority in the Remuneration Committee and thus enable a check and balance to the resolutions proposed to be passed by the Remuneration Committee.

SHARE CAPITAL

SHARE CAPITAL

The authorised share capital of our Company is set out below:-

	<i>HK\$</i>
<u>1,000,000,000</u> Shares	<u>100,000,000</u>

Without taking into account any option may be granted under the Share Option Scheme, our Company's share capital immediately following completion of the Share Offer and the Capitalisation Issue will be as follows:-

Issued and to be issued, fully paid or credited as fully paid:-

	<i>HK\$</i>
22,000,000 Shares in issue	2,200,000
28,000,000 Shares to be issued pursuant to the Share Offer	2,800,000
<u>50,000,000</u> Shares to be issued under the Capitalisation Issue	<u>5,000,000</u>
<u>100,000,000</u> Total number of Shares	<u>10,000,000</u>

ASSUMPTIONS

The above tables assume that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, or which may be allotted and issued under the general mandate to allot, issue and deal with Shares (see below), or which may be purchased by our Company pursuant to the general mandate to repurchase securities (see below).

RANKINGS

The Offer Shares will rank pari passu in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify for all dividends or other distributions declared, paid or made on the Shares after the date of this prospectus.

SHARE OPTION SCHEME

Our Company has adopted the Share Option Scheme, a summary of the principal terms of the Share Option Scheme are set forth under "Share Option Scheme" in appendix VI to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:-

- (i) 20% of the total nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue; and
- (ii) the total amount of share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option may be granted under the Share Option Scheme.

This mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting; or
- (ii) at the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders of our Company in general meeting,

whichever is the earliest.

Further information on this general mandate is set forth under "Resolutions in writing of the Sole Shareholder on 21 October 2008" in appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE NEW SHARES

Our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue.

This mandate only relates to repurchases made on the Stock Exchange, and/or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set forth in the paragraph headed "Repurchase of shares by our Company" under the paragraph headed "Further information about our Company and its subsidiaries" in appendix VI to this prospectus.

SHARE CAPITAL

This mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting; or
- (ii) at the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Company in general meeting,

whichever is the earliest.

Further information on this general mandate is set forth under "Resolutions in writing of the Sole Shareholder on 21 October 2008" in appendix VI to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to any option that may be granted under the Share Option Scheme, have beneficial interests or short positions in our Shares or underlying shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly and/or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at our general meetings:-

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Voting power (approximate percentage)</u>
Vitar Development ⁽¹⁾	Beneficial owner	72,000,000L ⁽⁴⁾	72%
Mr. LEUNG Chau Hiu ⁽²⁾	Interested in a controlled corporation	72,000,000L ⁽⁴⁾	72%
Mr. LEUNG Kai Wing ⁽³⁾	Interested in a controlled corporation	72,000,000L ⁽⁴⁾	72%

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%, respectively.
- (2) As Mr. LEUNG Chau Hiu controls more than one-third of the voting power of general meeting of Vitar Development and therefore Mr. LEUNG Chau Hiu is deemed to be interested in the shares which are beneficially owned by Vitar Development for the purpose of the SFO.
- (3) As Mr. LEUNG Kai Wing controls more than one-third of the voting power of general meeting of Vitar Development and therefore Mr. LEUNG Kai Wing is deemed to be interested in the shares which are beneficially owned by Vitar Development for the purpose of the SFO.
- (4) The letter “L” denotes the person’s long position in such securities.

Details of our Directors’ interests in our Shares immediately following completion of the Share Offer and the Capitalisation Issue are set forth in the section headed “Statutory and general information” in appendix VI to this prospectus.

Except as disclosed in this prospectus, we are not aware of any person who will, immediately following completion of the Share Offer and the Capitalisation Issue, be directly interested in 10% or more of our issued Shares. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKINGS GIVEN BY OUR CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has entered into the Deed of Non-competition with our 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 we carry out from time to time. The Deed of Non-competition also provides that:-

- (i) our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders and their respective associates provided by our Controlling Shareholders and their respective associates on their existing or future competing businesses;
- (ii) our Controlling Shareholders shall provide such information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (iii) our Company shall disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the undertaking either through the annual report, or by way of announcements to the public;
- (iv) our Controlling Shareholders shall make declaration(s) on compliance with the Deed of Non-competition in accordance with the requirements under appendix 14 (Code of Corporate Governance) and appendix 23 (Corporate Governance Report) of the Listing Rules;
- (v) our Controlling Shareholders shall abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests.

The Deed of Non-competition will cease to have effect on any of our Controlling Shareholders if he or she or it ceases to be a Controlling Shareholder of our Company (and for the avoidance of doubt, Mr. LEUNG Chau Hiu, Mr. LEUNG Kai Wing, Ms. TSANG Chi Yung and Mr. LEUNG Chun Yin shall continue to be bound by the terms of the Deed of Non-competition so long as he or she remains a Director).

NON-DISPOSAL UNDERTAKINGS GIVEN BY OUR CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has entered into a non-disposal undertaking in respect of his or her or its shareholding to the Stock Exchange pursuant to rule 10.07 of the Listing Rules.

NO EXCLUDED BUSINESSES

Each of our Controlling Shareholders and Directors has confirmed that none of them has any direct or indirect interest in any business or companies that are engaged in any business activities that compete or may compete with our business activities.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Controlling Shareholders are either individuals or an investment holding company wholly-owned by the individual Controlling Shareholders carrying on no business activities. Apart from our business and investment in real properties and certain private companies for investment purpose, our Controlling Shareholders confirm that they do not have any other substantive business activities. Hence, there will be no overlapping Directors that would affect the management independence of the Group. In addition, each of our Controlling Shareholders has entered into the Deed of Non-competition with our Company. On this basis, our Directors confirm that we are capable of operating independently without any undue reliance on our Controlling Shareholders.

EXEMPT CONTINUING CONNECTED TRANSACTION

Upon the Listing, we will carry out the following connected transaction which constitutes continuing connected transactions of our Company under the Listing Rules.

Following the Listing, the following transaction will be regarded as a continuing connected transaction exempt from the reporting, announcement and independent Shareholders' approval requirements under rule 14A.33 of the Listing Rules.

TENANCY AGREEMENT

On 6 March 2008, Vitar Hong Kong entered into a tenancy agreement (the “**Tenancy Agreement**”) as tenant with First Phoenix Investments Limited as landlord, pursuant to which First Phoenix Investments Limited agreed to lease the following premises to Vitar Hong Kong, details of which are set out as follows:-

<u>Address of premises</u>	<u>Monthly rental</u>	<u>Intended use</u>	<u>Duration</u>
Workshops 4, 5 and 6 on 3rd Floor, Block B, New Trade Plaza, No.6 On Ping Street, Shatin, New Territories, Hong Kong	HK\$28,000	Office	1 January 2008 to 31 December 2010

The term of the Tenancy Agreement is three years commencing on 1 January 2008 and expiring on 31 December 2010. The monthly rental under the Tenancy Agreement is HK\$28,000 per calendar month (exclusive of government rates, government rent and management fee). Jones Lang LaSalle Sallmanns Limited, our independent property valuer, has confirmed that the rental payable under the Tenancy Agreement is comparable to the prevailing market rate.

First Phoenix Investments Limited, a company incorporated in the BVI is wholly owned by Mr. LEUNG Kai Wing who is one of our executive Directors and a Substantial Shareholder. First Phoenix Investments Limited is therefore an associate of Mr. LEUNG Kai Wing and hence, a connected person of our Company upon Listing. As each of the applicable percentage ratios under Chapter 14A of the Listing Rules in respect of the aggregate annual rental under the Tenancy Agreement is less than 0.1% on an annual basis, the Tenancy Agreement will constitute an exempt continuing connected transaction for our Company under rule 14A.33(3)(a) of the Listing Rules after the Listing and will be exempt from the reporting, announcement and independent Shareholders' approval requirements set out in rules 14A.45 to 14A.48 of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) consider that the continuing connected transaction has been entered into in the ordinary and usual course of business and on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL INFORMATION

INTRODUCTION

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 specialised in the production, design and sales of insulation and heat-resistance materials. Our products are sold to customers in Hong Kong, China and selected 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.

(I) SELECTED FINANCIAL INFORMATION

(A) Combined results of operations

The following table summarises our audited combined results during the Track Record Period, which are prepared on the assumptions that our current corporate structure had been in existence throughout the Track Record Period and is extracted from, and has been prepared in accordance with the basis set forth in appendix I to this prospectus:-

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
Revenue	144,045	175,896	204,540	56,661	66,240
Cost of sales	<u>(110,335)</u>	<u>(136,851)</u>	<u>(161,345)</u>	<u>(44,288)</u>	<u>(52,509)</u>
Gross profit	33,710	39,045	43,195	12,373	13,731
Bank interest income	413	417	516	119	113
Other income	365	745	1,437	607	114
Selling and distribution costs	(2,244)	(1,763)	(2,784)	(711)	(867)
Administrative expenses	(11,518)	(11,636)	(12,573)	(3,274)	(3,982)
Listing expenses	—	—	—	—	(3,085)
Finance costs	<u>(1,037)</u>	<u>(1,657)</u>	<u>(2,551)</u>	<u>(581)</u>	<u>(659)</u>
Profit before taxation	19,689	25,151	27,240	8,533	5,365
Taxation	<u>(1,688)</u>	<u>(2,492)</u>	<u>(2,987)</u>	<u>(970)</u>	<u>(948)</u>
Profit for the year/period	<u>18,001</u>	<u>22,659</u>	<u>24,253</u>	<u>7,563</u>	<u>4,417</u>

FINANCIAL INFORMATION

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Dividend					
- declared and recognised as distributions	<u>—</u>	<u>15,000</u>	<u>12,000</u>	<u>—</u>	<u>—</u>
- proposed and yet to be approved by shareholders, and no distributions.....	<u>15,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Earnings per Share					
Basic (HK dollars) ⁽¹⁾	<u>0.25</u>	<u>0.31</u>	<u>0.34</u>	<u>0.11</u>	<u>0.06</u>

Note:-

1. The calculation of basic earnings per Share for the Track Record Period is based on our profit for each of three years ended 31 December 2007 and the four months ended 30 April 2008, and on the assumption that 72,000,000 Shares in issue and issuable, comprising 22,000,000 Shares in issue as at the date of this prospectus and 50,000,000 Shares to be issued pursuant to the Capitalisation Issue, as described under “Resolutions in writing of the Sole Shareholder on 21 October 2008” in appendix VI to this prospectus, were outstanding during the Track Record Period.

FINANCIAL INFORMATION

(B) Profit and loss items expressed as percentage of revenue and related information

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	%	%	%	%	%
	<i>(unaudited)</i>				
Revenue.....	100.0	100.0	100.0	100.0	100.0
<i>Fibre-glass sleeving</i>	27.9	23.5	19.7	23.6	17.1
<i>Silicon-based tubes</i>	6.6	8.6	9.1	10.9	7.2
<i>High-temperature electric</i>					
<i>wires</i>	21.8	25.4	25.0	29.4	24.6
<i>Mica sheets</i>	27.9	24.9	17.5	20.2	18.9
<i>Trading of copper and silicone</i>	15.8	17.6	28.7	15.9	32.2
Cost of sales	76.6	77.8	78.9	78.2	79.3
Gross profit	23.4	22.2	21.1	21.8	20.7
Bank interest income	0.3	0.2	0.3	0.2	0.2
Other income	0.3	0.4	0.7	1.1	0.2
Selling and distribution costs	1.6	1.0	1.4	1.3	1.3
Administrative expenses	8.0	6.6	6.1	5.8	6.0
Listing expenses	—	—	—	—	4.7
Finance costs	0.7	0.9	1.2	1.0	1.0
	13.7	14.3	13.3	15.1	8.1
Profit before taxation					
Taxation	1.2	1.4	1.5	1.7	1.4
	12.5	12.9	11.9	13.3	6.7
Profit for the year/period	12.5	12.9	11.9	13.3	6.7

FINANCIAL INFORMATION

(C) Revenue breakdown by products

Products	Year ended 31 December						Four months ended 30 April			
	2005		2006		2007		2007		2008	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Manufacturing and sale of										
products	121,233	84.2	144,883	82.4	145,754	71.3	47,649	84.1	44,921	67.8
Fibre-glass sleeving	40,130	27.9	41,355	23.5	40,377	19.7	13,342	23.6	11,298	17.1
Silicon-based tubes	9,534	6.6	15,107	8.6	18,552	9.1	6,194	10.9	4,752	7.2
High-temperature electric										
wires.....	31,333	21.8	44,603	25.4	51,131	25.0	16,677	29.4	16,319	24.6
Mica sheet	40,236	27.9	43,818	24.9	35,694	17.5	11,436	20.2	12,552	18.9
Trading of copper and										
silicone rubber	22,812	15.8	31,013	17.6	58,786	28.7	9,012	15.9	21,319	32.2
Copper.....	5,589	3.9	16,157	9.2	26,018	12.7	6,016	10.6	7,753	11.7
Silicone rubber	17,223	11.9	14,856	8.4	32,768	16.0	2,996	5.3	13,566	20.5
Total	144,045	100.0	175,896	100.0	204,540	100.0	56,661	100.0	66,240	100.0

(D) Revenue breakdown by geographical locations

	Year ended 31 December						Four months ended 30 April			
	2005		2006		2007		2007		2008	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Manufacturing and sale of										
products										
Hong Kong	99,219	68.9	118,383	67.3	114,551	56.0	39,408	69.5	35,859	54.1
PRC.....	2,735	1.9	11,474	6.5	21,298	10.4	4,336	7.7	4,550	6.9
Southeast Asia	14,431	10.0	8,445	4.8	5,838	2.9	1,925	3.4	2,477	3.7
North America, Europe.....	4,848	3.4	6,581	3.8	4,067	2.0	1,980	3.5	2,035	3.1
	121,233	84.2	144,883	82.4	145,754	71.3	47,649	84.1	44,921	67.8
Trading of copper and										
silicone										
Southeast Asia	5,589	3.9	16,157	9.2	26,018	12.7	6,016	10.6	7,853	11.9
Hong Kong	17,223	11.9	14,856	8.4	32,768	16.0	2,996	5.3	13,466	20.3
	22,812	15.8	31,013	17.6	58,786	28.7	9,012	15.9	21,319	32.2
Total	144,045	100.0	175,896	100.0	204,540	100.0	56,661	100.0	66,240	100.0

FINANCIAL INFORMATION

(E) Ranges of unit selling price of manufactured products

Fibre-glass sleeving

	Year ended 31 December						Four months ended 30 April			
	2005		2006		2007		2007		2008	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
< HK\$1.00	21,100	52.6	18,575	44.9	20,679	51.2	8,461	63.4	5,928	52.5
HK\$1.01 - 2.00	12,296	30.6	12,371	29.9	9,172	22.7	2,105	15.8	2,795	24.7
> HK\$2.00	6,734	16.8	10,409	25.2	10,526	26.1	2,776	20.8	2,575	22.8
	<u>40,130</u>	<u>100.0</u>	<u>41,355</u>	<u>100.0</u>	<u>40,377</u>	<u>100.0</u>	<u>13,342</u>	<u>100.0</u>	<u>11,298</u>	<u>100.0</u>

Silicon-based tubes

	Year ended 31 December						Four months ended 30 April			
	2005		2006		2007		2007		2008	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
< HK\$1.00	2,089	21.9	3,453	22.9	3,108	16.7	1,044	16.8	925	19.5
HK\$1.01 - 2.00	845	8.9	1,111	7.3	923	5.0	277	4.5	476	10.0
> HK\$2.00	6,600	69.2	10,543	69.8	14,521	78.3	4,873	78.7	3,351	70.5
	<u>9,534</u>	<u>100.0</u>	<u>15,107</u>	<u>100.0</u>	<u>18,552</u>	<u>100.0</u>	<u>6,194</u>	<u>100.0</u>	<u>4,752</u>	<u>100.0</u>

High-temperature electric wires

	Year ended 31 December						Four months ended 30 April			
	2005		2006		2007		2007		2008	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
< HK\$0.50	19,617	62.6	12,898	28.9	10,782	21.1	3,829	23.0	2,497	15.3
HK\$0.51 - 1.00	10,307	32.9	27,032	60.6	30,386	59.4	9,712	58.2	10,408	63.8
> HK\$1.00	1,409	4.5	4,673	10.5	9,963	19.5	3,136	18.8	3,414	20.9
	<u>31,333</u>	<u>100.0</u>	<u>44,603</u>	<u>100.0</u>	<u>51,131</u>	<u>100.0</u>	<u>16,677</u>	<u>100.0</u>	<u>16,319</u>	<u>100.0</u>

FINANCIAL INFORMATION

Mica sheet

	Year ended 31 December						Four months ended 30 April			
	2005		2006		2007		2007		2008	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
< HK\$2.00	2,174	5.4	2,866	6.5	3,644	10.2	1,056	9.2	1,366	10.9
HK\$2.00 - 10.00	11,413	28.4	11,108	25.4	8,733	24.5	2,969	26.0	3,371	26.9
HK\$10.01 - 20.00	14,745	36.6	17,011	38.8	12,297	34.4	3,860	33.8	3,993	31.8
> HK\$20.01	11,904	29.6	12,833	29.3	11,020	30.9	3,551	31.0	3,822	30.4
	<u>40,236</u>	<u>100.0</u>	<u>43,818</u>	<u>100.0</u>	<u>35,694</u>	<u>100.0</u>	<u>11,436</u>	<u>100.0</u>	<u>12,552</u>	<u>100.0</u>

(F) Revenue derived from sales of top three manufactured products

	Year ended 31 December						Four months ended 30 April			
	Percentage to total sales of corresponding product type		Percentage to total sales of corresponding product type		Percentage to total sales of corresponding product type		Percentage to total sales of corresponding product type		Percentage to total sales of corresponding product type	
	2005	2006	2006	2007	2007	2007	2008	2008	2008	2008
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Fibre-glass sleeving.....	3,162	7.9	2,719	6.6	2,218	5.5	778	5.8	726	6.4
Silicon-based tubes.....	426	4.5	1,171	7.8	1,254	6.8	338	5.5	380	8.0
High-temperature electric wires	2,258	7.2	2,903	6.5	2,851	5.6	626	3.8	895	5.5
Mica sheet.....	5,694	14.2	5,915	13.5	4,629	13.0	1,440	12.6	1,689	13.5

(G) Volume breakdown by products

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
Manufacturing and sale of products					
Fibre-glass sleeving (metres)	46,663,000	48,087,000	48,068,000	15,882,000	13,186,000
Silicon-based tubes (metres)	2,838,000	4,470,000	5,377,000	1,795,000	1,364,000
High-temperature electric wires (metres).....	62,666,000	63,719,000	72,015,000	23,488,000	22,536,000
Mica sheet (pieces).....	18,979,000	24,209,000	19,941,000	6,388,000	6,276,000

FINANCIAL INFORMATION

(H) Gross profit margin analysis of our products

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	%	%	%	%	%
				<i>(unaudited)</i>	
Manufacturing and sale of products.....	27.0	26.1	26.9	24.4	27.3
Trading of copper and silicone rubber.....	4.5	3.9	6.8	8.1	6.9
Average gross profit.....	23.4	22.2	21.1	21.8	20.7

(I) Analysis of the major cost components

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	<i>HK\$'</i> <i>million</i>	<i>HK\$'</i> <i>million</i>	<i>HK\$'</i> <i>million</i>	<i>HK\$'</i> <i>million</i>	<i>HK\$'</i> <i>million</i>
				<i>(unaudited)</i>	
Direct material cost	93	115	137	36	44
Direct labour cost	5	7	8	2	3
Manufacturing overheads	12	15	16	6	6
Total.....	<u>110</u>	<u>137</u>	<u>161</u>	<u>44</u>	<u>53</u>

(J) Selected balance sheet data

	As at 31 December			As at 30 April
	2005	2006	2007	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Inventories	16,377	26,006	33,825	37,538
Trade receivables	57,332	71,853	80,835	83,599
Bank balance and cash	22,358	18,758	29,628	15,324
Trade payables	17,184	15,495	17,285	18,341
Current portion of bank borrowings	30,046	38,150	47,774	43,075
Non-current portion of bank borrowings	1,667	1,006	606	190
Shareholders' funds	116,256	124,658	140,433	146,144

FINANCIAL INFORMATION

(K) Selected financial ratios

	Year ended 31 December			Four months ended 30 April
	2005	2006	2007	2008
	Gross profit margin	23.4%	22.2%	21.1%
Net profit margin	12.5%	12.9%	11.9%	6.7%
Average accounts receivables turnover days ⁽¹⁾	119	134	136	150
Average trade payables turnover days ⁽²⁾ ..	50	44	37	41
Average inventory turnover days ⁽³⁾	47	57	68	82
Effective tax rate ⁽⁴⁾	8.6%	9.9%	11.0%	17.7%
Current ratio ⁽⁵⁾	2.5	2.0	2.0	2.0
Quick ratio ⁽⁶⁾	2.2	1.6	1.6	1.5
Gearing ratio ⁽⁷⁾	19.6%	20.2%	22.1%	22.5%

Notes:-

1. The calculation of average accounts receivable days is based on the average opening and closing balance for accounts receivable divided by turnover multiplied by number of days for the year/period.
2. The calculation of trade payable turnover days is based on the average of opening and closing balance for trade payable divided by cost of sales and multiplied by number of days for the year/period.
3. The calculation of inventory turnover days is based on the average of opening and closing balance for inventories divided by the cost of sales and multiplied by number of days for the year/period.
4. The calculation of effective tax rate is based on the taxation divided by the profit from ordinary activities before taxation multiplied by 100%.
5. The calculation of the current ratio is based on current assets divided by current liabilities.
6. The calculation of the quick ratio is based on current assets (excluding inventories) divided by current liabilities.
7. The calculation of the gearing ratio is based on the amount of total borrowings divided by total assets.

FINANCIAL INFORMATION

(II) MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

The following sets forth our management's discussion and analysis of our results of operations during the Track Record Period. The following discussion should be read in conjunction with our combined financial information during the Track Record Period set forth in the accountants' report, the text of which is set forth in appendix I to this prospectus:-

(A) Factors affecting our results of operations

Our results of operations and financial conditions have been and will continue to be affected by a number of factors, primarily including those set out below:-

(i) *Demand for household electrical appliances*

Demand for our manufactured products is primarily driven by the demand of household electrical appliances in the United States and Europe as our customers are largely OEM manufacturers for these two markets. In addition, we expect the demand for medium to high quality of electrical appliances to increase in China as economic growth will improve standard of living which in turn stimulates the demand for high-safety standard and better quality components. During the period from 2003 to 2007, the U.S. import value for household and kitchen appliances from China increased from US\$4,692 million in 2003 to US\$9,044 million in 2007, representing a CAGR of 17.8%; and the domestic demand for household electric appliance increased from RMB473.6 billion in 2003 to RMB866.5 billion in 2007, representing a CAGR of 16.3%. During the period from 2005 to 2007, our revenue derived from sales of manufactured products increased from HK\$121.2 million to HK\$145.8 million, representing a CAGR of 9.6%. For the economic growth of the U.S., the U.S. import value of household and kitchen appliances from China, and the domestic demand of electrical appliances in China, please refer to the "Industry overview" section.

(ii) *Change in international safety standards*

Change or improvement in international safety standards and specifications will result in adjustments in our production process and products development. This may interrupt our production efficiency in short period of time, and we may need to incur additional resources on product development. Upon granting of certificates of international safety standards on our products, we expect additional orders will be received from our customers. For example, around the end of 2005, we were granted 12 new UL certificates for wire products. Such achievements have contributed to the increase in sale of wire products by approximately 42% in 2006.

(iii) *Prices of raw materials*

Our raw materials include copper and silicone rubber. The price of copper was highly volatile, but the price of silicone rubber was relatively stable during the Track Record Period. From January 2005 to April 2006, the price of copper increased at an unexpected pace from approximately US\$3,000 per tonne to over US\$8,000 per tonne. From May 2006 to July 2008, the price of copper fluctuated severely between approximately US\$5,500 per tonne and approximately US\$8,500 per tonne.

FINANCIAL INFORMATION

The volatility of copper prices will continue to impact our business and results of operations. During the Track Record, the average purchase cost of copper for our manufacturing business were HK\$33.4/kg, HK\$63.8/kg, HK\$64.3/kg and HK\$63.7/kg, respectively. During the Track Record Period, the cost of copper for our manufactured products amounted to HK\$12.6 million, HK\$26.4 million, HK\$22.6 million and HK\$5.7 million respectively, which accounted for 14.2%, 24.7%, 21.2% and 17.4% of our total costs of sales for the manufacturing business respectively.

(iv) *Expansion of production capacity*

In order to capture the increasing demand in China for electrical appliances, we have continued to expand our production capacity. We believe that these expansion plans will increase our production capacity to meet the anticipated growth in demand for our products and will help us to capture the emerging business opportunities. Changes in the market conditions, however, may result in a decline in the utilisation rate of our production facilities and may slow down the growth of our sales.

During the Track Record Period, the combined production capacity, measured in terms of metres of our three product types namely fibre-glass sleeving, silicon-based tubes and high-temperature electric wires, increased by approximately 36.1% due to the relocation of our production facility to Weida Longchuan, while our actual production of such products increased by approximately 11.6%, indicating that the production capacity increased at a rate faster than that of the actual production. During the Track Record Period, the production capacity of mica products declined slightly by approximately 1.2%, while the actual production increased by approximately 5.4% due to that the significant portion of the production of mica is labor intensive and, thus, capacity had been adjusted according to our sales orders for mica products.

(v) *Impact of the recent economic tsunami and credit tightening*

Starting from September 2008, the worldwide economy has been seriously affected by the economic tsunami and credit tightening. As of the Latest Practicable Date, indexes of major stock exchanges in North America, Europe and the Asia-Pacific region had fallen significantly. The continual weak economic sentiment might result in significant decrease in demand from our customers, and the credit tightening might affect our financial resources by way of, among other things, reduction of the amount of available banking facilities. Our Directors will therefore closely monitor the macro-economic environment and our financial position.

(B) Critical accounting policies

The principal accounting policies adopted in preparation of our financial statements are based on HKFRS. A summary of the principal accounting policies adopted in the preparation of our financial statements is set out in note 3 of the accountants' report in appendix I to this prospectus. Our reported financial performance and financial conditions are affected by the relevant accounting policies, assumptions and estimates adopted in the preparation of the financial statements.

FINANCIAL INFORMATION

In reporting our financial performance and conditions, our Directors are required to exercise their judgment, based on their experiences, knowledge of other companies in our industry and on other assumptions which they consider to be reasonable. Our Directors believe that the following principal accounting policies involve the most significant judgment and estimates adopted in the preparation of our financial statements. Such judgment and estimates have not been changed significantly during the Track Record Period and will only be adjusted reasonably to account for market developments or changes in future.

(i) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes. Revenue from sales of goods are recognised when goods are delivered and title has passed. 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.

(ii) *Property, plant and equipment*

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Other than buildings which are depreciated on a straight-line basis at 1.75% to 2.3% per annum, other items of property, plant and equipment are depreciated using the reducing balance method at the following rate:

	<u>Rate of depreciation</u>
Furniture and fixtures	20%
Plant, machinery and equipment	20%
Motor vehicles	25%
Tools	20%

The useful lives are estimated based on our experience with similar assets taking into account anticipated technological changes. We shall review on an annual basis and adjust, if appropriate, the assets depreciation methods, estimated useful lives, residual values and rate of depreciation.

FINANCIAL INFORMATION

(iii) *Impairment on assets*

At each balance sheet date, we shall review the carrying amounts of the assets to determine whether there is any indication that those assets have suffered an impairment loss. 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.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to the level of sales revenue and amount of operating costs. We use all readily available information for determination of a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales revenue and amount of operating costs.

(iv) *Allowance for bad and doubtful debts*

Allowances of trade and other receivables will be estimated by assessing their recoverability based on credit history, ageing of the receivables, historical write-off experience and prevailing market condition. This requires the use of estimates and judgments. Trade and other receivables will be reviewed at each balance sheet date to determine whether additional allowance or reversal is required.

(v) *Inventories*

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

The cost of merchandise includes goods purchase cost and other direct costs. Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. Such estimations are determined by reference to the current market condition and the historical experience of selling merchandise of similar nature. The estimations are reassessed on each balance sheet date.

(C) Quantitative and qualitative disclosures about market risk

Our major financial instruments include trade receivables, other receivables, deposits, amounts due from directors, amounts due from related companies, pledged bank deposits, bank balances, trade payables, other payables, amounts due to directors, amounts due to a related company, bank borrowings, obligation under a finance lease and dividend payable.

We are exposed to various market risks associated with these financial instruments including currency risk, interest rate risk, credit risk and liquidity risk, in the normal course of business. Our management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

FINANCIAL INFORMATION

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

(i) *Currency risk*

Sales conducted by Vitar Hong Kong are mainly denominated in HK\$ and US\$ versus sales conducted by Vitar Shenzhen and Weida Longchuan are mainly denominated in RMB. Our purchases are mainly denominated in US\$ and HK\$. Since our production is based in China, wages and overheads in the production plants are denominated in RMB.

As the exchange rate of HK\$ is pegged against US\$, our Directors consider that the currency risk of US dollars is insignificant to Vitar Hong Kong with functional currency in US\$. However, Vitar Shenzhen and Weida Longchuan with functional currency in RMB are subject to currency risk. Fluctuations in exchange rate of HK\$ and RMB could adversely affect us by decreasing our revenues from sales of goods or increasing product cost in China that are denominated in RMB. We had not entered into any foreign currency hedging policy during the Track Record Period. However, we shall monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) *Interest rate risk*

We are exposed to interest rate risks in relation to bank borrowings, pledged bank deposits with frequent repricing feature and bank balances.

We target to keep the borrowings at floating rate of interest so as to minimise the fair value interest rate risk. Our cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from our Hong Kong dollar or United States dollar denominated bank borrowings.

(iii) *Liquidity risk*

We monitor and maintain a level of cash and cash equivalents deemed adequate by us to finance our operations and mitigate the effects of fluctuations in cash flows. We regularly monitor the utilisation of bank borrowings and ensure compliance with loan covenants. Bank borrowings are a significant source of liquidity to us. As at 31 December 2005, 2006, 2007 and 30 April 2008, we had available unutilised bank loan facilities of approximately HK\$33.7 million, HK\$41.1 million, HK\$59.2 million and HK\$73.3 million, respectively.

(D) Description of certain income statement items

(i) *Revenue*

Our revenue represents the sales of our principal products and the income generated from the trading of copper and silicone. Our revenue is recognised when the goods are delivered to our customers.

FINANCIAL INFORMATION

(ii) *Cost of sales*

Our cost of sales mainly includes direct material costs, direct labour costs and manufacturing overhead absorbed during the production process of our products.

The following table sets forth breakdown of our cost of sales:-

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	<i>HK\$'</i> <i>million</i>	<i>HK\$'</i> <i>million</i>	<i>HK\$'</i> <i>million</i>	<i>HK\$'</i> <i>million</i>	<i>HK\$'</i> <i>million</i>
				<i>(unaudited)</i>	
Direct material costs	93	115	137	36	44
Direct labour costs	5	7	8	2	3
Manufacturing overheads	12	15	16	6	6
Total	110	137	161	44	53

As denoted above, our direct material costs increased at a rate of 23.7% and 19.1% for the two years ended 31 December 2007, which was basically in line with the increase in revenue of 22.1% and 16.3% for the same period.

(iii) *Selling and distribution costs*

Our selling and distribution costs mainly include transportation costs for delivery of our products, sales commission and other expenses for our product testing, sales staff, and marketing expenses.

(iv) *Administration expenses*

Administrative expenses consist of salaries for our staff, various employee welfare expenses, depreciation, entertainment expenses and other administration-related expenses.

According to paragraph 37 of Hong Kong Accounting Standard 32 issued by Hong Kong Institute of Certified Public Accountants, the transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. In this regard, of the total estimated listing expense of approximately HK\$18.4 million, we will allocate approximately HK\$9.6 million to share premium and the remaining HK\$8.8 million, which is not directly related to the Share Offer, as administration expenses which will be charged to the consolidated income statement for the year ending 31 December 2008. The amount of listing expenses of HK\$8.8 million is equivalent to approximately 70.2% and 36.4% of our administrative expenses and our net profit for the year ended 31 December 2007, respectively. For the four months ended 30 April 2008, listing expenses of HK\$3.1 million have been charged to the audited combined income statement.

FINANCIAL INFORMATION

(v) *Finance costs*

Finance costs mainly represents interest expenses on bank borrowings.

(vi) *Other income*

Other income consists of gain/(loss) from hedging activities, net foreign exchange gain, gain/(loss) on disposal of property, plant and equipment, rental income, reversal of impairment loss, and sundry income.

(vii) *Taxation*

Income tax expenses represent the corporate income tax at the statutory rates prevailing in the jurisdictions in which we operate on our assessable profit before tax as determined under the relevant laws and regulations, and the movement in deferred tax assets or liabilities recognised for the relevant period.

The following table sets forth the income tax exposure applied on our principal operating subsidiaries:

Principal operating subsidiaries	Income tax exposure	Period	Tax rate
Vitar Hong Kong	Hong Kong profits tax <i>(Part of the profits arising from the manufacturing operation in the PRC do not subject to Hong Kong profits tax because the major manufacturing operation is carried out in the PRC)</i>	1 January 2005 to 30 April 2008	17.5%
Leader Tech	Hong Kong Profits Tax	1 January 2005 to 30 April 2008	17.5%
Vitar Shenzhen	PRC Enterprise Income Tax <i>(Subject to tax concession period during which it is fully exempted from PRC Enterprise Income Tax for two years from the first profit-making year in 2004, followed by a 50% reduction in the PRC Enterprise Income Tax for the three years to 2008)</i>	1 January 2005 to 31 December 2006 1 January 2007 to 31 December 2007 1 January 2008 to 30 April 2008	Nil 7.5% 9.0%
Weida Longchuan	PRC Enterprise Income Tax <i>(Subject to tax concession period during which it is fully exempted from PRC Enterprise Income Tax for two years from 1 January 2008 followed by a 50% reduction for the three years ending 31 December 2012)</i>	14 January 2005 to 30 April 2008	Nil

FINANCIAL INFORMATION

(E) Year ended 31 December 2006 compared to year ended 31 December 2005

(i) Revenue

Our revenue increased by HK\$31.9 million, or 22.1%, for the year ended 31 December 2006, from HK\$144.0 million to HK\$175.9 million. Such increase was due to increase in sales derived from manufacturing business of HK\$23.7 million, or 19.5%, from HK\$121.2 million to HK\$144.9 million, and increase in copper and silicone rubber trading business of HK\$8.2 million, or 35.9%, from HK\$22.8 million to HK\$31.0 million.

We received increased orders from our customers, in particular orders for silicon-based tubes and high-temperature electric wires for the year ended 31 December 2006. Revenue from (i) sale of high-temperature electric wires increased by HK\$13.3 million, or 42.4%, from HK\$31.3 million to HK\$44.6 million, (ii) sale of silicon-based tubes increased by HK\$5.6 million, or 58.5% from HK\$9.5 million to HK\$15.1 million; (iii) sale of fibre-glass sleeving increased slightly by HK\$1.2 million, or 3.1%, from HK\$40.1 million to HK\$41.4 million; and (iv) sale of mica sheet increased by HK\$3.6 million, or 8.9%, from HK\$40.2 million to HK\$43.8 million. The increased demand for our products was mainly due to (i) shift of purchase of products from overseas to China by certain of our existing customers and new customers due to our relatively competitive pricing for comparable product quality; (ii) strong domestic demand for household electrical appliances in China; and (iii) increase in the selling price of high-temperature electric wires in general as price of copper had increased by a maximum of approximately 90% in 2006. For the years ended 31 December 2005 and 2006, sales to new customers for our manufactured products amounted to HK\$6.7 million and HK\$17.6 million, respectively.

The increase in revenue from trading business was mainly due to (i) increased demand for copper from our customers; and (ii) increase in price of copper due to worldwide increase in metal price resulted from increased demand and weakness in US\$. To the best knowledge of our Directors, the increase in demand for silicone rubber was due to the increased applications of silicone rubber in high pressure electric equipment, and the increase in demand for copper from our sole customer was due to its expansion of business.

(ii) Cost of sales

Our cost of sales increased by HK\$26.5 million, or 24.0%, for the year ended 31 December 2006, from HK\$110.3 million to HK\$136.9 million. Cost of sales for manufacturing business increased by HK\$18.5 million, or 20.9%, from HK\$88.5 million to HK\$107.0 million, and cost of sales for trading business increased by HK\$8.0 million, or 36.8%, from HK\$21.8 million to HK\$29.8 million. The increase in cost of sales for both business segments was in line with the increase in sales.

(iii) Gross profit and gross profit margin

Our gross profit increased by HK\$5.3 million, or 15.8%, for the year ended 31 December 2006, from HK\$33.7 million to HK\$39.0 million, and our gross profit margin decreased slightly from 23.4% to 22.2% in the year ended 31 December 2006.

FINANCIAL INFORMATION

Gross profit for manufacturing business increased by HK\$5.1 million, or 15.7%, from HK\$32.7 million to HK\$37.8 million, and gross profit margins remained relatively stable at 27.0% and 26.1% for the years ended 31 December 2005 and 2006, respectively. The increase in gross profit was in line with the increase in sales derived from and cost of sales incurred for manufacturing business.

Gross profit for trading business increased by HK\$0.2 million, or 20.0%, from HK\$1.0 million to HK\$1.2 million, while gross profit margin decreased from 4.5% to 3.9% in the year ended 31 December 2006. Such decrease in margin was mainly due to price competition which led to the decrease in the mark-up in the selling price of silicone rubber in the trading business.

(iv) *Bank interest income*

Our bank interest income increased slightly by approximately HK\$4,000, or 1.0%, for the year ended 31 December 2006, from approximately HK\$413,000 to approximately HK\$417,000.

(v) *Other income*

Our other income increased by approximately HK\$380,000, or 104.1%, for the year ended 31 December 2006, from approximately HK\$365,000 to approximately HK\$745,000. Such increase was mainly due to increase in sundry income of HK\$351,000 from sale of scrap items such as packing materials, metals, wires and silicone tubes.

For the year ended 31 December 2005, we recorded a net foreign exchange loss of approximately HK\$374,000 mainly because of the appreciation of RMB against HK\$ upon exchange of HK\$ into RMB for the working capital of our operation in the PRC. For the year ended 31 December 2006, we recorded a net foreign exchange gain of approximately HK\$38,000 mainly as a result of the foreign exchange loss of approximately HK\$280,000 upon exchange of HK\$ into RMB for working capital of our operation in the PRC, which was fully offset by (i) foreign exchange gain of approximately HK\$36,000 upon exchange of Euro received from sales of products into HK\$; and (ii) foreign exchange gain of approximately HK\$273,000 upon settlement of RMB deposits held with suppliers.

(vi) *Selling and distribution costs*

Our selling and distribution costs decreased by HK\$0.5 million, or 21.4%, for the year ended 31 December 2006, from HK\$2.2 million to HK\$1.8 million. Selling and distribution costs represented 1.6% and 1.0% of our total revenue respectively for the years ended 31 December 2005 and 2006. The decrease in selling and distribution costs for the year ended 31 December 2006 was attributable to the change of shipping port from Hong Kong to Shenzhen and the fact that we used our own fleet for transportation purpose, rather than engaging external transportation service providers.

(vii) *Administrative expenses*

Our administrative expenses increased slightly by HK\$0.1 million, or 1.0%, for the year ended 31 December 2006, from HK\$11.5 million to HK\$11.6 million. Administration expenses represented 8.0% and 6.6% of our total revenue respectively for the years ended 31 December 2005 and 2006.

FINANCIAL INFORMATION

(viii) *Finance costs*

Our finance costs increased by HK\$0.6 million, or 59.7%, for the year ended 31 December 2006, from HK\$1.0 million to HK\$1.7 million. Such increase was mainly due to the increase in the amount of trust receipt loan of HK\$7.6 million following the increase in sales.

(ix) *Taxation*

Our taxation increased by HK\$0.8 million, or 47.6%, for the year ended 31 December 2006, from HK\$1.7 million to HK\$2.5 million. Such increase was mainly due to the increase in our revenue and profit before taxation. We were subjected to Hong Kong profits tax at 17.5% of the estimated assessable profit for both years.

(x) *Profit for the year*

As a result of the changes in the items discussed above, our profit for the year increased by HK\$4.7 million, or 25.9%, for the year ended 31 December 2006, from HK\$18.0 million to HK\$22.7 million.

(F) Year ended 31 December 2007 compared to year ended 31 December 2006

(i) *Revenue*

Our revenue increased by HK\$28.6 million, or 16.3%, for the year ended 31 December 2007, from HK\$175.9 million to HK\$204.5 million. Such increase was due to (i) slight increase in sales derived from manufacturing business of HK\$0.9 million, or 0.6%, from HK\$144.9 million to HK\$145.8 million and (ii) increase in copper and silicone rubber trading business of HK\$27.8 million, or 89.6%, from HK\$31.0 million to HK\$58.8 million.

Revenue from sale of high-temperature electric wires increased by HK\$6.5 million, or 14.6%, from HK\$44.6 million to HK\$51.1 million, mainly due to the increase in average selling price of wire products by around 2% as price of copper remained at high level as in 2006 and the increase in demand for our high-temperature wires in general due to the launch of 12 types of new products. Revenue from sale of silicon-based tubes increased by HK\$3.4 million, or 22.8%, from HK\$15.1 million to HK\$18.6 million, mainly due to increase in demand for our silicon-based tubes products in general, which was attributable to the shift of purchase of products from overseas to China by certain of our existing customers and new customers. For the year ended 31 December 2007, sales to new customers for our manufactured products amounted to HK\$23.3 million.

There was a slight decrease by HK\$1.0 million, or 2.3%, from HK\$41.4 million to HK\$40.4 million for sales of fibre-glass sleeving for the year ended 31 December 2007 due to the relocation of our production facilities from Vitar Shenzhen to Weida Longchuan whilst the decrease in sales of mica sheets by HK\$8.1 million, or 18.5%, from HK\$43.8 million to HK\$35.7 million for the year ended 31 December 2007 was due to fierce price competition.

FINANCIAL INFORMATION

The increased revenue in trading business was mainly due to (i) increase in price of copper due to worldwide increase in metal prices resulted from decline in US\$; and (ii) increased demand for silicone rubber from our customers as we started to trade high-end silicone rubber in 2007 with sales from which amounted to HK\$16.8 million.

(ii) *Cost of sales*

Our cost of sales increased by HK\$24.5 million, or 17.9%, for the year ended 31 December 2007, from HK\$136.9 million to HK\$161.3 million. Cost of sales for manufacturing business decreased slightly by HK\$0.5 million, or 0.5%, from HK\$107.0 million to HK\$106.5 million, as a result of the lowering of raw materials cost by shifting part of the purchase of silicone rubber from overseas suppliers to local suppliers, and cost of sales for trading business increased by HK\$25.0 million, or 83.9%, from HK\$29.8 million to HK\$54.8 million. The increase in cost of sales for the trading business was in line with the increase in sales in trading business.

(iii) *Gross profit and gross profit margin*

Our gross profit increased by HK\$4.1 million, or 10.6%, for the year ended 31 December 2007, from HK\$39.0 million to HK\$43.2 million, and our gross profit margin decreased slightly from 22.2% to 21.1% in the year ended 31 December 2007. Our overall gross profit margin decreased slightly by 1.1% in 2007 as the gross profit of trading business accounted for a heavier proportion of 9.2% in 2007 compared with 3.1% in 2006. As the trading business was of lower gross profit margin than the manufacturing business, our overall gross profit margin was pulled down.

Gross profit for manufacturing business increased by HK\$1.4 million, or 3.7%, from HK\$37.8 million to HK\$39.2 million, and gross profit margins remained relatively stable at 26.1% and 26.9% for the years ended 31 December 2006 and 2007 respectively. The increase in gross profit was in line with the increase in sales derived from and cost of sales incurred for manufacturing business.

Gross profit for trading business increased by HK\$2.8 million, or 233.3%, from HK\$1.2 million to HK\$4.0 million, while gross profit margin increased from 3.9% to 6.8% in the year ended 31 December 2007. Such increase in margin was mainly due to the higher margin recorded from trading of high-end silicone rubber in 2007. Following the demand from our customer, we started to trade high-end silicone rubber in 2007. The gross profit margin from sale of high-end silicone rubber for the year ended 31 December 2007 was 10.0%.

(iv) *Bank interest income*

Our bank interest income increased by approximately HK\$100,000, or 24.0%, for the year ended 31 December 2007, from approximately HK\$417,000 to approximately HK\$517,000. Such increase was mainly due to the increase in interest rate for the year ended 31 December 2007.

FINANCIAL INFORMATION

(v) *Other income*

Our other income increased by approximately HK\$692,000, or 92.9%, for the year ended 31 December 2007, from approximately HK\$745,000 to approximately HK\$1,437,000. Such increase was mainly due to the gain from our hedging activities of HK\$333,000 and the reversal of impairment loss in respect of our investment property.

In light of the fluctuating metal prices in recent years and the potential volatility in metal prices, we have started to carry out hedging activities on copper price through buying and selling copper futures contract on the Shanghai Futures Exchange since January 2007. For the year ended 31 December 2007, we bought, and subsequently sold, a total of 130 lots of copper futures contracts (representing 650 tonnes of copper) solely for the purpose of hedging the cost of copper in the manufacturing business, and recorded a gain of HK\$333,000. For the same year, we purchased 377.5 tonnes of copper for our manufacturing business. We did not enter into derivative financial instruments for speculative purpose.

We review the recoverable amount of the investment property at each balance sheet date with reference to the rental yield and the recent market value of such investment property. In our opinion, based on the recent market transactions of similar properties, the fair value of the investment property was above the cost of acquisition as at 31 December 2007. Therefore we determined to reverse the impairment loss recognised in the year ended 31 December 2004 and the corresponding amount of HK\$270,000 was credited to the combined income statement during the year ended 31 December 2007.

Sundry income, mainly comprised of income from sale of scrap items such as packing materials, metals, wires and silicone tubes, increased by approximately HK\$35,000 for the year ended 31 December 2007.

(vi) *Selling and distribution costs*

Our selling and distribution costs increased by HK\$1.0 million, or 57.9%, for the year ended 31 December 2007, from HK\$1.8 million to HK\$2.8 million. Selling and distribution costs represented 1.0% and 1.4% of our total revenue respectively for the years ended 31 December 2006 and 2007. Such increase was mainly due to costs associated with the relocation of our production facilities from Vitar Shenzhen to Weida Longchuan.

(vii) *Administrative expenses*

Our administrative expenses increased by HK\$0.9 million, or 8.1%, for the year ended 31 December 2007, from HK\$11.6 million to HK\$12.6 million. Such increase was mainly due to the general increase in staff salaries and benefits and Directors' emoluments. The increase in Directors' emoluments was the additional compensation for completion of relocation of the production facilities from Vitar Shenzhen to Weida Longchuan. Administrative expenses represented 6.6% and 6.1% of our total revenue respectively for the years ended 31 December 2006 and 2007.

FINANCIAL INFORMATION

(viii) *Finance costs*

Our finance costs increased by HK\$0.9 million, or 54.0%, for the year ended 31 December 2007, from HK\$1.7 million to HK\$2.6 million. Such increase was mainly due to the increase in the amount of trust receipt loan of HK\$4.5 million following the increase in sales and the increase in bank loans of HK\$4.7 million.

(ix) *Taxation*

Our taxation increased by HK\$0.5 million, or 19.9%, for the year ended 31 December 2007, from HK\$2.5 million to HK\$3.0 million. Such increase was mainly due to the increase in our total revenue and profit before taxation. We were subjected to Hong Kong profits tax at 17.5% of the estimated assessable profit for both years.

(x) *Profit for the year*

As a result of the changes in the items discussed above, our profit for the year increased by HK\$1.6 million, or 7.0%, for the year ended 31 December 2007, from HK\$22.7 million to HK\$24.3 million.

(G) Four months ended 30 April 2008 compared to four months ended 30 April 2007

(i) *Revenue*

Our revenue increased by HK\$9.6 million, or 16.9%, for the four months ended 30 April 2008, from HK\$56.7 million to HK\$66.2 million. Such increase was due to increase in copper and silicone rubber trading business of HK\$12.3 million, or 136.6%, from HK\$9.0 million to HK\$21.3 million, and partially offset by the decrease in sales derived from manufacturing business of HK\$2.7 million, or 5.7%, from HK\$47.6 million to HK\$44.9 million.

The manufacturing business recorded a drop in sales for the four months ended 30 April 2008 compared to the corresponding period in previous year mainly as a result of the interruption of production. After completion of relocation of production facilities from Vitar Shenzhen to Weida Longchuan in January 2008, we began to adjust and maintain the production facilities in Weida Longchuan until the end of February 2008. Therefore, we involuntarily refused some sales order during the period of relocation, adjustment and maintenance of production facilities. The operation of Weida Longchuan resumed to full operation in March 2008. Revenue from (i) sale of fibre-glass sleeving decreased by HK\$2.0 million, or 15.3%, for the four months ended 30 April 2008, from HK\$13.3 million to HK\$11.3 million; (ii) sale of silicon-based tubes decreased by HK\$1.4 million, or 23.3%, for the four months ended 30 April 2008, from HK\$6.2 million to HK\$4.8 million; and (iii) sale of high-temperature electric wires decreased by HK\$0.4 million, or 2.2%, for the four months ended 30 April 2008, from HK\$16.7 million to HK\$16.3 million. However, revenue from sale of mica sheets increased by HK\$1.2 million, or 9.8%, for the four months ended 30 April 2008, from HK\$11.4 million to HK\$12.6 million. Such increase was due to the increase in demand from customers and the production of mica sheets had not been interrupted as the production is labour intensive in nature.

FINANCIAL INFORMATION

The increased revenue in trading business was mainly due to (i) increased demand for copper from our customers; and (ii) increased demand for high-end silicone rubber applied in power grid from our customers as a result of the destruction of the power grid after the serious snow storm in the PRC in January 2008.

(ii) *Cost of sales*

Our cost of sales increased by HK\$8.2 million, or 18.6%, for the four months ended 30 April 2008, from HK\$44.3 million to HK\$52.5 million. Cost of sales for manufacturing business decreased by HK\$3.3 million, or 9.3%, from HK\$36.0 million to HK\$32.7 million, which was due to (i) the decrease in sales for manufacturing business during the same period; and (ii) the improvement in production process which saved the application of solvents and other raw materials; and cost of sales for trading business increased by HK\$11.5 million, or 138.6%, from HK\$8.3 million to HK\$19.8 million. The increase in cost of sales for the trading business was in line with the increase in sales in trading business.

(iii) *Gross profit and gross profit margin*

Our gross profit increased by HK\$1.4 million, or 11.0%, from HK\$12.4 million to HK\$13.7 million, and our gross profit margin decreased slightly from 21.8% to 20.7% in the four months ended 30 April 2008. Our overall gross profit margin decreased slightly by 1.1% in the four months ended 30 April 2008 as the gross profit of trading business accounted for a heavier proportion of 10.7% in the four months ended 30 April 2008 compared with 5.9% in the four months ended 30 April 2007. As the trading business was of lower gross profit margin than the manufacturing business, our overall gross profit margin was pulled down.

Gross profit for manufacturing business increased slightly by HK\$0.6 million, or 5.3%, from HK\$11.6 million to HK\$12.3 million, and gross profit margins were 24.4% and 27.3% for the four months ended 30 April 2007 and 2008, respectively. The increase in gross profit and gross profit margin for the four months ended 30 April 2008 was due to (i) the slight increase in selling price by 1% to 2% for certain products of fibre-glass sleeving and high-temperature electric wire; and (ii) the improvement in production process which saved the application of solvents and other raw materials, which in turn reduced the cost of sales.

Gross profit for trading business increased by HK\$0.7 million, or 101.2%, from HK\$0.7 million to HK\$1.5 million, and gross profit margins were 8.1% and 6.9% for the four months ended 30 April 2007 and 2008 respectively. Such decrease in margin was mainly due to the particularly high margin recorded from trading in high-end silicone products for the four months ended 30 April 2007.

(iv) *Bank interest income*

Our bank interest income decreased slightly by approximately HK\$6,000, or 5.3%, for the four months ended 30 April 2008, from approximately HK\$119,000 to approximately HK\$113,000.

FINANCIAL INFORMATION

(v) *Other income*

Our other income decreased by approximately HK\$492,000, or 81.2%, for the period ended 30 April 2008, from approximately HK\$607,000 to approximately HK\$114,000. Such decrease was mainly due to no gain/loss recognised on fair value change of derivative financial instruments in the four months ended 30 April 2008 as compared to gain of HK\$483,000 in the four months ended 30 April 2007.

In the four months ended 30 April 2008, we did not carry out hedging activities on copper price as compared to the same period in 2007 because we considered the volatility of copper price would be low for the four months ended 30 April 2008 and therefore no hedging on copper price was required.

Sundry income, mainly comprised of income from sale of scrap items such as packing materials, metals, wires and silicone tubes, decreased by approximately HK\$19,000 for the four months ended 30 April 2008.

(vi) *Selling and distribution costs*

Our selling and distribution costs increased by approximately HK\$156,000, or 21.9%, for the four months ended 30 April 2008, from approximately HK\$711,000 to approximately HK\$867,000. Selling and distribution costs represented 1.3% of our total revenue for the four months ended 30 April 2007 and 2008.

(vii) *Administrative expenses*

Our administrative expenses increased by HK\$0.7 million, or 21.6%, for the four months ended 30 April 2008, from HK\$3.3 million to HK\$4.0 million. Such increase was mainly due to increase in (i) administration staff employed for Hong Kong office and managerial staff for Weida Longchuan; and (ii) general increase in salaries. Administration expenses represented 5.8% and 6.0% of our total revenue respectively for the four months ended 30 April 2007 and 2008.

(viii) *Listing expenses*

In the four months ended 30 April 2008, we kicked off our preparation for the Listing and therefore we incurred professional fees and other expenses related to the Share Offer of HK\$3.1 million.

(ix) *Finance costs*

Our finance costs increased by approximately HK\$78,000, or 13.5%, for the four months ended 30 April 2008, from approximately HK\$581,000 to approximately HK\$659,000. Such increase was mainly due to increase in bank borrowings during the four months ended 30 April 2008 as compared to the corresponding period in previous year.

FINANCIAL INFORMATION

(x) *Taxation*

Our taxation decreased slightly by approximately HK\$22,000, or 2.3%, for the four months ended 30 April 2008, from approximately HK\$970,000 to approximately HK\$948,000. We were subjected to Hong Kong profits tax respectively at 17.5% of the estimated assessable profit for the four months ended 30 April 2007 and 2008.

(xi) *Profit for the year*

As a result of the changes in the items discussed above, our profit for the period decreased by HK\$3.1 million, or 41.6%, for the four months ended 30 April 2008, from HK\$7.6 million to HK\$4.4 million.

(H) **Analysis on key balance sheet items**

(i) *Inventory*

Inventories balance as at the respective year-end or period-end during the Track Record Period represents our raw materials, work-in-progress and finished goods. The following table sets forth breakdown of inventory balance:—

	As at 31 December						As at 30 April		Subsequent
	2005		2006		2007		2008		usage up to
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	31 August 2008 HK\$'000
Raw materials	9,633	58.8	14,832	57.0	19,697	58.2	21,500	57.3	16,951
Work-in-progress.....	1,726	10.5	1,920	7.4	2,104	6.2	2,012	5.3	2,012
Finished goods.....	5,018	30.7	9,254	35.6	12,024	35.6	14,026	37.4	11,936
Total.....	16,377	100.0	26,006	100.0	33,825	100.0	37,538	100.0	30,899

Our inventories level rose year by year as at each of the year-end during the Track Record Period. Such increase was mainly contributed by (i) increase in raw materials as a result of increase in international copper price over the past few years; and (ii) increase in finished goods, mainly for high-temperature electric wires, silicon-based tubes and fibre-glass sleeving, kept on hand in anticipation of the increased sales in the upcoming year.

Our inventory turnover days were 47, 57, 68 and 82 during the Track Record Period. During the same period, we increased the types of silicone rubber and chemicals applied on the manufacturing process for the purpose of increasing the varieties of manufactured products with different properties. Therefore, the amount and the quantity of raw materials maintained as inventory increased during the Track Record Period, which resulted in an increase in the inventory turnover days.

FINANCIAL INFORMATION

For the year ended 31 December 2005, we made a provision of HK\$0.3 million for a possible reduction in the net realisable value of a batch of high-temperature electric wires because we estimated that such batch of high-temperature electric wires would only be sold at loss, as the listed selling prices were not raised to compensate the increasing copper prices. Save and except for the above, we had not made any provisions for inventory obsolescence during the Track Record Period. Our principal raw materials, silicone rubber and copper, and our finished goods including high-temperature electric wires, silicon-based tubes and fibre-glass sleeving, in general are not susceptible to obsolescence by passage of time.

(ii) Trade receivables

Our trade receivables represent the outstanding amounts receivable by us from our sales of manufactured products and trading revenue derived from sales of silicone and copper. The following table sets forth the trade receivables aging analysis:-

	As at 31 December						As at 30 April	
	2005		2006		2007		2008	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
0 — 30 days	12,555	21.9	19,665	27.4	20,474	25.3	26,693	31.9
31 — 60 days	13,147	22.9	18,871	26.3	17,845	22.1	10,949	13.1
61 — 90 days	7,483	13.1	14,883	20.7	11,821	14.6	10,485	12.5
90 days — 120 days	10,988	19.2	4,043	5.6	9,010	11.1	11,470	13.7
121 days — 180 days...	5,304	9.2	4,741	6.6	5,945	7.4	17,697	21.2
181 days — 365 days .	6,241	10.9	6,604	9.2	10,990	13.6	4,976	6.0
365 days — 760 days .	1,613	2.8	3,045	4.2	4,750	5.9	1,329	1.6
Total	<u>57,331</u>	<u>100.0</u>	<u>71,852</u>	<u>100.0</u>	<u>80,835</u>	<u>100.0</u>	<u>83,599</u>	<u>100.0</u>

We have granted credit period of 120 days to our copper customers, 90 days to our silicone rubber customers and 30 days to 120 days to our customers for manufactured products. As shown in the above table, approximately 77.1%, 80.0%, 73.1% and 71.2% of the trade receivables aged below 120 days during the Track Record Period. Those overdue trade receivables of over 120 days mainly represented sales to those customers for manufactured products who had business relationship with us for more than five years and, to a lesser extent, from our trading customers. Because of the established business relationship with us, we allowed these customers to carry forward their balances from time to time. Our decision to allow these customers for delayed payment was based on their creditability, financial strength and historical trading record with us. We have been continuing trading with these customers. Our accounts department will also constantly keep track of the payment states of our customers and take appropriate action when the payment falls due. As of the Latest Practicable Date, we did not envisage any recoverability problem on the trade receivables. As at 31 August 2008, 81.4% of trade receivables aged below 120 days and 85.2% of trade receivables aged over 120 days as at 30 April 2008 were settled. During the Track Record Period, the amount of written-off amounted to nil, HK\$3.6 million, HK\$0.6 million and 0.05 million. These amounts were outstanding for more than three years and due from those customers who had no business relationship with us.

FINANCIAL INFORMATION

During the Track Record Period, the overall trade receivables turnover days were 119, 134, 136 and 150, respectively. The trade receivable turnover days for (i) manufacturing business were 114, 133 and 142 and 144, respectively; and (ii) trading business were 101, 138, 122 and 163, respectively. The trade receivable turnover days for manufacturing business for the years ended 31 December 2006 and 2007 and the four months ended 30 April 2008 exceeded the longest credit period of 120 days granted to our customers because we allowed some long-established customers to carry forward their balances from time to time. Therefore, the delayed payment of trade receivables increased the trade receivables turnover days. The trade receivable turnover days for trading business in the year ended 31 December 2006 and the four months ended 30 April 2008 far exceeded the longest credit period of 120 days granted to our customers because the sales in the last month of the corresponding year/period increased.

(iii) *Trade payables*

Our trade payables represents the outstanding amounts payable by us to our suppliers for raw materials. The following table sets forth the trade payables ageing analysis:-

	As at 31 December						As at 30 April	
	2005		2006		2007		2008	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
0 — 30 days	1,404	8.2	7,565	48.8	8,789	50.9	10,009	54.6
31 — 60 days	2,265	13.2	1,661	10.7	4,358	25.2	5,169	28.2
61 — 90 days	1,228	7.1	931	6.0	784	4.5	366	2.0
90 days — 1 year	<u>12,287</u>	<u>71.5</u>	<u>5,338</u>	<u>34.5</u>	<u>3,354</u>	<u>19.4</u>	<u>2,797</u>	<u>15.2</u>
Total	<u>17,184</u>	<u>100.0</u>	<u>15,495</u>	<u>100.0</u>	<u>17,285</u>	<u>100.0</u>	<u>18,341</u>	<u>100.0</u>

We enjoyed credit period of (i) 0 days to 30 days from our copper suppliers; (ii) 30 days to 90 days from our silicone rubber suppliers; and (iii) 45 days from our mica plate suppliers. As we had long business relationship with our suppliers with no default payment history, our suppliers allowed us to carry forward the balances owed to them occasionally. Therefore, we could keep more cash on hand and we recorded outstanding trade payable aged over 90 days. As at 31 August 2008, 94.8% of the trade payables as at 30 April 2008 were subsequently settled.

FINANCIAL INFORMATION

The trade payables turnover days were 50, 44, 37 and 41 for each of the three years ended 31 December 2005, 2006, 2007 and the four months ended 30 April 2008, respectively. The decreasing trend of trade payables turnover days for the three years ended 31 December 2007 was mainly due to the total trade payables remained relatively stable during the same period, while the total purchase increased steadily from HK\$96.7 million for the year ended 31 December 2005 to HK\$145.1 million for the year ended 31 December 2007. As we tended to settle the outstanding trade payables aged over 90 days, such amount reduced from HK\$12.3 million, representing 71.5% of the total trade payables, as at 31 December 2005 to HK\$3.4 million, representing 19.4% of the total trade payables, as at 31 December 2007. Such decreasing trade payables aged over 90 days balanced the increasing trade payables aged below 90 days during the three years ended 31 December 2007 and therefore we recorded a relatively stable total trade payables. The slight increase in the trade payables turnover days for the four months ended 30 April 2008 was mainly due to the increase in trade payables as a result of the increase in purchase of silicone rubber for trading purpose.

(I) Analysis on certain financial ratios

(i) *Effective tax rate*

Vitar Hong Kong's manufacturing operations were carried out by Vitar Factory prior to 2006. After that, Weida Longchuan took up the manufacturing operations with similar operation model. Taking into account of Vitar Hong Kong's involvement in its PRC manufacturing operations and activities rendered offshore, it is considered that the 50:50 apportionment basis would be applicable to Vitar Hong Kong under the current law. Therefore, half of the manufacturing profits of Vitar Hong Kong was exempted from Hong Kong profits tax. The exempted profits, which were reported on the books of Vitar Hong Kong, do not subject to PRC Enterprise Income Tax as it is a special concession granted by the State Administration of Taxation that such exempted profits will not be taxed in the PRC. The effective tax rates during the year ended 31 December 2005, 2006, 2007 were 8.6%, 9.9%, 11.0% respectively. The gradual increase in the effective tax rates was primarily due to increase in trading business for the three years ended 31 December 2007 which was fully subjected to Hong Kong profits tax rate of 17.5%. The segment results of the trading business as set out in appendix I to this prospectus during the year ended 31 December 2005, 2006, 2007 and the four months ended 30 April 2008 were approximately HK\$788,000, HK\$992,000, HK\$3,498,000 and HK\$1,329,000, respectively. For the four months ended 30 April 2008, the effective tax rate was 17.7%, which was higher than the previous years as the listing expense of HK\$3.1 million charged to the profit and loss was non-deductible for Hong Kong profits tax purposes. In addition, the trading business for the four months ended 30 April 2008 recorded segment results of approximately HK\$1,329,000, compared with HK\$652,000 for the corresponding period in previous year, which in turn increased the proportion of profits being subject to Hong Kong profits tax of 17.5%.

FINANCIAL INFORMATION

(ii) *Current ratio and quick ratio*

Our current ratio were 2.5 times, 2.0 times, 2.0 times and 2.0 times during the Track Record Period, respectively, and our quick ratio was 2.2 times, 1.6 times, 1.6 times and 1.5 times during the Track Record Period, respectively. We have kept track of our current ratio and quick ratio regularly in order to ensure it is stayed within a healthy level on liquidity. Both the current ratio and quick ratio decreased in 2006 because we declared and yet to pay dividends of HK\$15 million and therefore increasing our current liabilities.

(iii) *Gearing ratio*

Our gearing ratio were 19.6%, 20.2%, 22.1% and 22.5% during the Track Record Period, respectively. Our bank borrowings increased at a rate slightly faster than that of our total assets and therefore our gearing ratio recorded modest increase during the Track Record Period. Our bank borrowings include secured bank loans and secured trust receipt loans. For the three years ended 31 December 2007 and the four months ended 30 April 2008, secured bank loans amounted to HK\$10.8 million, HK\$10.7 million, HK\$15.4 million and HK\$19.0 million, respectively; and secured trust receipt loans amounted to HK\$20.9 million, HK\$28.5 million, HK\$33.0 million and HK\$24.3 million, respectively. Secured bank loans for the years ended 31 December 2005 and 2006 was relatively stable. The increase of HK\$4.7 million in secured bank loans in the year ended 31 December 2007 was mainly used to finance the purchase of property, plant and equipment in Weida Longchuan and the increase of HK\$3.6 million in secured bank loans for the four months ended 30 April 2008 was mainly used as working capital. Secured trust receipt loans increased by HK\$7.6 million and HK\$4.5 million respectively in the years ended 31 December 2006 and 2007 as a result of the increase in purchase of copper and silicone which was settled by letter of credit.

(J) **Related party transactions**

During the year ended 31 December 2005, the purchase amount for mica sheet from New Jadwson and Shenzhen Mica, both being related parties, amounted to HK\$12.3 million and HK\$5.2 million, respectively. Our Directors confirm that the transactions with New Jadwson and Shenzhen Mica were conducted in the ordinary and usual course of business and on normal commercial terms. During the years ended 31 December 2006 and 2007 and the four months ended 30 April 2008, we had no related parties transactions. For further information on our relationship with New Jadwson and Shenzhen Mica, please refer to the paragraphs under “Suppliers” in the section headed “Business” in this prospectus.

FINANCIAL INFORMATION

(III) INDEBTEDNESS

(A) Borrowings

As at 31 August 2008, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this prospectus, we had outstanding bank borrowings of HK\$35.8 million as follows:-

	As at 31 August 2008
	<i>(HK\$ in million)</i>
Borrowings	
Secured bank loans	19.5
Secured trust receipt loans.....	<u>16.2</u>
	<u>35.8</u>
The maturity profile of the borrowings are as follows:-	
Within one year	33.0
More than one year, but not exceeding two years	2.8
More than two year, but not exceeding five years.....	<u>—</u>
	<u>35.8</u>
US dollars bank borrowing equivalent to Hong Kong dollars	<u>6.1</u>

Of the total outstanding borrowings, HK\$33.0 million was classified under current liabilities, with the remaining HK\$2.8 million being recorded under non-current liabilities.

In September 2008, we raised a new bank loan of HK\$20 million.

FINANCIAL INFORMATION

(B) Amounts due to directors

As at the close of business on 31 August 2008, we had amounts due to directors of HK\$2.3 million. The amounts due to directors had been fully settled on 22 October 2008.

(C) Securities and guarantees

As at the close of business on 31 August 2008, our outstanding borrowings of HK\$35.8 million and our banking facilities of HK\$116.6 million (among which HK\$80.8 million had not be utilised) were secured by the properties owned by Vitar Hong Kong in Hong Kong, our bank deposits and a property owned by Mr. LEUNG Kai Wing and the personal guarantees provided by Mr. LEUNG Chau Hiu, Mr. LEUNG Kai Wing and Mr. YIP Sai Keung.

The relevant banks provided in principle written consents that all the personal guarantees and legal charges provided by connected persons of our Company in relation to the borrowings mentioned above will be released and replaced by corporate guarantee to be issued by our Company upon the Listing.

(D) Contingent liabilities

We had no contingent liabilities as at 31 August 2008.

(E) Disclaimers

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, we did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance or acceptance credits or any guarantees or other material contingent liabilities outstanding as at the close of business on 31 August 2008.

Save as disclosed in section (A) above in relation to the new bank loan of HK\$20 million, our Directors confirm that there has been no material change in our indebtedness and contingent liabilities since 31 August 2008.

FINANCIAL INFORMATION

(IV) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The following table summaries our cash flows during the Track Record Period:-

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Net cash from/(used in)					
operating activities	(4,019)	12,108	20,723	16,908	(431)
Net cash from/(used in)					
investing activities	(1,055)	(22,839)	1,296	(2,182)	(10,694)
Net cash (used in)/generated					
from financing activities ..	<u>(4,846)</u>	<u>7,164</u>	<u>(11,800)</u>	<u>(15,794)</u>	<u>(3,002)</u>
Net increase/(decrease) in					
cash and cash equivalents	(9,920)	(3,567)	10,219	(1,068)	(14,127)
Cash and cash equivalents at					
the beginning of the					
year/period	32,380	22,358	18,758	18,758	29,628
Effect of foreign exchange					
rate changes	(102)	(34)	651	197	(177)
Cash and cash equivalents at					
the end of the year/period	<u>22,358</u>	<u>18,757</u>	<u>29,628</u>	<u>17,887</u>	<u>15,324</u>

(A) Cash flows

We generally finance our operations through a combination of borrowings from banks, internally generated cash flows and capital contributions from our Shareholders. During the Track Record Period, we arranged a number of bank facilities to satisfy our operations. As of the Latest Practicable Date, we had not experienced any difficulty in securing bank facilities, and we had not experienced any liquidity problems in settling our payables in the normal course of business.

(B) Operating activities

Net cash used in operating activities for the four months ended 30 April 2008 amounted to HK\$0.4 million, while our operating cash flows before movements in working capital for the same period amounted to HK\$7.7 million. The difference of HK\$8.1 million was primarily due to (i) increase in inventories of HK\$3.7 million as a result of increase in raw materials on hand for manufacturing business and copper inventory of HK\$1.5 million were in transit to the trading customers; (ii) increase in trade receivables of HK\$2.8 million following the increase in sales; and (iii) decrease in other payables and accruals of HK\$2.4 million as a result of payment of double pay and bonus and miscellaneous payables recorded as at 31 December 2007; and partially offset by increase in trade payables of HK\$1.1 million as a result of increase in sales.

FINANCIAL INFORMATION

Net cash generated from operating activities for the year ended 31 December 2007 amounted to HK\$20.7 million, while our operating cash flows before movements in working capital for the same period amounted to HK\$34.7 million. The difference of HK\$14.0 million was primarily due to (i) increase in inventories of HK\$7.8 million as a result of increase in raw materials of HK\$4.9 million mainly due to increase in copper price and volume of silicone rubber and copper on hand during the period; (ii) increase in trade receivables of HK\$9.1 million following the increase in sales; (iii) payment of Hong Kong profits tax of HK\$3.6 million; and (iv) interest expense of HK\$2.6 million as a result of increasing trust receipt loan following the increase in sales; and partially offset by (i) decrease in other receivables, prepayments and deposit of HK\$4.5 million as a result of recovery of other receivables; and (ii) increase in other payables and accruals of HK\$2.8 million as a result of increase in salaries, double pay and bonus and miscellaneous payables.

Net cash generated from operating activities for the year ended 31 December 2006 amounted to HK\$12.1 million, while our operating cash flows before movements in working capital for the same period amounted to HK\$30.2 million. The difference of HK\$18.1 million was primarily due to (i) increase in inventories of HK\$9.6 million as a result increase in raw materials of HK\$5.2 million mainly due to increase in copper price and volume of silicone rubber and copper on hand during the period and increase in finished goods of HK\$4.2 million in view of the predicted increment in sales in the coming year; (ii) increase in trade receivables of HK\$15.1 million as a result of increase in sales; and partially offset by decrease in other receivables, prepayments and deposit of HK\$10.2 million as a result of recovery of other receivables.

Net cash used in operating activities for the year ended 31 December 2005 amounted to HK\$4.0 million, while our operating cash flows before movements in working capital for the same period amounted to HK\$24.8 million. The difference of HK\$28.8 million was primarily due to (i) increase in trade receivables of HK\$21.6 million as a result of increase in sales; and (ii) payment of Hong Kong profits tax of HK\$2.9 million.

(C) Investing activities

Net cash used in investing activities for the four months ended 30 April 2008 amounted to HK\$10.7 million, primarily due to (i) payment for the leasehold land in Longchuan, the PRC of HK\$6.5 million, being the land premium for Weida Longchuan; and (ii) increase in pledged bank deposits of HK\$2.1 million.

Net cash generated from investing activities for the year ended 31 December 2007 amounted to HK\$1.3 million, primarily due to repayment from Directors and related companies of HK\$16.0 million; and substantially offset by purchase of property, plant and equipment of HK\$13.5 million as a result of the factory construction in Weida Longchuan.

FINANCIAL INFORMATION

Net cash used in investing activities for the year ended 31 December 2006 amounted to HK\$22.8 million, primarily due (i) advance to our Directors of HK\$8.6 million; and (ii) purchase of property, plant and equipment of HK\$15.3 million as a result of the factory construction in Weida Longchuan and addition of machineries and equipment for Vitar Shenzhen.

Net cash used in investing activities for the year ended 31 December 2005 amounted to HK\$1.1 million, primarily due to (i) purchase of property, plant and equipment of HK\$9.7 million as a result of the factory construction in Weida Longchuan and the addition of machineries and equipment for Vitar Shenzhen; (ii) prepayment lease of HK\$1.2 million for the land premium of a Hong Kong based storage and ancillary office purchased in year ended 31 December 2005; and substantially offset by (i) repayment from directors and related companies of HK\$4.2 million; and (ii) decrease in pledged bank deposits of HK\$5.2 million.

(D) **Financing activities**

Net cash used in financing activities for the four months ended 30 April 2008 amounted to HK\$3.0 million, primarily due to (i) net repayment of bank borrowings of HK\$5.1 million; and (ii) dividend payment of HK\$4.4 million; and partially offset by advance from Directors of HK\$6.5 million for payment of the leasehold land in Longchuan, the PRC.

Net cash used in financing activities for the year ended 31 December 2007 amounted to HK\$11.8 million, primarily due to (i) dividend payment of HK\$18.9 million; and (ii) repayment to a related company of HK\$1.9 million; and partially offset by the net bank borrowings of HK\$9.2 million.

Net cash generated from financing activities for the year ended 31 December 2006 amounted to HK\$7.2 million, primarily due to the net bank borrowings of HK\$7.4 million.

Net cash used in financing activities for the year ended 31 December 2005 amounted to HK\$4.8 million, primarily due to (i) dividend payment of HK\$15.0 million; and (ii) repayment to Directors and a related companies of HK\$4.3 million; and substantially offset by net bank borrowings of HK\$14.4 million.

FINANCIAL INFORMATION

(E) Net current assets

We had net current assets of HK\$75.2 million as at 30 April 2008, comprising of current assets of HK\$149.8 million and current liabilities of HK\$74.6 million. As at 31 August 2008, our net current assets increased to HK\$80.9 million, comprising of current assets of HK\$147.5 million and current liabilities of HK\$66.6 million. The following table sets forth details of our current assets and liabilities as at 30 April 2008 and 31 August 2008:—

	As at 30 April 2008	As at 31 August 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets		
Inventories	37,538	35,159
Trade receivables	83,599	82,911
Other receivables, prepayments and deposits	5,018	5,131
Prepaid lease payments	409	408
Pledged bank deposits	7,945	7,989
Bank balances and cash	<u>15,324</u>	<u>15,876</u>
Total current assets	<u>149,833</u>	<u>147,474</u>
Current liabilities		
Trade payables	18,341	17,357
Other payables and accruals	5,129	12,875
Amounts due to directors	6,494	2,287
Amount due to a related company	77	189
Bank borrowings — due within one year	43,074	32,950
Tax payable	<u>1,473</u>	<u>907</u>
Total current liabilities	<u>74,588</u>	<u>66,565</u>
Net Current assets	<u><u>75,245</u></u>	<u><u>80,909</u></u>

(F) Financial resources and capital structure

We generally finance our operations through internal resources and banking facilities.

(G) Working capital

Our Directors are of the opinion that, taking into consideration the financial resources available to us including internally generated funds, available banking facilities and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present capital and operating requirements in the next 12 months commencing from the date of this prospectus.

FINANCIAL INFORMATION

(V) DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure under rules 13.13 to 13.19 of the Listing Rules.

(VI) DISTRIBUTABLE RESERVES

Our Company had no reserves available for distribution to our Shareholders as at 30 April 2008, being the date of which our latest audited financial statements were made up.

(VII) PROPERTY INTERESTS

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests as at 31 August 2008. The full text of the letter, summary of values and valuation certificates with regard to such property interests are set forth in appendix III to this prospectus.

Our factory is located at Longchuan, Guangdong Province, China with a site area of 86,269.1 square metres. The land premium for the factory premises is RMB5.78 million which has been fully settled. The building ownership certificates thereof have been duly issued to Weida Longchuan. We also lease properties for our customers' services centre, show room, product research and development centre and warehouse at Shufangmen, Maozai Village, Wutongshan, Shenzhen (the "**Shenzhen Leased Properties**").

With regard to Shenzhen Leased Properties, the lessors are not able to provide any land use rights certificates, building ownership certificates or any other document evidencing that the lessors are the lawful owners of the Shenzhen Leased Properties. The lessors have provided us with letters of undertaking pursuant to which the lessors warrant that they are the lawful owners of the Shenzhen Leased Properties and that the lessors agree to compensate for all losses arising from any government action or third party claim that causes loss to us or otherwise impedes the proper performance of the tenancy agreement between the lessors and us.

Our Controlling Shareholders have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) to provide indemnity jointly and severally in respect of, among others, any claim or loss resulting from the above lease agreements that may be incurred by us.

Since January 2008, all our production facilities have been relocated to Weida Longchuan. Our headquarters are situated at workshops 4, 5 and 6 on 3rd Floor of Block B, New Trade Plaza, No.6 On Ping Street, Shatin, New Territories, Hong Kong. Hence, our Directors confirm that the Shenzhen Leased Properties are not crucial to our production process and do not anticipate any difficulty in identifying suitable premises should Vitar Shenzhen be required to vacate the Shenzhen Lease Properties. Our Directors anticipate that the relocation cost would be in the range between HK\$300,000 and HK\$400,000. We expect the relocation time required is around one month and there will be no material impact on our sales as the production function is now performed by Weida Longchuan.

FINANCIAL INFORMATION

Further information on our property interests in Hong Kong and China is stated in appendix III to this prospectus.

Our property interests have been valued to approximately HK\$75,170,000 as at 31 August 2008 by Jones Lang LaSalle Sallmanns Limited, an independent property valuer. Details of our property interests are set out in the property valuation report of Jones Lang LaSalle Sallmanns Limited contained in appendix III to this prospectus.

The table below sets forth the reconciliation of aggregate amounts of properties and related prepaid lease payments from our financial information as at 31 August 2008 as set out in notes 17 to 19 to the unaudited net carrying value of our property interests as at 31 August 2008 set forth in appendix I to this prospectus.

	<i>HK\$'000</i>
Valuation of properties (including the prepaid lease payments) owned by us as at 31 August 2008 as set out in the property valuation report in appendix III to this prospectus	<u>75,170</u>
Carrying value of leasehold land and buildings held by us as at 30 April 2008	53,000
Add: Exchange re-alignment	529
Less:	
Depreciation on properties for the four months ended 31 August 2008	(341)
Amortisation of prepaid lease payments for the four months ended 31 August 2008	<u>(143)</u>
Carrying value as at 31 August 2008	<u>53,045</u>
Surplus	<u><u>22,125</u></u>

FINANCIAL INFORMATION

(VIII) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of our unaudited adjusted net tangible assets is based on our combined net assets as at 30 April 2008, as shown in the accountants' report, the text of which is set forth in appendix I to this prospectus and adjusted as follows:-

	Audited combined net tangible assets as at 30 April 2008	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note a)</i>	<i>(Note b)</i>		<i>(Note c)</i>
Based on the Offer Price ..	<u>146,144</u>	<u>43,451</u>	<u>189,595</u>	<u>1.90</u>

Notes:-

- (a) The audited combined net assets attributable to the equity holders of our Company are extracted from the accountants' report set out in appendix I to this prospectus.
- (b) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$2.1 for each Offer Share and 28,000,000 Offer Shares, after deduction of the underwriting fees and other related expenses payable by us after 30 April 2008 and taking into account of the professional fees and other expenses relating to the Listing of HK\$3,084,519 which have been recognised as an expense in the combined income statement for the four months ended 30 April 2008 in accordance with HKAS 32 Financial Instruments: Presentation.
- (c) The unaudited pro forma adjusted net tangible assets value per Share is based on 100,000,000 Shares, being the number of Shares expected to be in issue immediately following completion of the Share Offer and the Capitalisation Issue but takes no account of any Shares which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (d) Our property interests were valued by Jones Lang LaSalle Sallmanns Limited and the valuation report in respect of which was set out in appendix III to this prospectus. According to the valuation report, our property interests as at 31 August 2008 amounted to approximately HK\$75,170,000. Comparing this amount with the unaudited net carrying value of our property interests as at 31 August 2008 of approximately HK\$53,045,000, there was a surplus of HK\$22,125,000. Had the properties been stated at valuation, HK\$350,543 of additional annual depreciation will therefore be charged. The surplus on revaluation will not be reflected in our consolidated financial statements in subsequent years as we have elected to state the property interests at cost model.

(IX) DIVIDEND POLICY

The payment and the amount of any dividend to be declared by us in the future is at the discretion of our Board and will depend on, amongst other things, our results of operations, cash flow, operating and capital requirements, the amount of distributable profit based on HKFRS and the applicable laws and regulations.

FINANCIAL INFORMATION

For the current financial year and all subsequent financial years following the Listing, we intend to recommend and declare dividends which are expected to be not less than 40% of the net profit distributable to our Shareholders. Nevertheless, such intention does not amount to any guarantee or representation or indication that we must or will declare and pay dividend in such manner or declare and pay any dividend at all. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

Pursuant to a resolution passed at a meeting of our Board held on 29 September 2008, Vitar Hong Kong declared a total dividend of HK\$25,000,000 which was distributed to the then shareholders on 8 October 2008.

(X) NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since 30 April 2008, being the date of which our latest unaudited financial statements were made up, there has been no material adverse change in our financial or trading position or prospects.

UNDERWRITING

UNDERWRITERS

Hong Kong Public Offer Underwriters

China Everbright Securities (HK) Limited
First Shanghai Securities Limited
Grand Vinco Capital Limited
KAB Asia Securities Limited
Kingsway Financial Services Group Limited

International Placing Underwriters

China Everbright Securities (HK) Limited
First Shanghai Securities Limited
Grand Vinco Capital Limited
KAB Asia Securities Limited
Kingsway Financial Services Group Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Public Offer Underwriting Agreement

We are initially offering 2,800,000 Offer Shares (subject to the Clawback Adjustment) for subscription by way of Hong Kong Public Offer on and subject to the terms and conditions of this prospectus and the Application Forms and 25,200,000 Offer Shares for subscription by way of International Placing on and subject to the terms and conditions of this prospectus.

Subject to (i) the Listing Committee granting listing of, and permission to deal in the Shares not later than Tuesday, 11 November 2008 and (ii) certain other conditions set forth in the Hong Kong Public Offer Underwriting Agreement, the Hong Kong Public Offer Underwriters have severally agreed to apply or procure applications, on the terms and conditions set forth in this prospectus and the related Application Forms, for the Hong Kong Public Offer Shares which are not taken up under the Hong Kong Public Offer.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Public Offer Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares will be subject to termination by notice in writing from China Everbright Securities (for itself and on behalf of the Hong Kong Public Offer Underwriters) if any of the following events occur prior to 8:00 a.m. on the Listing Date:-

- (1) there has come to the notice of China Everbright Securities:-
 - (a) that any statement, considered by China Everbright Securities to be material, contained in this prospectus, the Application Forms and in relation to the Share Offer was when the same was issued, or has become, untrue, incorrect or misleading in any material respect; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by China Everbright Securities to be material to the Share Offer; or
 - (c) any material breach of any of the obligations imposed upon any party to the Hong Kong Public Offer Underwriting Agreement or the International Placing Underwriting Agreement (other than on any of the Hong Kong Public Offer Underwriters or the International Placing Underwriters or China Everbright Securities); or
 - (d) any change or development involving a prospective change in the conditions, business affairs, prospects or our financial or trading position as a whole; or
 - (e) any breach, considered by China Everbright Securities to be material, of any of the warranties under the Hong Kong Public Offer Underwriting Agreement;
- (2) there shall develop, occur, exist, continue to exist or come into effect:-
 - (a) any event, or series of events, beyond the control of the Hong Kong Public Offer Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) which in the sole opinion of China Everbright Securities has or would have the effect of making any part of the Hong Kong Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or
 - (b) any change or development involving a prospective change, or any event or series of events currently in existence or otherwise, likely to result in any change or development involving a prospective change in local, national, international,

UNDERWRITING

financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market or any of the stock exchanges in the PRC, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or

- (c) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdictions relevant to any of us (the “**Specific Jurisdictions**”); or
- (d) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the U.S. or by the European Union (or any member thereof) on Hong Kong or any of the Specific Jurisdictions; or
- (e) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong or any of the Specific Jurisdictions; or
- (f) any change or development involving a prospective change, or a materialisation of, any of the risks set forth in the section headed “Risk factors” in this prospectus; or
- (g) any litigation or claim of material importance of any third party being threatened or instigated against any of us; or
- (h) a valid demand by any creditor for repayment or payment of any indebtedness of any of us or in respect of which any of us is liable prior to its stated maturity; or
- (i) any loss or damage sustained by any of us (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (j) a petition is presented for the winding-up or liquidation of any of us or any of us makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any of us or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any of us or anything analogous thereto occurs in respect of any of us; or
- (k) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Specific Jurisdictions,

UNDERWRITING

which in the sole opinion of China Everbright Securities (for itself and on behalf of the Hong Kong Public Offer Underwriters) (1) is or will have or could be expected to have an adverse effect on the business, financial or other condition or prospects of us as a whole or in the case of paragraph (e) above, to any present or prospective shareholder of our Company in his, her or its capacity as such; or (2) has or will have or could reasonably be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or (3) makes it inadvisable, inexpedient or impracticable for the Share Offer to proceed.

Undertakings

Each of the Warrantors (as defined in the Hong Kong Public Offer Underwriting Agreement to include our Company, Vitar Development and the executive Directors, namely Mr. LEUNG Chau Hiu, Mr. LEUNG Kai Wing, Ms. TSANG Chi Yung and Ms. LEUNG Chun Yin) has jointly and severally undertaken to the Hong Kong Public Offer Underwriters and each of them to procure, except pursuant to the Share Offer (including the issue of new Shares pursuant to the exercise of any option that may be granted under the Share Option Scheme) and save as mentioned in this prospectus or with the prior written consent of China Everbright Securities (for itself and on behalf of the Hong Kong Public Offer Underwriters), and unless in compliance with the requirements of the Listing Rules, our Company will not, and will procure that our subsidiaries not, allot or issue, or agree to allot or issue, any Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) (including warrants or other convertible or exchangeable securities), or grant or agree to grant any options, warrants or other rights to subscribe for or otherwise acquire any securities or convertible or exchangeable into Shares or other securities of our Company, or repurchase Shares or other securities of our Company, or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Shares, or offer to or agree to do any of the foregoing or announce any intention to do so within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) and in the event of our Company doing any of the foregoing by virtue of the aforesaid consent or exceptions or during the period of six months immediately following the expiry of the first six months period after the Listing Date, our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Each of Vitar Development, Mr. LEUNG Chau Hiu, Mr. LEUNG Kai Wing, Mr. TSANG Chi Yung and Ms. LEUNG Chun Yin has jointly and severally undertaken to the Hong Kong Public Offer Underwriters and each of them that without the prior written consent of China Everbright Securities (on behalf of the Hong Kong Public Offer Underwriters), he or it shall not directly or indirectly and will procure that the relevant registered holder(s) shall not in the period commencing on the date by reference to which disclosure of the shareholding of them is made in this prospectus and ending on a date which is six months from the Listing Date:-

- (a) transfer or dispose of, nor enter into any agreements to transfer or dispose of or otherwise create any options, rights, interests or encumbrances (including the creation or entry into of any agreement to create any pledge or charge) in respect of any of those securities in respect of which they are shown by this prospectus to be the beneficial owner(s) or any

UNDERWRITING

interest in such securities (which includes any interest in a company which holds any such securities) or securities that constitute or confer the right to receive such securities or securities convertible into or exercisable or exchangeable for or repayable with such securities; or

- (b) enter into a swap agreement or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such securities, whether any such swap agreement or other agreement or transaction is to be settled by delivery of such securities or other securities, in cash or otherwise; or
- (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) and (b) above; or
- (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above.

International Placing

International Placing Underwriting Agreement

In connection with the International Placing, it is expected that our Company will enter into the International Placing Underwriting Agreement with, *inter alia*, the International Placing Underwriters, on terms and conditions that are substantially similar to the Hong Kong Public Offer Underwriting Agreement as described above. Under the International Placing Underwriting Agreement, the International Placing Underwriters will severally agree to subscribe or procure subscribers for the International Placing Shares being offered pursuant to the International Placing.

UNDERWRITING COMMISSION

The Underwriters will receive a commission of 3% of the aggregate Offer Price of the Offer Shares. In consideration of the Sponsor's services in sponsoring the Share Offer, the Sponsor will also receive a financial advisory fee. Such fee and commission, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer which are currently estimated to be approximately HK\$18.4 million in aggregate, are to be borne by our Company.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as disclosed above and other than pursuant to the Underwriting Agreements, none of the Underwriters has any shareholding in any of us or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any of us.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

OFFER PRICE PAYABLE ON APPLICATION

Based on the Offer Price, plus 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee, one board lot of 1,000 Shares will amount to a total of HK\$2,121.19.

CONDITIONS

Acceptance of all applications for the Share Offer will be conditional upon:-

- (i) the Listing Committee granting a listing of, and permission to deal in the Shares (including any Shares which may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Main Board of the Stock Exchange; and
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by China Everbright Securities on behalf of the Underwriters) and not being terminated in accordance with the terms of either agreement or otherwise,

in each case on or before the dates and times specified in the Underwriting Agreements. If these conditions are not fulfilled, all application money will be returned, WITHOUT INTEREST, on the terms set forth in the section “How to apply for the Hong Kong Public Offer Shares”. In the meantime, such application money will be held in a separate bank account with the receiving banker in Hong Kong.

OFFER MECHANISM — BASIS OF ALLOCATION OF SHARES

The Share Offer

The Share Offer consists of the International Placing and the Hong Kong Public Offer. The number of the Offer Shares comprise the International Placing Shares and the Hong Kong Public Offer Shares, both subject to the Clawback Adjustment. The 28,000,000 Offer Shares will represent 28% of the enlarged number of Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme.

Subject to the Clawback Adjustment, 2,800,000 Offer Shares, representing 10% of the number of the Offer Shares, are offered under the Hong Kong Public Offer. The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Out of the total 28,000,000 Offer Shares, 25,200,000 Shares, representing 90% of the number of the Offer Shares, will be placed with professional and institutional investors in Hong Kong and elsewhere under the International Placing. The International Placing Shares will be offered in Hong Kong and other jurisdictions outside the United States.

The International Placing Shares will be allocated prior to the Listing Date.

The level of indications of interest in the International Placing and the level of applications of the Hong Kong Public Offer, the number of the Offer Shares reallocated under the Clawback Adjustment, if any, the basis of allotment and the results of applications under the Hong Kong Public Offer are expected to be published in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese) on or before Tuesday, 11 November 2008.

The net proceeds from the Share Offer, after deducting commissions and expenses are estimated to be approximately HK\$40.4 million.

The Hong Kong Public Offer

We are offering 2,800,000 Offer Shares, representing 10% of the number of the Offer Shares, for subscription by way of the Hong Kong Public Offer. The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offer is subject to the Clawback Adjustment.

If the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the initial number of the Hong Kong Public Offer Shares, additional Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available for subscription under the Hong Kong Public Offer will increase to 8,400,000 Shares, representing 30% of the initial number of the Offer Shares.

If the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the initial number of the Hong Kong Public Offer Shares, additional Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing will be increased so that the total number of the Offer Shares available for subscription under the Hong Kong Public Offer will increase to 11,200,000 Shares, representing 40% of the initial number of the Offer Shares.

If the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the initial number of the Hong Kong Public Offer Shares, additional Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing will be increased, so that the total number of the Offer Shares available for subscription under the Hong Kong Public Offer will increase to 14,000,000 Shares, representing 50% of the initial number of the Offer Shares.

If the Hong Kong Public Offer Shares are not fully subscribed, China Everbright Securities, at its discretion, may reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Placing.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

China Everbright Securities is the bookrunner and the lead manager of the Share Offer. The Hong Kong Public Offer is underwritten at the Offer Price by the Hong Kong Public Offer Underwriters on and subject to the terms and conditions of the Hong Kong Public Offer Underwriting Agreement. Allocation of the Hong Kong Public Offer Shares to investors will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of the Hong Kong Public Offer Shares validly applied for by applicants but, subject to that, will be made strictly on a pro-rata basis, even though this could, where appropriate, consist of balloting. Balloting would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Hong Kong Public Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The International Placing

We are offering 25,200,000 Offer Shares, representing 90% of the number of the Offer Shares, for subscription by way of the International Placing. The International Placing is expected to be fully underwritten by the International Placing Underwriters on and subject to the terms and conditions of the International Placing Underwriting Agreement.

The International Placing Underwriters are soliciting from prospective professional and institutional investors indications of interest in subscribing for the International Placing Shares. Prospective professional, institutional and private investors will be required to specify the number of International Placing Shares they would be prepared to subscribe for at the Offer Price. This process is known as “book building”. In Hong Kong, retail investors should apply for the Hong Kong Public Offer Shares, as retail investors applying for the International Placing Shares, including retail investors applying through banks and other institutions, are unlikely to be allocated any International Placing Shares.

Allocation of the International Placing Shares is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of our Company and our Shareholders as a whole.

The International Placing Underwriters or selling agents nominated by the International Placing Underwriters shall, on behalf of our Company, conditionally place the International Placing Shares with professional and institutional investors in Hong Kong and other countries outside the United States. The International Placing shall be subject to the Share Offer restrictions set forth under the section “Information about this prospectus and the Share Offer”.

The International Placing is conditional on the same conditions as set forth in the section “Conditions” above. The total number of the International Placing Shares to be allotted and issued may change as a result of the Clawback Adjustment referred to in the section “The Hong Kong Public Offer” above and any reallocation of unsubscribed Shares originally included in the Hong Kong Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

LISTING ON ANY OTHER STOCK EXCHANGE

Our Directors are not considering any listing of our Company on any other overseas stock exchange. We have not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

METHODS TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

There are two ways to make an application for the Hong Kong Public Offer Shares. You may either use a **WHITE** or **YELLOW** Application Form or you may give **electronic application instructions** to cause HKSCC Nominees to apply on your behalf for the Hong Kong Public Offer Shares. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form and by giving **electronic application instructions** to HKSCC via CCASS.

WHICH APPLICATION METHOD YOU SHOULD USE

- (a) Use a **WHITE** Application Form if you want the Hong Kong Public Offer Shares to be issued in your own name.
- (b) Use a **YELLOW** Application Form if you want the Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.
- (c) Instead of using a **YELLOW** Application Form, you may **electronically** instruct HKSCC via CCASS to cause HKSCC Nominees to apply for the Hong Kong Public Offer Shares on your behalf. Any Hong Kong Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Note: The Hong Kong Public Offer Shares are not available to our Directors or chief executive of our Company and our subsidiaries or existing beneficial owners of the Shares or any of our respective associates.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

WHERE TO COLLECT THE PROSPECTUSES AND THE APPLICATION FORMS

You can collect a **WHITE** Application Form and a prospectus from:-

Any participant of the Stock Exchange

or

China Everbright Securities (HK) Limited

36th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

or

First Shanghai Securities Limited

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

or

Grand Vinco Capital Limited

Units 4909-10, 49th Floor,
The Center
99 Queen's Road Central
Hong Kong

or

KAB Asia Securities Limited

30th Floor, Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

or

Kingsway Financial Services Group Limited

5th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

or any one of the following branches of DBS Bank (Hong Kong) Limited:-

Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road, Central
	United Centre Branch	Shops 1015-1018, 1/F, United Centre, 95 Queensway, Admiralty
	Des Voeux Road Central Branch	G/F, 39-41 Des Voeux Road Central, Central
	North Point Branch	G/F, 391 King's Road, North Point
Kowloon	Nathan Road Branch	G/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 22-24 Cameron Road, Tsimshatsui
	Yue Man Square Branch	Shops 3-5 & G/F, Mido Mansion, 51-63 Yue Man Square, Kwun Tong
	Amoy Plaza Branch	G45-48, Amoy Plaza, 77 Ngau Tau Kok Road, Ngau Tau Kok
New Territories	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long
	Shatin Plaza Branch	Shop 47 & 48, Level 1, Shatin Plaza, No. 21-27 Sha Tin Centre Street, Shatin
	Tsuen Wan Branch	G/F, 23 Chung On Street, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 30 October 2008 to 12:00 noon on Tuesday, 4 November 2008 from:-

Depository Counter
Hong Kong Securities Clearing Company Limited
2nd Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

or your stockbroker who may have the Application Forms and this prospectus available.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected.

If your application is made through a duly authorised attorney, China Everbright Securities (on behalf of all other Hong Kong Public Offer Underwriters), in consultation with our Company, or our agents may accept your application at their discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. China Everbright Securities, in its capacity as agent for our Company, has full discretion to reject or accept any application, in full or in part, without assigning any reason.

APPLICATIONS BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or the CCASS Internet System at <https://ip.ccass.com> (using the procedures contained in “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:-

HKSCC’s Customer Service Centre

2/F., Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Copies of this prospectus are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our share registrars.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Warning

The subscription of the Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, the Sponsor, the Underwriters and any parties involved in the Share Offer take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. In the event that CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit the **WHITE** or **YELLOW** Application Form or (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Tuesday, 4 November 2008.

Giving electronic application instructions to HKSCC to apply for the Hong Kong Public Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares,

- HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- HKSCC Nominees does the following things on behalf of each of the persons:-
 - (a) **agrees** that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to that person's CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf;
 - (b) **undertakes** and **agrees** to accept the Hong Kong Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - (c) **undertakes** and **confirms** that the person has not applied for or taken up any International Placing Shares nor otherwise participated in the International Placing;
 - (d) (if the **electronic application instructions** are given for that person's own benefit) **declares** that only one set of **electronic application instructions** has been given for that person's benefit;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- (e) (if that person is an agent for another person) **declares** that it has given only one set of **electronic application instructions** for the benefit of that other person, and that it is duly authorised to give those instructions as that other person's agent;
- (f) **understands** that the above declaration will be relied upon by our Company in deciding whether or not to make any allotment of Hong Kong Public Offer Shares in respect of the **electronic application instructions** given by that person and that person may be prosecuted if that person makes a false declaration;
- (g) **authorises** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificates and/or refund monies in accordance with arrangements separately agreed between our Company and HKSCC;
- (h) **confirms** that that person has read the terms and conditions and application procedures set forth in this prospectus and agrees to be bound by them;
- (i) **confirms** that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker/custodian to give **electronic application instructions** on that person's behalf;
- (j) **agrees** that our Company, the Underwriters and any other parties involved in the Hong Kong Public Offer are liable only for the information and representations contained in this prospectus;
- (k) **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentations;
- (l) **agrees** to disclose that person's personal data to our Company and its agents and any information which they require about that person;
- (m) **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person cannot be revoked before Wednesday, 12 November 2008, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before Wednesday, 12 November 2008 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before Wednesday, 12 November 2008 if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- (n) **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the press announcement on results of the Hong Kong Public Offer published by our Company;
- (o) **agrees** to the arrangement, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Public Offer Shares; and
- (p) **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each jointly and severally) are deemed to do the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:-

- instruct and authorise HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instruct and authorise HKSCC to arrange payment of the Offer Price, brokerage, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications, refund of the application money by crediting your designated bank account; or
- instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Minimum application amount and permitted multiples

You may give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the multiples set forth in the table on the Application Forms.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of the Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of the Hong Kong Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. Further information is set forth under “How many applications you may make” below.

Allocation of the Hong Kong Public Offer Shares

For the purpose of allocating the Hong Kong Public Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.

Personal data

Information set forth under the section headed “Personal Data” in the Application Forms applies to all personal data held by our Company and our share registrars about you in the same way as it applies to personal data about all applicants other than HKSCC Nominees.

HOW MANY APPLICATIONS YOU MAY MAKE

There is only one situation where you may make more than one application for the Hong Kong Public Offer Shares:

If you are a nominee, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:-

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being for your own benefit.

Multiple applications are not allowed.

It will be a term and condition of all applications that by completing and delivering an Application Form or by giving **electronic application instructions** to HKSCC, you:-

- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or through giving **electronic application instructions** to HKSCC;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- (if you are an agent for another person) **warrant** that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or through giving **electronic application instructions** to HKSCC, and that you are duly authorised to sign the Application Form or give **electronic application instructions** as that other person's agent.

Multiple applications or suspected multiple applications will be rejected. All of your applications will be rejected as multiple applications if you, or you and your joint applicants together:-

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form and/or by giving **electronic application instructions** to HKSCC (if you are a CCASS Participant or applying through a CCASS Clearing Participant or a CCASS Custodian Participant); or
- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form or give **electronic application instructions** to HKSCC (if you are a CCASS Participant or applying through a CCASS Clearing Participant or a CCASS Custodian Participant) for more than 100% of the Hong Kong Public Offer Shares; or
- have received or been placed or allocated (including conditionally and/or provisionally) with any International Placing Shares; or
- both apply on one **WHITE** Application Form and one **Yellow** Application Form or on a **WHITE** or **YELLOW** Application Form for Hong Kong Public Offer Shares and gives **electronic application instructions** to HKSCC via CCASS; or
- make one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or give **electronic application instructions** to HKSCC via CCASS, and make any application for the International Placing.

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit.

If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then that application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:-

- *control the composition of the board of directors of that company; or*

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- *control more than half of the voting powers of that company; or*
- *hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*

HOW MUCH TO PAY FOR THE HONG KONG PUBLIC OFFER SHARES

The Offer Price is HK\$2.1 each. You must also pay 1% of brokerage, 0.005% of Stock Exchange trading fee and 0.004% of SFC transaction levy. The board lot for trading in the Shares is 1,000 Shares. This means that for every 1,000 Hong Kong Public Offer Shares, you will pay HK\$2,121.19. The Application Forms have tables showing the exact amount payable for certain multiples of Shares applied for.

Your payment must be made by one cheque or one banker's cashier order and must comply with the terms set forth in the Application Form relating to the Hong Kong Public Offer.

If your application is successful, brokerage is paid to participants of the Stock Exchange, the trading fee is paid to the Stock Exchange and the transaction levy is paid to the SFC.

MEMBERS OF THE PUBLIC IN HONG KONG — TIME FOR APPLYING FOR THE HONG KONG PUBLIC OFFER SHARES

WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Tuesday, 4 November 2008, or if the Application Lists are not open on that day, then by 12:00 noon on the next business day when the Application Lists are open.

Your completed Application Form, with payment attached, should be deposited in any of the special collection boxes provided at any of the head office/branches of DBS Bank (Hong Kong) Limited listed above at the following times:-

Thursday, 30 October 2008 — 9:00 a.m. to 5:00 p.m.
Friday, 31 October 2008 — 9:00 a.m. to 5:00 p.m.
Saturday, 1 November 2008 — 9:00 a.m. to 1:00 p.m.
Monday, 3 November 2008 — 9:00 a.m. to 5:00 p.m.
Tuesday, 4 November 2008 — 9:00 a.m. to 12:00 noon

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 4 November 2008.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Electronic application instructions

CCASS Clearing/Custodian Participants should input **electronic application instructions** at the following times on the following dates:-

Thursday, 30 October 2008 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 31 October 2008 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 1 November 2008 — 8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 3 November 2008 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 4 November 2008 — 8:00 a.m.⁽¹⁾ to 12:00 noon

⁽¹⁾ *These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.*

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 30 October 2008 to 12:00 noon on Tuesday, 4 November 2008 (24 hours daily, except the last application day).

Application Lists

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 4 November 2008.

No proceedings will be taken on applications for the Shares and no allotment of any such Shares will be made until after the closing of the Application Lists. No allocation of any of the Hong Kong Public Offer Shares will be made until the closing of the Application Lists.

EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The Application Lists will not be open if there is:-

- a tropical cyclone warning signal number 8 or above, or
- a “BLACK” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 4 November 2008. Instead the Application Lists will be open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG PUBLIC OFFER SHARES

Details of the circumstances in which you will not be allotted the Hong Kong Public Offer Shares are set out in the notes contained in the Application Forms, and you should read them carefully. You should note in particular the following two situations in which the Hong Kong Public Offer Shares will not be allotted to you:

If your application is revoked

By depositing an Application Form or submitting **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf may not be revoked before Wednesday, 12 November 2008. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person until after the expiration of the fifth day after closing of the Application Lists except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked after the expiration of the fifth day (excluding for this purpose a Saturday, Sunday and a general holiday in Hong Kong) after the opening of the Application Lists if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allotment, and where such basis of allotment is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

At the full discretion of us or our agents

Our Company and our agents have full discretion to reject or accept any application, or to accept only part of an application, and do not have to give any reason for any rejection or acceptance.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

If your application is rejected

Your application will be rejected if:-

- it is a multiple application or a suspected multiple application;
- your Application Form is not filled in correctly in accordance with the instructions thereon;
- your payment is not made correctly;
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the International Placing Shares; or
- we believe that by accepting your application, we would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is, or is suspected to have been, completed and/or signed or of any other jurisdiction.

If your application is not accepted

Your application (including the part of an application made by HKSCC Nominees acting upon **electronic application instructions**) will not be accepted if either:-

- the Underwriting Agreement does not become unconditional; or
- the Underwriting Agreement is terminated in accordance with its respective terms.

If the allotment of the Hong Kong Public Offer Shares is void

Allotment to you of the Hong Kong Public Offer Shares or to HKSCC Nominees (if you give **electronic application instructions** or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission for the listing of the Shares on the Main Board either:-

- within three weeks from the closing of the Application Lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the Application Lists.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

PUBLICATION OF RESULTS

The announcement of (i) the level of indications of interest in the International Placing; (ii) the level of applications of the Hong Kong Public Offer; (iii) the basis of allocation of the Hong Kong Public Offer Shares; and (iv) the number of Shares reallocated under the Clawback Adjustment, if any, will be published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese), our website at *www.vitar.com.hk* and the Stock Exchange's website at *www.hkex.com.hk* on Tuesday, 11 November 2008.

The results of allocations of the Hong Kong Public Offer Shares, including applications made under **WHITE** and **YELLOW** Application Forms and by giving **electronic application instructions** to HKSCC, which will include the Hong Kong identity card numbers, passport numbers, Hong Kong business registration certificate numbers of successful applicants and the number of the Hong Kong Public Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:-

- Results of allocations will be available from our website at *www.vitar.com.hk* and the Stock Exchange's website at *www.hkex.com.hk* on Tuesday, 11 November 2008;
- Results of allocations will also be available from our Hong Kong Public Offer website at *www.tricor.com.hk/ipo/result* on a 24-hour basis from 8:00 a.m. on Tuesday, 11 November 2008 to 12:00 midnight on Monday, 17 November 2008. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration certificate number provided in his/her/its application form to search for his/her/its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Public Offer Shares allocated to them, if any, by calling 369-18-488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 11 November 2008 to Friday, 14 November 2008;
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of the designated branches of DBS Bank (Hong Kong) Limited from Tuesday, 11 November 2008 to Thursday, 13 November 2008 at the addresses set forth in the paragraphs under "Where to collect the prospectuses and the Application Forms" in this section.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

COLLECTION/POSTING OF SHARE CERTIFICATES/REFUND CHEQUES AND DEPOSIT OF SHARE CERTIFICATES INTO CCASS

Our Company will not issue temporary documents of title. No receipt will be issued for application money paid

If you do not receive any Hong Kong Public Offer Shares for any of, but not limited to, the reasons set out in the above paragraph headed “Circumstances in which you will not be allotted the Hong Kong Public Offer Shares”, our Company will refund your application money together with brokerage, Stock Exchange trading fee and SFC transaction levy to you, without interest. If your application is accepted only in part, our Company will refund the appropriate portion of your application money, brokerage, Stock Exchange trading fee and SFC transaction levy to you, **WITHOUT INTEREST**. All such interest accrued prior to the date of despatch of refund cheques will be retained for the benefit of our Company.

All refunds will be made by cheque(s) crossed “Account Payee Only”, made out to you, or, if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number in the Application Form may lead to delay in encashment of or may invalidate your refund cheque.

If you have given **electronic application instructions**, your refunds (if any) will be credited to your designated bank account (if you are applying as a CCASS Investor Participant) or the designated bank account of the designated CCASS Participant through which you are applying (if you are applying through a CCASS Clearing/Custodian Participant) on Tuesday, 11 November 2008. If you have instructed your designated CCASS Participant (other than CCASS Investor Participant) to give **electronic application instructions** on your behalf, you can check the amount of refund (if any) payable to you with that designated CCASS Participant. If you have applied as CCASS Investor Participant, you can check the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Tuesday, 11 November 2008 or in the activity statement made available to you by HKSCC immediately after the credit of refund monies to your bank account.

WHITE Application Forms

If you have applied for 1,000,000 Hong Kong Public Offer Shares or above and have indicated on your Application Form that you intend to collect your Share certificate and refund cheque (if any) in person, you may collect it/them in person from the branch share registrar of our Company in Hong Kong, Tricor Investor Services Limited, between 9:00 a.m. and 1:00 p.m. on the date notified by our Company in the newspaper as the date of despatch of Share certificates and refund cheques. This is expected to be on Tuesday, 11 November 2008.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

If you are an individual who opts for collection in person must not authorise any other person to make collection on your behalf. If you are a corporation applicant which opts for collection in person, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives, as the case may be, must produce at the time of collection evidence of authority and identity acceptable to Tricor Investor Services Limited.

If you have opted for collection in person but do not collect your Share certificate(s) and/or refund cheque (if any) within the time specified for collection, it/they will be sent to the address (or in the case of joint applicants, the address of the first-named applicant) on your Application Form in the afternoon on or shortly after the date of despatch by ordinary post and at your own risk.

If you have applied for 1,000,000 Hong Kong Public Offer Shares or more and have not indicated on your Application Form that you intend to collect your Share certificate(s) and/or refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Public Offer Shares, then your Share certificate and/or refund cheque (if any) will be sent to the address (or in the case of joint applicants, the address of the first-named applicant) on your Application Form on or shortly after the date of despatch by ordinary post and at your own risk.

YELLOW Application Forms or by electronic application instructions:

If you apply for the Hong Kong Public Offer Shares using a **YELLOW** Application Form or by giving **electronic application instructions**, and your application is wholly or partially successful, your Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant's stock account or the stock account of your designated CCASS Participant as instructed by you at the close of business on Tuesday, 11 November 2008, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS participant (other than a CCASS investor participant):-

- for the Hong Kong Public Offer Shares credited to the stock account of your designated CCASS participant (other than a CCASS investor participant), you can check the number of Hong Kong Public Offer Shares allotted to you (and the amount of refund money payable to you if you have instructed a CCASS Clearing/Custodian participant to give electronic application instructions on your behalf) with that CCASS participant.

If you are applying as a CCASS investor participant:-

- our Company expects to publish the results of CCASS investor participants' applications together with the results of the Share Offer in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, 11 November 2008. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 11 November 2008 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of the Hong Kong Public Offer Shares credited to your stock account and (if you are applying by giving electronic application instructions to HKSCC) the amount of refund monies credited to your designated bank account.

If you have applied for 1,000,000 Hong Kong Public Offer Shares or more and have indicated on your Application Form that you intend to collect your refund cheque in person, please follow the procedures as set out in the paragraphs under "WHITE Application Form" in this section.

If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, or if you have applied for 1,000,000 Hong Kong Public Offer Shares or more and have not indicated on your Application Form that you intend to collect your refund cheque in person, then your refund cheque, if any, will be sent to the address (or in the case of joint applicants, the address of the first-named applicant) on your Application Form on the date of despatch by ordinary post and at your own risk.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board are expected to commence on Wednesday, 12 November 2008.

Shares will be traded in board lots of 1,000 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Main Board and the compliance with the stock admission requirements of HKSCC by our Company, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Shares on the Main Board or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

30 October 2008

The Directors
Vitar International Holdings Limited
China Everbright Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Vitar International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2007 and four months ended 30 April 2008 (the “Relevant Periods”) for inclusion in the prospectus of the Company dated 30 October 2008 (the “Prospectus”) in connection with the proposed listing of the Company’s share on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 22 January 2008. Pursuant to a corporate reorganisation (“Corporate Reorganisation”), as more fully explained in the section headed “Reorganisation” to the Prospectus, the Company became the holding company of the companies comprising the Group on 21 October 2008.

Particulars of the Company’s subsidiaries are as follows:

Name of the company	Place and date of incorporation/ establishment	Equity interest attributable to the Group as at					Date of this report	Issued and fully paid share capital/ registered capital	Principal activities
		31 December			30 April				
		2005	2006	2007	2008				
Vitar Insulation Manufacturers Limited (“Vitar Hong Kong”)	Hong Kong 7 November 1978	100%	100%	100%	100%	100%	HK\$10,000,000	Manufacturing and trading of insulated sleeving, tubes, wires and mica sheets	
Leader Tech Limited (“Leader Tech”)	Hong Kong 29 October 2004	100%	100%	100%	100%	100%	HK\$10,000	Investment holding	

Name of the company	Place and date of incorporation/ establishment	Equity interest attributable to the Group as at					Date of this report	Issued and fully paid share capital/ registered capital	Principal activities
		31 December		30 April					
		2005	2006	2007	2008				
威達絕緣材料(深圳)有限公司# Vitar Insulation Material (Shenzhen) Limited ("Vitar Shenzhen")	The People's Republic of China (the "PRC") 28 March 2003	100%	100%	100%	100%	100%	HK\$2,000,000	Manufacturing and trading of insulated sleeving, tubes, wires and mica sheets	
龍川威達絕緣材料有限公司# Long Chuan Weida Insulation Material Co., Ltd ("Weida Longchuan")	PRC 14 January 2005	100%	100%	100%	100%	100%	US\$6,000,000	Manufacturing and trading of insulated sleeving, tubes, wires and mica sheets	
Vitar Insulation Holdings Limited ("Vitar Insulation")	British Virgin Islands 25 January 2008	NA	NA	NA	100%	100%	US\$1,001	Investment holding	

Wholly foreign owned enterprise registered in the PRC.

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

All the companies comprising the Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company and Vitar Insulation since their respective dates of incorporation as these companies have not carried on any business other than acting as investment holding company and they are incorporated in a country where there is no such statutory requirement.

The statutory financial statements of Vitar Hong Kong and Leader Tech for each of the three years ended 31 December 2007 were audited by us.

The statutory financial statements of subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by the following certified public accountants registered in the PRC:

<u>Name of subsidiary</u>	<u>Periods covered</u>	<u>Certified Public Accountants</u>
Vitar Shenzhen	Year ended 31 December 2005	深圳君合會計師事務所
	Two years ended 31 December 2007	深圳鵬飛會計師事務所
Weida Longchuan	Year ended 31 December 2005	廣東翔宇會計師事務所有限公司
	Year ended 31 December 2006	河源誠正會計師事務所
	Year ended 31 December 2007	廣州海正會計師事務所有限公司

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards based on the consolidated financial statements of Vitar Hong Kong (“Underlying Financial Statements”) on the basis set out in Note 1 to the Financial Information. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of Vitar Hong Kong who approved their issue. The Company’s directors are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 30 April 2008 and the Group as at 31 December 2005, 2006, 2007 and 30 April 2008, and of the combined results and combined cash flows of the Group for the Relevant Periods.

The comparative combined income statement, combined cash flow statement and combined statement of changes in equity of the Group for the four months ended 30 April 2007 together with the notes thereon have been extracted from the Group’s combined financial information for the same period (the “30 April 2007 Financial Information”) which were prepared by the directors of the Company solely for the purpose of this report. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain

assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the 30 April 2007 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with HKFRSs.

A. FINANCIAL INFORMATION

COMBINED INCOME STATEMENTS

	<i>Notes</i>	Year ended 31 December			Four months ended 30 April	
		2005	2006	2007	2007	2008
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
						<i>(unaudited)</i>
Revenue	6	144,045,079	175,896,091	204,539,963	56,661,201	66,239,996
Cost of sales		<u>(110,334,641)</u>	<u>(136,850,898)</u>	<u>(161,345,247)</u>	<u>(44,288,143)</u>	<u>(52,509,489)</u>
Gross profit		33,710,438	39,045,193	43,194,716	12,373,058	13,730,507
Bank interest income		412,552	416,789	516,701	119,189	112,929
Other income	8	365,118	745,244	1,437,229	606,530	114,200
Selling and distribution costs		(2,243,960)	(1,763,033)	(2,784,069)	(711,232)	(866,710)
Administrative expenses		(11,518,014)	(11,635,900)	(12,572,787)	(3,273,540)	(3,981,886)
Listing expenses	9	—	—	—	—	(3,084,519)
Finance costs	10	<u>(1,037,578)</u>	<u>(1,657,086)</u>	<u>(2,551,384)</u>	<u>(581,004)</u>	<u>(659,256)</u>
Profit before taxation		19,688,556	25,151,207	27,240,406	8,533,001	5,365,265
Taxation	13	<u>(1,688,000)</u>	<u>(2,492,138)</u>	<u>(2,987,102)</u>	<u>(969,526)</u>	<u>(948,000)</u>
Profit for the year/period	14	<u>18,000,556</u>	<u>22,659,069</u>	<u>24,253,304</u>	<u>7,563,475</u>	<u>4,417,265</u>
Dividend	15					
- declared		<u>—</u>	<u>15,000,000</u>	<u>12,000,000</u>	<u>—</u>	<u>—</u>
- proposed		<u>15,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Earnings per share	16					
Basic		<u>0.25</u>	<u>0.31</u>	<u>0.34</u>	<u>0.11</u>	<u>0.06</u>

COMBINED BALANCE SHEETS

	<i>Notes</i>	<u>As at 31 December</u>			<u>As at</u>
		<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>30 April</u>
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<u>2008</u>
				<i>HK\$</i>	
Non-current assets					
Property, plant and equipment	17	26,321,742	39,642,560	50,132,467	52,462,554
Prepaid lease payments	18	10,471,537	10,201,407	9,931,277	16,183,007
Investment property	19	1,911,852	1,858,636	2,075,420	2,057,682
Deposits paid for acquisition of property, plant and equipment		—	—	1,486,735	1,285,533
		<u>38,705,131</u>	<u>51,702,603</u>	<u>63,625,899</u>	<u>71,988,776</u>
Current assets					
Inventories	20	16,377,216	26,006,197	33,825,131	37,538,171
Trade receivables	21	57,331,600	71,852,575	80,835,440	83,599,181
Other receivables, prepayments and deposits		19,999,022	9,778,982	5,249,685	5,018,190
Prepaid lease payments	18	270,130	270,130	270,130	408,439
Tax recoverable		928,250	—	—	—
Amounts due from directors	22	7,462,179	16,069,499	—	—
Amounts due from related companies	23	3,376,607	3,163,004	90,903	—
Pledged bank deposits	24	5,909,100	5,586,881	5,857,877	7,945,412
Bank balances and cash	24	<u>22,358,451</u>	<u>18,757,592</u>	<u>29,627,996</u>	<u>15,323,983</u>
		<u>134,012,555</u>	<u>151,484,860</u>	<u>155,757,162</u>	<u>149,833,376</u>

	<i>Notes</i>	As at 31 December			As at
		2005	2006	2007	30 April
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	2008
				<i>HK\$</i>	
Current liabilities					
Trade payables	25	17,184,088	15,495,492	17,284,722	18,341,387
Other payables and accruals		4,724,682	4,722,694	7,481,189	5,129,191
Amounts due to directors	26	—	49,801	—	6,493,640
Amount due to a related company	27	2,056,228	1,871,688	—	77,097
Bank borrowings — due within one year	28	30,046,371	38,150,355	47,773,660	43,074,504
Obligation under a finance lease	29	—	201,441	—	—
Dividend payable		—	15,000,000	4,380,252	—
Tax payable		—	1,249,009	524,657	1,472,657
		<u>54,011,369</u>	<u>76,740,480</u>	<u>77,444,480</u>	<u>74,588,476</u>
Net current assets		<u>80,001,186</u>	<u>74,744,380</u>	<u>78,312,682</u>	<u>75,244,900</u>
		<u>118,706,317</u>	<u>126,446,983</u>	<u>141,938,581</u>	<u>147,233,676</u>
Capital and reserves					
Share capital	30	10,000,000	10,000,000	10,000,000	10,000,000
Reserves		<u>106,256,293</u>	<u>114,658,216</u>	<u>130,432,593</u>	<u>136,143,723</u>
		<u>116,256,293</u>	<u>124,658,216</u>	<u>140,432,593</u>	<u>146,143,723</u>
Non-current liabilities					
Deferred taxation	32	782,898	782,898	900,000	900,000
Bank borrowings — due after one year	28	<u>1,667,126</u>	<u>1,005,869</u>	<u>605,988</u>	<u>189,953</u>
		<u>2,450,024</u>	<u>1,788,767</u>	<u>1,505,988</u>	<u>1,089,953</u>
		<u>118,706,317</u>	<u>126,446,983</u>	<u>141,938,581</u>	<u>147,233,676</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Translation reserve	Retained profits	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1 January 2005	10,000,000	1,945	88,288,857	98,290,802
Exchange differences on translation recognised directly in equity	—	(35,065)	—	(35,065)
Profit for the year	—	—	18,000,556	18,000,556
Total recognised expense and income for the year	—	(35,065)	18,000,556	17,965,491
At 31 December 2005	10,000,000	(33,120)	106,289,413	116,256,293
Exchange differences on translation recognised directly in equity	—	742,854	—	742,854
Profit for the year	—	—	22,659,069	22,659,069
Total recognised income for the year	—	742,854	22,659,069	23,401,923
Dividend	—	—	(15,000,000)	(15,000,000)
At 31 December 2006	10,000,000	709,734	113,948,482	124,658,216
Exchange differences on translation recognised directly in equity	—	3,521,073	—	3,521,073
Profit for the year	—	—	24,253,304	24,253,304
Total recognised income for the year	—	3,521,073	24,253,304	27,774,377
Dividend	—	—	(12,000,000)	(12,000,000)
At 31 December 2007	10,000,000	4,230,807	126,201,786	140,432,593
Exchange differences on translation recognised directly in equity	—	1,293,865	—	1,293,865
Profit for the period	—	—	4,417,265	4,417,265
Total recognised income for the period	—	1,293,865	4,417,265	5,711,130
At 30 April 2008	10,000,000	5,524,672	130,619,051	146,143,723
(Unaudited)				
At 1 January 2007	10,000,000	709,734	113,948,482	124,658,216
Exchange differences on translation recognised directly in equity	—	655,862	—	655,862
Profit for the period	—	—	7,563,475	7,563,475
Total recognised income for the period	—	655,862	7,563,475	8,219,337
At 30 April 2007	10,000,000	1,365,596	121,511,957	132,877,553

COMBINED CASH FLOW STATEMENTS

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
				<i>(unaudited)</i>	
OPERATING ACTIVITIES					
Profit before taxation	19,688,556	25,151,207	27,240,406	8,533,001	5,365,265
Adjustments for:					
Impairment loss reversed in respect of investment property	—	—	(270,000)	—	—
Interest income	(412,552)	(416,789)	(516,701)	(119,189)	(112,929)
Interest expense	1,037,578	1,657,086	2,551,384	581,004	659,256
(Gain) loss on disposal of property, plant and equipment	(9,679)	118,356	—	—	—
Allowance for bad and doubtful debts	847,478	532,786	104,153	—	50,134
Allowance for inventories	306,744	—	—	—	—
Depreciation of property, plant and equipment	2,997,477	2,867,752	5,265,150	1,557,296	1,651,563
Release of prepaid lease payments	244,126	270,130	270,130	90,043	110,395
Depreciation of investment property	53,216	53,216	53,216	17,738	17,738
Operating cash flows before movements in working capital	24,752,944	30,233,744	34,697,738	10,659,893	7,741,422
Increase in inventories	(4,184,585)	(9,628,981)	(7,818,934)	(5,747,634)	(3,713,040)
(Increase) decrease in trade receivables	(21,551,073)	(15,053,761)	(9,087,018)	7,384,311	(2,813,875)
(Increase) decrease in other receivables, prepayments and deposits	(3,498,258)	10,220,040	4,529,297	6,311,741	231,495
Increase (decrease) in trade payables	4,376,283	(1,688,596)	1,789,230	(289,345)	1,056,665
(Decrease) increase in other payables and accruals	(20,771)	(1,988)	2,758,495	(411,596)	(2,351,998)
Increase in amount due to a related company	—	—	—	—	77,097
Cash (used in) from operations	(125,460)	14,080,458	26,868,808	17,907,370	227,766
Hong Kong Profits Tax paid	(2,855,520)	(314,879)	(3,594,352)	(418,733)	—
Interest paid	(1,037,578)	(1,657,086)	(2,551,384)	(581,004)	(659,256)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(4,018,558)	12,108,493	20,723,072	16,907,633	(431,490)

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
INVESTING ACTIVITIES					
Repayment from (advance to) directors	2,008,778	(8,607,320)	12,950,141	(2,870,848)	—
Repayment from related companies	2,194,855	213,603	3,072,101	3,078,224	90,903
Interest received	412,552	416,789	516,701	119,189	112,929
Decrease (increase) in pledged bank deposits	5,207,674	322,219	(270,996)	(97,961)	(2,087,535)
Purchase of property, plant and equipment	(9,698,861)	(15,256,882)	(13,484,927)	(1,507,490)	(1,023,883)
Deposits paid for acquisition of property, plant and equipment	—	—	(1,486,735)	(902,816)	(1,285,533)
Purchase of leasehold land	(1,220,000)	—	—	—	(6,500,434)
Proceeds on disposal of property, plant and equipment	40,000	72,099	—	—	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<u>(1,055,002)</u>	<u>(22,839,492)</u>	<u>1,296,285</u>	<u>(2,181,702)</u>	<u>(10,693,553)</u>
FINANCING ACTIVITIES					
Dividend paid	(15,000,000)	—	(18,900,000)	(15,000,000)	(4,380,252)
Repayment of bank borrowings	(15,362,443)	(24,045,124)	(32,349,366)	(28,161,886)	(34,401,073)
New bank borrowings raised	29,796,047	31,487,851	41,572,790	27,619,150	29,285,882
Repayment of obligation under a finance lease	—	(143,886)	(201,441)	(201,441)	—
(Repayment to) advance from directors	(3,254,499)	49,801	(49,801)	(49,801)	6,493,640
Repayment to a related company	<u>(1,025,628)</u>	<u>(184,540)</u>	<u>(1,871,688)</u>	<u>(348)</u>	<u>—</u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(4,846,523)</u>	<u>7,164,102</u>	<u>(11,799,506)</u>	<u>(15,794,326)</u>	<u>(3,001,803)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,920,083)	(3,566,897)	10,219,851	(1,068,395)	(14,126,846)
Effect of foreign exchange rate changes	(101,610)	(33,962)	650,553	197,917	(177,167)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	<u>32,380,144</u>	<u>22,358,451</u>	<u>18,757,592</u>	<u>18,757,592</u>	<u>29,627,996</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTED BY BANK BALANCES AND CASH	<u>22,358,451</u>	<u>18,757,592</u>	<u>29,627,996</u>	<u>17,887,114</u>	<u>15,323,983</u>

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The combined income statements, combined statements of changes in equity and combined cash flow statements are prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation of the relevant entity, where this is a shorter period. The combined balance sheets as at 31 December 2005, 2006, 2007 and 30 April 2008 present the assets and liabilities of the companies now comprising the Group which had been incorporated as at the relevant balance sheet dates as if the current group structure had been in existence at those dates. The Reorganisation completed on 21 October 2008 was to intersperse the Company between Vitar Hong Kong and the shareholders of Vitar Hong Kong.

The Financial Information is presented in Hong Kong Dollars ("HK\$"), which is the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) — Int") (hereinafter collectively referred to as the "New HKFRSs") which are effective for the Group's financial year beginning on 1 January 2008. For the purposes of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently adopted all these New HKFRSs throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following standards, amendments and interpretations that are not yet effective. The Group has not early applied these standards, amendments or interpretations.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets ³
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁵

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective from 1 July 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

⁵ Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis and in accordance with the accounting policies below which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of combination

The Financial Information incorporates 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 combination.

Revenue recognition

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

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

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

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

Assets held under finance lease 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the combined income statement in the year/period in which the item is derecognised.

Investment property

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

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the combined income statement 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. The corresponding liability to the lessor is included in the combined balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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

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

Leasehold land and building

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

Foreign currencies

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

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

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

Borrowing costs

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

Retirement benefits costs

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

Taxation

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

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

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

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

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

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

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. 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, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

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

Financial instruments

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

Financial assets

The Group's financial assets are classified as loans and receivables and financial assets at fair value through profit or loss ("FVTPL").

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 and points 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.

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. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from directors, amounts due from related companies, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

Impairment of financial assets

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

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

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, 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 amounts due from directors/related companies where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance

account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

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

Derivative financial instruments

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

Derecognition

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Allowance for bad and doubtful debts

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

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK DISCLOSURES

Categories of financial instruments

	As at 31 December			As at
	2005	2006	2007	30 April 2008
	HK\$	HK\$	HK\$	HK\$
Financial assets				
Loans and receivables (including cash and cash equivalents)	<u>115,928,068</u>	<u>123,195,708</u>	<u>119,191,057</u>	<u>108,565,648</u>
Financial liabilities				
Amortised cost	<u>52,586,454</u>	<u>74,057,770</u>	<u>71,459,181</u>	<u>68,737,246</u>

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, amounts due from directors, amounts due from related companies, pledged bank deposits, bank balances, trade payables, other payables, amounts due to directors, amount due to a related company, bank borrowings, obligation under a finance lease and dividend payable.

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.

Market risk

Currency risk

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

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

	Assets				Liabilities			
	2005	2006	2007	As at 30 April 2008	2005	2006	2007	As at 30 April 2008
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
RMB	6,162,896	8,335,929	1,650,270	2,586,548	10,109,648	3,980,767	2,031,860	2,600,604
USD	<u>28,792,430</u>	<u>23,621,901</u>	<u>18,773,809</u>	<u>39,902,905</u>	<u>10,878,609</u>	<u>17,355,980</u>	<u>24,281,753</u>	<u>19,476,685</u>

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

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

	RMB impact			
	2005	2006	2007	As at 30 April 2008
	HK\$	HK\$	HK\$	HK\$
Increase (decrease) in profit for the year/period	<u>197,000</u>	<u>(218,000)</u>	<u>19,000</u>	<u>700</u>

Interest rate risk

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

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's HK\$ or USD denominated borrowings.

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 December 2005, 2006, 2007 and four months ended 30 April 2008 would decrease/increase by HK\$17,000, HK\$74,000, HK\$34,000 and HK\$100,000 respectively. This is mainly attributable to the Group's exposure to interest rate on its variable-rate bank borrowings.

Credit risk

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

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

The Group has no concentration of credit risk, with exposure spread over a number of counterparties and customers, other than certain amounts due from directors/related companies as at 31 December 2005 and 31 December 2006, which were substantially settled in the year 2007. In the opinion of directors the associated credit risk is insignificant.

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2005, 2006, 2007 and 30 April 2008, the Group has available unutilised bank loan facilities of HK\$33,745,100, HK\$41,117,376, HK\$59,221,041 and HK\$73,345,828 respectively.

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. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total undiscounted cash flows	Carrying amount at balance sheet date
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
As at 31 December 2005								
Trade payables	N/A	12,431,533	4,752,555	—	—	—	17,184,088	17,184,088
Other payables	N/A	1,632,641	—	—	—	—	1,632,641	1,632,641
Amount due to a related company	N/A	2,056,228	—	—	—	—	2,056,228	2,056,228
Variable interest rates borrowings	4.93%	21,424,541	9,091,961	721,265	741,132	509,100	32,487,999	31,713,497
		<u>37,544,943</u>	<u>13,844,516</u>	<u>721,265</u>	<u>741,132</u>	<u>509,100</u>	<u>53,360,956</u>	<u>52,586,454</u>
As at 31 December 2006								
Trade payables	N/A	13,406,480	2,089,012	—	—	—	15,495,492	15,495,492
Other payables	N/A	2,283,124	—	—	—	—	2,283,124	2,283,124
Amounts due to directors	N/A	49,801	—	—	—	—	49,801	49,801
Amount due to a related company	N/A	1,871,688	—	—	—	—	1,871,688	1,871,688
Variable interest rates borrowings	5.48%	27,961,260	10,812,780	1,108,970	—	—	39,883,010	39,156,224
Obligation under a finance lease	3%	205,236	—	—	—	—	205,236	201,441
Dividend payable	N/A	15,000,000	—	—	—	—	15,000,000	15,000,000
		<u>60,777,589</u>	<u>12,901,792</u>	<u>1,108,970</u>	<u>—</u>	<u>—</u>	<u>74,788,351</u>	<u>74,057,770</u>
As at 31 December 2007								
Trade payables	N/A	16,446,912	837,810	—	—	—	17,284,722	17,284,722
Other payables	N/A	1,414,559	—	—	—	—	1,414,559	1,414,559
Variable interest rates borrowings	4.95%	38,408,316	9,889,560	615,039	—	—	48,912,915	48,379,648
Dividend payable	N/A	4,380,252	—	—	—	—	4,380,252	4,380,252
		<u>60,650,039</u>	<u>10,727,370</u>	<u>615,039</u>	<u>—</u>	<u>—</u>	<u>71,992,448</u>	<u>71,459,181</u>
As at 30 April 2008								
Trade payables	N/A	18,341,387	—	—	—	—	18,341,387	18,341,387
Other payables	N/A	560,665	—	—	—	—	560,665	560,665
Amounts due to directors	N/A	6,493,640	—	—	—	—	6,493,640	6,493,640
Amount due to a related company	N/A	77,097	—	—	—	—	77,097	77,097
Variable interest rates borrowings	3.74%	37,280,814	6,156,222	190,843	—	—	43,627,879	43,264,457
		<u>62,753,603</u>	<u>6,156,222</u>	<u>190,843</u>	<u>—</u>	<u>—</u>	<u>69,100,668</u>	<u>68,737,246</u>

Fair values

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

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

Capital risk management

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

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

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

The Group's overall strategy remains unchanged during the Relevant Periods.

6. 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.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS**Business segments**

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

- (a) manufacturing and sales of insulation and heat resistance materials ("Manufacturing"); and
- (b) trading of copper and silicone rubber ("Trading").

*Combined income statement**For the year ended 31 December 2005*

	<u>Manufacturing</u>	<u>Trading</u>	<u>Combined</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Segment revenue	<u>121,232,596</u>	<u>22,812,483</u>	<u>144,045,079</u>
Segment result	<u>30,992,498</u>	<u>787,751</u>	<u>31,780,249</u>
Unallocated corporate income			777,670
Unallocated corporate expenses			(11,831,785)
Finance costs			<u>(1,037,578)</u>
Profit before taxation			19,688,556
Taxation			<u>(1,688,000)</u>
Profit for the year			<u>18,000,556</u>

*Combined balance sheet**At 31 December 2005*

	<u>Manufacturing</u>	<u>Trading</u>	<u>Combined</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Assets			
Segment assets	95,972,956	10,117,640	106,090,596
Unallocated corporate assets			<u>66,627,090</u>
			<u>172,717,686</u>
Liabilities			
Segment liabilities	15,279,530	1,904,558	17,184,088
Unallocated corporate liabilities			<u>39,277,305</u>
			<u>56,461,393</u>

*Other information**For the year ended 31 December 2005*

	<u>Manufacturing</u>	<u>Trading</u>	<u>Unallocated</u>	<u>Combined</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Additions to property, plant and equipment	9,698,861	—	—	9,698,861
Depreciation of property, plant and equipment	2,997,477	—	—	2,997,477
Release of prepaid lease payments	114,081	—	130,045	244,126
Allowances for bad and doubtful debts	847,478	—	—	847,478
Allowances for inventories	306,744	—	—	306,744

*Combined income statement**For the year ended 31 December 2006*

	<u>Manufacturing</u>	<u>Trading</u>	<u>Combined</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Segment revenue	<u>144,883,206</u>	<u>31,012,885</u>	<u>175,896,091</u>
Segment result	<u>36,555,055</u>	<u>992,065</u>	<u>37,547,120</u>
Unallocated corporate income			1,162,033
Unallocated corporate expenses			(11,900,860)
Finance costs			<u>(1,657,086)</u>
Profit before taxation			25,151,207
Taxation			<u>(2,492,138)</u>
Profit for the year			<u>22,659,069</u>

APPENDIX I**ACCOUNTANTS' REPORT***Combined balance sheet**At 31 December 2006*

	<u>Manufacturing</u>	<u>Trading</u>	<u>Combined</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Assets			
Segment assets	130,092,209	13,309,498	143,401,707
Unallocated corporate assets			<u>59,785,756</u>
			<u>203,187,463</u>
Liabilities			
Segment liabilities	15,221,712	273,780	15,495,492
Unallocated corporate liabilities			<u>63,033,755</u>
			<u>78,529,247</u>

*Other information**For the year ended 31 December 2006*

	<u>Manufacturing</u>	<u>Trading</u>	<u>Unallocated</u>	<u>Combined</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Additions to property, plant and equipment	15,602,209	—	—	15,602,209
Depreciation of property, plant and equipment	2,867,752	—	—	2,867,752
Release of prepaid lease payments	140,085	—	130,045	270,130
Loss on disposal of property, plant and equipment	118,356	—	—	118,356
Allowances for bad and doubtful debts	532,786	—	—	532,786

*Combined income statement**For the year ended 31 December 2007*

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

*Combined balance sheet**At 31 December 2007*

	<u>Manufacturing</u>	<u>Trading</u>	<u>Combined</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Assets			
Segment assets	146,145,017	25,896,046	172,041,063
Unallocated corporate assets			<u>47,341,998</u>
			<u>219,383,061</u>
Liabilities			
Segment liabilities	12,170,095	5,114,627	17,284,722
Unallocated corporate liabilities			<u>61,665,746</u>
			<u>78,950,468</u>

*Other information**For the year ended 31 December 2007*

	<u>Manufacturing</u>	<u>Trading</u>	<u>Unallocated</u>	<u>Combined</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Additions to property, plant and equipment	13,484,927	—	—	13,484,927
Depreciation of property, plant and equipment	5,265,150	—	—	5,265,150
Release of prepaid lease payments	140,085	—	130,045	270,130
Allowances for bad and doubtful debts	104,153	—	—	104,153

*Combined income statement**For the four months ended 30 April 2007 (unaudited)*

	<u>Manufacturing</u>	<u>Trading</u>	<u>Combined</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Segment revenue	<u>47,648,608</u>	<u>9,012,593</u>	<u>56,661,201</u>
Segment result	<u>11,177,647</u>	<u>652,350</u>	<u>11,829,997</u>
Unallocated corporate income			725,719
Unallocated corporate expenses			(3,441,711)
Finance costs			<u>(581,004)</u>
Profit before taxation			8,533,001
Taxation			<u>(969,526)</u>
Profit for the period			<u>7,563,475</u>

*Other information**For the four months ended 30 April 2007 (unaudited)*

	<u>Manufacturing</u>	<u>Trading</u>	<u>Unallocated</u>	<u>Combined</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Additions to property, plant and equipment	1,507,490	—	—	1,507,490
Depreciation of property, plant and equipment	1,557,296	—	—	1,557,296
Release of prepaid lease payments	46,695	—	43,348	90,043

APPENDIX I**ACCOUNTANTS' REPORT****Combined income statement**

For the four months ended 30 April 2008

	<u>Manufacturing</u>	<u>Trading</u>	<u>Combined</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Segment revenue	<u>44,921,314</u>	<u>21,318,682</u>	<u>66,239,996</u>
Segment result	<u>11,770,959</u>	<u>1,329,051</u>	<u>13,100,010</u>
Unallocated corporate income			227,129
Unallocated corporate expenses			(7,302,618)
Finance costs			<u>(659,256)</u>
Profit before taxation			5,365,265
Taxation			<u>(948,000)</u>
Profit for the period			<u>4,417,265</u>

Combined balance sheet

At 30 April 2008

	<u>Manufacturing</u>	<u>Trading</u>	<u>Combined</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Assets			
Segment assets	155,414,182	31,665,934	187,080,116
Unallocated corporate assets			<u>34,742,036</u>
			<u>221,822,152</u>
Liabilities			
Segment liabilities	14,581,906	3,759,481	18,341,387
Unallocated corporate liabilities			<u>57,337,042</u>
			<u>75,678,429</u>

Other information

For the four months ended 30 April 2008

	<u>Manufacturing</u>	<u>Trading</u>	<u>Unallocated</u>	<u>Combined</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Additions to property, plant and equipment	2,510,618	—	—	2,510,618
Depreciation of property, plant and equipment	1,651,563	—	—	1,651,563
Release of prepaid lease payments	67,047	—	43,348	110,395
Allowances for bad and doubtful debts	50,134	—	—	50,134

Geographical segments

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

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

	Sales revenue by geographical markets				
	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				<i>(unaudited)</i>	
The PRC including Hong Kong	119,177,020	144,713,083	168,617,130	46,738,941	53,875,886
South East Asia	20,020,048	24,602,073	31,856,204	7,942,042	10,329,539
North America and Europe	4,848,011	6,580,935	4,066,629	1,980,218	2,034,571
	<u>144,045,079</u>	<u>175,896,091</u>	<u>204,539,963</u>	<u>56,661,201</u>	<u>66,239,996</u>

No analysis of the carrying amount of segment assets and capital expenditure by geographical area are disclosed during the Relevant Periods as all the segment assets are located in the PRC including Hong Kong.

8. OTHER INCOME

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				<i>(unaudited)</i>	
Gain on fair value change of derivative financial instruments	—	—	332,641	483,250	—
Net foreign exchange gain	—	38,420	39,696	—	—
Gain on disposal of property, plant and equipment	9,679	—	—	—	—
Rental income	204,000	204,000	257,419	85,807	96,000
Impairment loss reversed in respect of investment property	—	—	270,000	—	—
Sundry income	151,439	502,824	537,473	37,473	18,200
	<u>365,118</u>	<u>745,244</u>	<u>1,437,229</u>	<u>606,530</u>	<u>114,200</u>

9. LISTING EXPENSES

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

10. FINANCE COSTS

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
				<i>(unaudited)</i>	
Interest on:					
Bank borrowings wholly repayable within five years	1,037,578	1,654,926	2,547,589	578,125	659,256
A finance lease	—	2,160	3,795	2,879	—
	<u>1,037,578</u>	<u>1,657,086</u>	<u>2,551,384</u>	<u>581,004</u>	<u>659,256</u>

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the director during the Relevant Periods were as follows:

	Leung Chau Hiu	Leung Kai Wing	Yip Sai Keung	Tsang Chi Yung	Leung Chun Yin	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
For the year ended 31 December 2005						
Fees	—	—	—	—	—	—
Other emoluments						
Salaries, allowances and benefits in kind	336,376	507,478	—	469,091	276,640	1,589,585
Contributions to retirement benefits scheme	—	26,709	—	24,689	14,560	65,958
Total emoluments	<u>336,376</u>	<u>534,187</u>	<u>—</u>	<u>493,780</u>	<u>291,200</u>	<u>1,655,543</u>

APPENDIX I
ACCOUNTANTS' REPORT

	Leung Chau Hiu	Leung Kai Wing	Yip Sai Keung	Tsang Chi Yung	Leung Chun Yin	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
For the year ended 31 December 2006						
Fees	—	—	—	—	—	—
Other emoluments						
Salaries, allowances and benefits in kind	316,920	503,760	—	466,320	268,800	1,555,800
Contributions to retirement benefits scheme	—	25,188	—	23,316	13,440	61,944
Total emoluments	<u>316,920</u>	<u>528,948</u>	<u>—</u>	<u>489,636</u>	<u>282,240</u>	<u>1,617,744</u>
For the year ended 31 December 2007						
Fees	—	—	—	—	—	—
Other emoluments						
Salaries, allowances and benefits in kind	369,740	643,060	—	595,220	343,200	1,951,220
Contributions to retirement benefits scheme	—	32,153	—	29,761	17,160	79,074
Total emoluments	<u>369,740</u>	<u>675,213</u>	<u>—</u>	<u>624,981</u>	<u>360,360</u>	<u>2,030,294</u>
For four months ended 30 April 2007 (unaudited)						
Fees	—	—	—	—	—	—
Other emoluments						
Salaries, allowances and benefits in kind	132,050	209,900	—	194,300	112,000	648,250
Contributions to retirement benefits scheme	—	10,495	—	9,715	5,600	25,810
Total emoluments	<u>132,050</u>	<u>220,395</u>	<u>—</u>	<u>204,015</u>	<u>117,600</u>	<u>674,060</u>
For four months ended 30 April 2008						
Fees	—	—	—	—	—	—
Other emoluments						
Salaries, allowances and benefits in kind	107,230	176,450	—	163,600	94,400	541,680
Contributions to retirement benefits scheme	—	8,822	—	8,180	4,720	21,722
Total emoluments	<u>107,230</u>	<u>185,272</u>	<u>—</u>	<u>171,780</u>	<u>99,120</u>	<u>563,402</u>

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three were directors of the Company for the two years ended 31 December 2005 and 2006 and four months ended 30 April 2007, while two were directors of the Company for the year ended 31 December 2007 and four months ended 30 April 2008, details of whose emolument are included in the disclosures above. The emoluments of the remaining individuals were as follows:

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
				<i>(unaudited)</i>	
Salaries, allowances and benefits in kind	1,095,406	1,156,877	1,405,499	379,105	682,903
Contributions to retirement benefits scheme	20,510	20,580	31,766	7,000	12,000
	<u>1,115,916</u>	<u>1,177,457</u>	<u>1,437,265</u>	<u>386,105</u>	<u>694,903</u>

The emoluments of the five highest paid individuals (other than directors) were within the following bands:

	Number of employees				
	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
				<i>(unaudited)</i>	
Nil to HK\$1,000,000	<u>2</u>	<u>2</u>	<u>3</u>	<u>2</u>	<u>3</u>

During the Relevant Periods, no emoluments was paid by the Group to any of 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. None of the directors waived any emoluments during the Relevant Periods.

13. TAXATION

The charge comprises Hong Kong Profits Tax:

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
Current taxation	1,688,000	2,492,138	2,870,000	894,000	948,000
Deferred tax charge (note 32)					
Current year/period	—	—	161,839	120,263	—
Attributable to a change in tax rate	—	—	(44,737)	(44,737)	—
	—	—	117,102	75,526	—
	<u>1,688,000</u>	<u>2,492,138</u>	<u>2,987,102</u>	<u>969,526</u>	<u>948,000</u>

Hong Kong Profits Tax was calculated at 17.5%, of the estimated assessable profit for the year ended 31 December 2005, 2006, 2007 and four months ended 30 April 2007 and 2008 respectively.

During the Relevant Periods, there is no provision for taxation of the subsidiaries established in the PRC as these subsidiaries do not have assessable profit or the assessable profit is wholly absorbed by the tax losses brought forward.

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

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
Profit before taxation	<u>19,688,556</u>	<u>25,151,207</u>	<u>27,240,406</u>	<u>8,533,001</u>	<u>5,365,265</u>
Tax at the Hong Kong Profits Tax rate of 17.5%	3,445,497	4,401,461	4,767,071	1,493,275	938,921
Tax effect of expenses not deductible for tax purpose	324,746	92,172	309,864	25,490	561,665
Tax effect of income not taxable for tax purpose	(2,237,322)	(2,214,314)	(2,269,245)	(773,891)	(722,951)
Tax effect of change in tax rate on deferred tax liabilities	—	—	(44,737)	(44,737)	—
Tax effect of tax losses not recognised	118,989	130,893	77,658	165,495	501,483
Utilisation of tax losses previously not recognised	—	—	—	(51,555)	(185,877)
Effect of different tax rates of subsidiaries operating in PRC	22,025	(7,720)	55,043	36,174	(140,416)
Others	<u>14,065</u>	<u>89,646</u>	<u>91,448</u>	<u>119,275</u>	<u>(4,825)</u>
Taxation for the year/period	<u>1,688,000</u>	<u>2,492,138</u>	<u>2,987,102</u>	<u>969,526</u>	<u>948,000</u>

14. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
				<i>(unaudited)</i>	
Profit for the year/period has been arrived at after charging (crediting):					
Auditor's remuneration	310,000	354,500	400,000	133,000	135,500
Allowance for bad and doubtful debts	847,478	532,786	104,153	—	50,134
Allowance for inventories	306,744	—	—	—	—
Cost of inventories recognised as an expense	110,334,641	136,850,898	161,345,247	44,288,143	52,509,489
Depreciation of property, plant and equipment	2,997,477	2,867,752	5,265,150	1,557,296	1,651,563
Depreciation of investment property	53,216	53,216	53,216	17,738	17,738
Release of prepaid lease payments	244,126	270,130	270,130	90,043	110,395
Net foreign exchange loss	373,718	—	—	93,138	8,261
Loss on disposal of property, plant and equipment	—	118,356	—	—	—
Operating lease rentals in respect of rented premises	1,389,950	928,523	1,211,832	421,965	358,036
Staff costs (including directors' emoluments)					
- Salaries and other benefits	9,479,773	11,583,574	14,675,364	4,124,262	4,517,346
- Contributions to retirement benefits scheme	530,132	646,443	786,098	130,187	203,193
	10,009,905	12,230,017	15,461,462	4,254,449	4,720,539
Rental income from investment property	(204,000)	(204,000)	(257,419)	(85,807)	(96,000)
Less: Outgoings	105,376	105,160	97,701	35,041	30,559
Net rental income	(98,624)	(98,840)	(159,718)	(50,766)	(65,441)

15. DIVIDEND

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
				<i>(unaudited)</i>	
Dividend declared and recognised as distributions during the year/period	<u>—</u>	<u>15,000,000</u>	<u>12,000,000</u>	<u>—</u>	<u>—</u>
Dividend proposed	<u>15,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Pursuant to the directors' meeting dated 29 August 2006 and 5 December 2007, Vitar Hong Kong declared dividends of HK\$150 per share and HK\$120 per share respectively, which were distributed to the shareholders according to their shareholding.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Relevant Periods is based on the combined profit attributable to equity holders of the Company for the Relevant Periods and on the basis of 72,000,000 shares of the Company in issue as at the date of Prospectus and issuable pursuant to the capitalisation issue.

No diluted earnings per share were presented as there were no potential ordinary shares outstanding during the Relevant Periods.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Furniture and fixtures	Plant, machinery and equipment	Motor vehicles	Tools	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
COST							
At 1 January 2005	6,480,214	1,771,385	2,401,132	27,216,150	3,010,117	707,287	41,586,285
Exchange re-alignment	—	—	234	78,857	8,043	—	87,134
Additions	800,545	7,746,624	161,160	977,175	10,577	2,780	9,698,861
Transfer	2,501,030	(2,501,030)	—	—	—	—	—
Disposals	—	—	—	—	(441,948)	—	(441,948)
At 31 December 2005	9,781,789	7,016,979	2,562,526	28,272,182	2,586,789	710,067	50,930,332
Exchange re-alignment	—	500,615	12,281	320,744	23,742	—	857,382
Additions	—	5,483,203	499,124	8,801,112	815,769	3,001	15,602,209
Disposals	—	—	(8,228)	(510,000)	(733,000)	—	(1,251,228)
At 31 December 2006	9,781,789	13,000,797	3,065,703	36,884,038	2,693,300	713,068	66,138,695
Exchange re-alignment	944,392	456,640	89,527	1,013,798	95,320	—	2,599,677
Additions	10,290,566	—	1,199,247	1,259,628	735,486	—	13,484,927
Transfer	13,457,437	(13,457,437)	—	—	—	—	—
At 31 December 2007	34,474,184	—	4,354,477	39,157,464	3,524,106	713,068	82,223,299
Exchange re-alignment	998,780	—	74,598	583,079	68,065	—	1,724,522
Additions	1,538,050	—	329,688	579,721	—	63,159	2,510,618
At 30 April 2008	37,011,014	—	4,758,763	40,320,264	3,592,171	776,227	86,458,439
DEPRECIATION							
At 1 January 2005	649,027	—	1,575,134	16,998,537	2,325,162	454,291	22,002,151
Exchange re-alignment	—	—	83	16,987	3,519	—	20,589
Provided for the year	323,588	—	196,389	2,251,331	175,014	51,155	2,997,477
Eliminated on disposals	—	—	—	—	(411,627)	—	(411,627)
At 31 December 2005	972,615	—	1,771,606	19,266,855	2,092,068	505,446	24,608,590
Exchange re-alignment	—	—	933	67,733	11,900	—	80,566
Provided for the year	448,923	—	166,513	1,888,615	322,177	41,524	2,867,752
Eliminated on disposals	—	—	(6,503)	(376,307)	(677,963)	—	(1,060,773)
At 31 December 2006	1,421,538	—	1,932,549	20,846,896	1,748,182	546,970	26,496,135
Exchange re-alignment	19,675	—	11,380	259,248	39,244	—	329,547
Provided for the year	874,886	—	347,587	3,653,737	355,721	33,219	5,265,150
At 31 December 2007	2,316,099	—	2,291,516	24,759,881	2,143,147	580,189	32,090,832
Exchange re-alignment	21,651	—	11,340	193,910	26,589	—	253,490
Provided for the period	322,249	—	158,145	1,032,073	128,429	10,667	1,651,563
At 30 April 2008	2,659,999	—	2,461,001	25,985,864	2,298,165	590,856	33,995,885

	Buildings	Construction in progress	Furniture and fixtures	Plant, machinery and equipment	Motor vehicles	Tools	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
CARRYING VALUES							
At 30 April 2008	<u>34,351,015</u>	<u>—</u>	<u>2,297,762</u>	<u>14,334,400</u>	<u>1,294,006</u>	<u>185,371</u>	<u>52,462,554</u>
At 31 December 2007	<u>32,158,085</u>	<u>—</u>	<u>2,062,961</u>	<u>14,397,583</u>	<u>1,380,959</u>	<u>132,879</u>	<u>50,132,467</u>
At 31 December 2006	<u>8,360,251</u>	<u>13,000,797</u>	<u>1,133,154</u>	<u>16,037,142</u>	<u>945,118</u>	<u>166,098</u>	<u>39,642,560</u>
At 31 December 2005	<u>8,809,174</u>	<u>7,016,979</u>	<u>790,920</u>	<u>9,005,327</u>	<u>494,721</u>	<u>204,621</u>	<u>26,321,742</u>

Other than buildings which are depreciated on a straight-line method at 1.75% to 2.3% per annum, the above items of property, plant and equipment are depreciated using the reducing balance method at the following rates per annum:

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

	As at 31 December			As at 30 April 2008
	2005	2006	2007	2008
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
The carrying value of properties shown above comprises:				
In Hong Kong under medium-term lease	6,558,247	6,296,901	5,966,765	5,876,295
In the PRC under medium-term lease	—	—	24,378,073	26,670,371
In the PRC under short-term lease	<u>2,250,927</u>	<u>2,063,350</u>	<u>1,813,247</u>	<u>1,804,349</u>
	<u>8,809,174</u>	<u>8,360,251</u>	<u>32,158,085</u>	<u>34,351,015</u>

The carrying value of motor vehicles of HK\$945,118 as at 31 December 2006 included an amount of HK\$258,995 in respect of an asset held under a finance lease.

The Group has pledged buildings having a carrying value of HK\$5,695,176, HK\$6,296,901, HK\$6,166,868 and HK\$6,041,372 at 31 December 2005, 2006, 2007 and 30 April 2008 respectively to secure general banking facilities granted to the Group.

18. PREPAID LEASE PAYMENTS

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

	As at 31 December			As at
	2005	2006	2007	30 April
	HK\$	HK\$	HK\$	2008
Leasehold land in Hong Kong	10,741,667	10,471,537	10,201,407	10,111,364
Leasehold land in the PRC	—	—	—	6,480,082
	<u>10,741,667</u>	<u>10,471,537</u>	<u>10,201,407</u>	<u>16,591,446</u>
Prepaid lease payments of the Group are analysed for reporting purposes as:				
Current asset	270,130	270,130	270,130	408,439
Non-current asset	<u>10,471,537</u>	<u>10,201,407</u>	<u>9,931,277</u>	<u>16,183,007</u>
	<u>10,741,667</u>	<u>10,471,537</u>	<u>10,201,407</u>	<u>16,591,446</u>

The Group has pledged leasehold land with a carrying value of HK\$9,524,031, HK\$10,471,537, HK\$10,201,407 and HK\$10,111,364 at 31 December 2005, 2006, 2007 and 30 April 2008 respectively to secure general banking facilities granted to the Group.

19. INVESTMENT PROPERTY

	<i>HK\$</i>
COST	
At 1 January 2005, 31 December 2005, 31 December 2006, 31 December 2007 and 30 April 2008	<u>2,235,068</u>
DEPRECIATION AND IMPAIRMENT	
At 1 January 2005	270,000
Provided for the year	<u>53,216</u>
At 31 December 2005	323,216
Provided for the year	<u>53,216</u>
At 31 December 2006	376,432
Provided for the year	53,216
Impairment loss reversed to profit or loss	<u>(270,000)</u>
At 31 December 2007	159,648
Provided for the period	<u>17,738</u>
At 30 April 2008	<u>177,386</u>
CARRYING VALUES	
At 30 April 2008	<u>2,057,682</u>
At 31 December 2007	<u>2,075,420</u>
At 31 December 2006	<u>1,858,636</u>
At 31 December 2005	<u>1,911,852</u>

The carrying value of the Group's investment property including the prepaid lease payments is HK\$6,593,481, HK\$6,429,798, HK\$6,515,537 and HK\$6,454,451 at 31 December 2005, 2006, 2007 and 30 April 2008 respectively. The fair value of the Group's investment property including the prepaid lease payments is HK\$6,180,000, HK\$6,641,000, HK\$7,800,000 and HK\$7,950,000 at 31 December 2005, 2006, 2007 and 30 April 2008 respectively. The fair values as at 31 December 2005 and 31 December 2006 have been arrived at based on directors' estimates. No valuation has been performed by independent qualified professional valuers as at those dates. The valuation performed by the directors of the Company was determined by reference to market prices for similar properties. The fair values as at 31 December 2007 and 30 April 2008 have been arrived at based on a valuation carried out by Messrs. Jones Lang LaSalle Sallmanns Limited, independent valuers not connected with the Group. The valuation, which conforms to International Valuation Standards, was also determined by reference to recent market prices for similar properties.

The above investment property is rented out under an operating lease during the Relevant Periods.

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

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

20. INVENTORIES

	As at 31 December			As at
	2005	2006	2007	30 April
	HK\$	HK\$	HK\$	2008
Raw materials	9,633,135	14,832,381	19,697,196	21,500,211
Work-in-progress	1,725,525	1,919,688	2,103,704	2,011,696
Finished goods	5,018,556	9,254,128	12,024,231	14,026,264
	<u>16,377,216</u>	<u>26,006,197</u>	<u>33,825,131</u>	<u>37,538,171</u>

21. TRADE RECEIVABLES

	As at 31 December			As at
	2005	2006	2007	30 April
	HK\$	HK\$	HK\$	2008
Trade receivables	61,697,591	73,146,710	81,671,881	84,435,622
Less: Allowance for bad and doubtful debts	<u>(4,365,991)</u>	<u>(1,294,135)</u>	<u>(836,441)</u>	<u>(836,441)</u>
	<u>57,331,600</u>	<u>71,852,575</u>	<u>80,835,440</u>	<u>83,599,181</u>

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

	As at 31 December			As at
	2005	2006	2007	30 April
	HK\$	HK\$	HK\$	2008
0 — 30 days	12,554,848	19,664,907	20,473,833	26,693,066
31 — 60 days	13,147,112	18,870,676	17,844,847	10,948,885
61 — 90 days	7,483,452	14,883,483	11,820,996	10,485,112
Over 90 days but less than two years	<u>24,146,188</u>	<u>18,433,509</u>	<u>30,695,764</u>	<u>35,472,118</u>
	<u>57,331,600</u>	<u>71,852,575</u>	<u>80,835,440</u>	<u>83,599,181</u>

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

	As at 31 December			As at
	2005	2006	2007	30 April
	HK\$	HK\$	HK\$	2008
RMB	5,037,377	7,581,358	705,433	1,339,854
USD	17,969,094	8,196,435	9,255,246	33,503,863
	<u>23,006,471</u>	<u>15,777,793</u>	<u>9,960,679</u>	<u>34,843,717</u>

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

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$24,146,188, HK\$18,433,509, HK\$30,695,763 and HK\$35,472,118 which are past due at the balance sheet date for which the Group has not provided for impairment loss at 31 December 2005, 2006, 2007 and 30 April 2008 respectively. The Group does not hold any collateral over these balances. The average age of these receivables is 186 days, 286 days, 220 days and 163 days at 31 December 2005, 2006, 2007 and 30 April 2008 respectively.

Ageing of trade receivables which are past due but not impaired

	As at 31 December			As at
	2005	2006	2007	30 April
	HK\$	HK\$	HK\$	2008
91 — 180 days	16,291,800	8,783,764	14,955,575	29,167,259
181 — 365 days	6,240,856	6,604,478	10,989,630	4,976,107
Over 365 days but less than two years	1,613,532	3,045,267	4,750,558	1,328,752
Total	<u>24,146,188</u>	<u>18,433,509</u>	<u>30,695,763</u>	<u>35,472,118</u>

Movement in the allowance for bad and doubtful debts

	As at 31 December			As at
	2005	2006	2007	30 April
	HK\$	HK\$	HK\$	2008
Balance at beginning of the year/period	3,518,513	4,365,991	1,294,135	836,441
Impairment losses recognised on receivables	847,478	532,786	104,153	50,134
Amounts written off as uncollectible	—	(3,604,642)	(561,847)	(50,134)
Balance at end of the year/period	<u>4,365,991</u>	<u>1,294,135</u>	<u>836,441</u>	<u>836,441</u>

22. AMOUNTS DUE FROM DIRECTORS

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

Director	Balance	Balance	Balance	Balance	Maximum	Maximum	Maximum	Maximum
	as at 31.12.2005	as at 31.12.2006	as at 31.12.2007	as at 30.04.2008	amount outstanding during the year 2005	amount outstanding during the year 2006	amount outstanding during the year 2007	amount outstanding during the four months ended 30 April 2008
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Leung Chau Hiu	1,640,605	1,779,643	—	—	1,640,605	1,779,643	2,858,043	—
Leung Kai Wing	5,821,574	14,289,856	—	—	7,894,718	14,289,856	16,082,304	—
	<u>7,462,179</u>	<u>16,069,499</u>	<u>—</u>	<u>—</u>				

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

23. AMOUNTS DUE FROM RELATED COMPANIES

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

Name of related company	Common directorship	Beneficial shareholders	Balance	Balance	Balance	Balance	Maximum	Maximum	Maximum	Maximum
			as at 31.12.2005	as at 31.12.2006	as at 31.12.2007	as at 30.04.2008	amount outstanding during the year 2005	amount outstanding during the year 2006	amount outstanding during the year 2007	amount outstanding during the four months ended 30 April 2008
			HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
麥卡電工器材 (陸河) 有限公司	Leung Kai Wing Leung Chau Hiu	—	213,603	—	—	—	213,603	213,603	—	—
First Phoenix Investments Limited ("First Phoenix")	Leung Kai Wing	Leung Kai Wing	3,078,224	3,078,224	6,123	—	3,078,224	3,078,224	3,078,224	6,123
Top Asia (Far East) Limited	Tsang Chi Yung	Tsang Chi Yung	14,600	14,600	14,600	—	14,600	14,600	14,600	14,600
United Holdings Limited	Leung Kai Wing Leung Chau Hiu	Leung Kai Wing Leung Chau Hiu	70,180	70,180	70,180	—	70,180	70,180	70,180	70,180
			<u>3,376,607</u>	<u>3,163,004</u>	<u>90,903</u>	<u>—</u>				

The amounts due from related companies which were non-trading in nature, unsecured, interest-free and were repayable on demand.

24. PLEDGED BANK DEPOSITS AND BANK BALANCES

Pledged bank deposits represent deposits pledged to a bank to secure general short-term banking facilities granted to the Group. The pledged bank deposits carried average interest rate of 2.9%, 4.5%, 4.7% and 2.65% per annum at 31 December 2005, 2006, 2007 and 30 April 2008 respectively and will be released upon the settlement of relevant bank borrowings.

Bank balances carried interest at average interest rates of 1.5%, 3%, 3.5% and 1.2% per annum at 31 December 2005, 2006, 2007 and 30 April 2008 respectively. The Group's pledged bank deposits and bank balances that are denominated in currencies other than the functional currency of the respective group entity are set out below:

	Pledged bank deposits			
	As at 31 December			As at
	2005	2006	2007	30 April
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	2008
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
USD	<u>5,909,100</u>	<u>5,586,881</u>	<u>5,857,877</u>	<u>5,943,561</u>
	Bank balances			
	As at 31 December			As at
	2005	2006	2007	30 April
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	2008
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
USD	4,914,236	9,838,585	3,660,686	455,481
RMB	<u>1,125,519</u>	<u>754,571</u>	<u>944,837</u>	<u>1,246,694</u>

25. TRADE PAYABLES

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

	As at 31 December			As at
	2005	2006	2007	30 April
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	2008
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
0 — 30 days	1,403,936	7,565,391	8,788,696	10,009,461
31 — 60 days	2,265,419	1,660,857	4,358,097	5,168,589
61 — 90 days	1,228,153	931,099	783,668	366,571
90 days but less than one year	<u>12,286,580</u>	<u>5,338,145</u>	<u>3,354,261</u>	<u>2,796,766</u>
	<u>17,184,088</u>	<u>15,495,492</u>	<u>17,284,722</u>	<u>18,341,387</u>

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

	As at 31 December			As at
	2005	2006	2007	30 April
	HK\$	HK\$	HK\$	2008
RMB	10,109,648	3,980,767	2,031,860	2,600,604
USD	1,892,325	1,319,687	6,841,751	3,943,446
	<u>12,001,973</u>	<u>5,300,454</u>	<u>8,873,611</u>	<u>6,544,050</u>

26. AMOUNTS DUE TO DIRECTORS

Director	Balance	Balance	Balance	Balance
	as at	as at	as at	as at
	31.12.2005	31.12.2006	31.12.2007	30.04.2008
	HK\$	HK\$	HK\$	HK\$
Leung Chau Hiu	—	49,801	—	1,161,830
Leung Kai Wing	—	—	—	5,331,810
	<u>—</u>	<u>49,801</u>	<u>—</u>	<u>6,493,640</u>

The amounts are unsecured, non-interest bearing and are repayable on demand. The amounts were fully settled on 22 October 2008.

27. AMOUNT DUE TO A RELATED COMPANY

Name of related company	Common directorship	Balance	Balance	Balance	Balance
		as at	as at	as at	as at
		31.12.2005	31.12.2006	31.12.2007	30.04.2008
		HK\$	HK\$	HK\$	HK\$
Arshee Trading Limited	Leung Kai Wing	2,056,228	1,871,688	—	—
First Phoenix	Leung Kai Wing	—	—	—	77,097
		<u>—</u>	<u>—</u>	<u>—</u>	<u>77,097</u>

The amount due to a related company is unsecured bearing and is repayable on demand.

At 31 December 2005 and 2006, the balances were non trading nature.

The balance at 30 April 2008 is with trade nature and aged within 90 days. It represents rental payable to a related company, details of which are set out in note 36.

28. BANK BORROWINGS

	As at 31 December			As at
	2005	2006	2007	30 April
	HK\$	HK\$	HK\$	2008
Secured bank loans	10,772,970	10,668,373	15,404,517	18,978,575
Secured trust receipt loans	20,940,527	28,487,851	32,975,131	24,285,882
	<u>31,713,497</u>	<u>39,156,224</u>	<u>48,379,648</u>	<u>43,264,457</u>
The maturity profile of the borrowings is as follows:				
Within one year	30,046,371	38,150,355	47,773,660	43,074,504
More than one year, but not exceeding two years	661,257	1,005,869	605,988	189,953
More than two years, but not exceeding five years	1,005,869	—	—	—
	<u>31,713,497</u>	<u>39,156,224</u>	<u>48,379,648</u>	<u>43,264,457</u>
Less: Amounts due within one year shown under current liabilities	30,046,371	38,150,355	47,773,660	43,074,504
Amounts due after one year	<u>1,667,126</u>	<u>1,005,869</u>	<u>605,988</u>	<u>189,953</u>

All the bank borrowings are floating-rate borrowings. The range of effective interest rates on the Group's interest bearing borrowings is as follows:

Year ended 31 December			Four months ended
2005	2006	2007	30 April
			2008
HIBOR plus 1.1% - 1.6%	HIBOR plus 1.1% - 1.6%	HIBOR plus 0.8% - 1.6%	HIBOR plus 0.8% - 1.6%

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

The bank borrowings that are denominated in USD, the currency other than the functional currencies of the relevant group entities, which are equivalent to Hong Kong dollars are set out below:

	HK\$
As at 31 December 2005	8,986,284
As at 31 December 2006	16,036,293
As at 31 December 2007	17,440,002
As at 30 April 2008	15,533,239

29. OBLIGATION UNDER A FINANCE LEASE

The Group leases a motor vehicle under a finance lease. The lease term is 1 year. For the two years ended 31 December 2006 and 2007, the effective borrowing rate was 3% per annum. Interest rate was fixed at the contract date. The lease was on a fixed repayment basis and no arrangement had been entered into for contingent rental payments.

	Minimum lease payments as at 31 December			Minimum lease payments Year ended 30 April		Present value of minimum lease payments			
						As at 31 December			As at 30 April
	2005	2006	2007	2007	2008	2005	2006	2007	2008
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Amount payable under a finance lease									
Within one year	—	205,236	—	—	—	—	201,441	—	—
Less: Future finance charges	—	(3,795)	—	—	—	N/A	N/A	N/A	N/A
Present value of lease obligation	—	201,441	—	—	—	—	201,441	—	—
Less: Amount due within one year shown under current liabilities						—	(201,441)	—	—
Amount due after one year						—	—	—	—

The Group's obligation under a finance lease was secured by the lessor's charge over the leased asset.

The Group has fully settled all the obligation under a finance lease during the year ended 31 December 2007.

30. SHARE CAPITAL

The Group

For the purpose of the preparation of the combined balance sheets, the balances of share capital at 31 December 2005, 2006 and 2007 and 30 April 2008 respectively, represent the aggregate amount of share capital of the following companies:

Name of company	As at 31 December			As at 30 April
	2005	2006	2007	2008
	HK\$	HK\$	HK\$	HK\$
The Company	—	—	—	—
Vitar Hong Kong (Note)	10,000,000	10,000,000	10,000,000	10,000,000
	10,000,000	10,000,000	10,000,000	10,000,000

Note: The balance of HK\$10,000,000 represents the authorised, issued and fully paid share capital of 100,000 ordinary shares of HK\$100 each.

The Company

	<u>Number of Shares</u>	<u>Amounts</u>
		<i>HK\$</i>
Ordinary shares of HK\$0.1 each authorised:		
On incorporation and at 30 April 2008	<u>3,800,000</u>	<u>380,000</u>
Issued and fully paid:		
Allotted and issued on date of incorporation and 30 April 2008	<u>1</u>	<u>—</u>

The Company was incorporated with an authorised share capital of HK\$380,000, divided into 3,800,000 ordinary shares of HK\$0.1 each. At the date of incorporation, one ordinary share was issued at par to Mr. Leung Chau Hiu, the director of the Company, at nil paid.

31. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to combined income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at 31 December 2005, 2006, 2007 and 30 April 2008.

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

During the Relevant Periods, the total amounts contributed by the Group to the schemes and cost charged to the combined income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

32. DEFERRED TAXATION

The following is the deferred tax liability recognised as at the balance sheet dates:

	<u>Accelerated tax depreciation</u>
	<i>HK\$</i>
At 1 January 2005, 31 December 2005 and 31 December 2006	782,898
Charged to combined income statement for the year	161,839
Effect of change in tax rate	<u>(44,737)</u>
At 31 December 2007 and 30 April 2008	<u>900,000</u>

At 31 December 2005, 2006 and 2007 and 30 April 2008, the Group had estimated unused tax losses of approximately HK\$793,000, HK\$1,666,000, HK\$2,184,000 and HK\$3,157,000 respectively, available for offset against future profits. At the Relevant Periods, no deferred tax assets were recognised of such losses due to the unpredictability of future profit streams. Tax losses will be expired on various dates till 31 December 2012.

33. OPERATING LEASES

The Group as lessee

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

	As at 31 December			As at
	2005	2006	2007	30 April
	HK\$	HK\$	HK\$	2008
Within one year	200,077	197,344	248,326	600,295
In the second to fifth year inclusive	—	—	—	560,000
	<u>200,077</u>	<u>197,344</u>	<u>248,326</u>	<u>1,160,295</u>

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

The Group as lessor

The investment property generated rental yields of 8%, 8%, 7% and 8% on an ongoing basis at 31 December 2005, 2006, 2007 and 30 April 2008 respectively. Leases are negotiated and rentals are fixed for a term of one to two years.

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

	As at 31 December			As at
	2005	2006	2007	30 April
	HK\$	HK\$	HK\$	2008
Within one year	105,400	240,000	124,000	44,000
In the second year	—	124,000	—	—
	<u>105,400</u>	<u>364,000</u>	<u>124,000</u>	<u>44,000</u>

34. CAPITAL COMMITMENTS

	As at 31 December			As at
	2005	2006	2007	30 April
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	2008
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the Financial Information	<u>—</u>	<u>11,066,882</u>	<u>—</u>	<u>522,311</u>

35. MAJOR NON-CASH TRANSACTIONS

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

During the year ended 31 December 2006, the Group entered into a finance lease arrangement in respect of an asset with a capital value at the inception of the lease of HK\$345,327.

36. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2005, the Group purchased mica sheets amounting to HK\$12,338,334 and HK\$5,161,654 from New Jadwson Electronic Manufacturing (Shenzhen) Company Limited and Shenzhen Mica Electric Material Limited respectively of which the directors of the Company are also the directors of the related companies.

The banking facilities utilised by the Group to the extent of HK\$31,713,497, HK\$39,156,224, HK\$48,379,648, and HK\$43,264,457 as at 31 December 2005, 2006 and 2007, and 30 April 2008 respectively are secured by two directors' personal guarantees and personal properties. The unutilised amounts as at 31 December 2005, 2006, 2007, and 30 April 2008 are HK\$33,745,100, HK\$41,117,376, HK\$59,221,041 and HK\$73,345,828 respectively. The aforesaid guarantee will be released upon the listing of the shares of the Company on the Stock Exchange.

The banking facilities granted to two directors of the Company to the extent of HK\$10,000,000 are secured by the corporate guarantee issued by a subsidiary of the Company. In the opinion of the directors, the fair value of the guarantee contract is not significant. On 21 January 2008, the aforesaid guarantee was released.

For the years ended 31 December 2005, 2006, 2007, First Phoenix, a company wholly owned by Mr. Leung Kai Wing, director of the Company, granted certain office premises at workshops 4-6, 3rd Floor of Block B, New Trade Plaza, No. 6 On Ping Street, Shatin, New Territories, Hong Kong ("Office Premises") to the Group for administrative use without charging any rentals. The market rental estimated by the directors of the Company was HK\$240,000, HK\$252,000, HK\$288,000 during the years ended 31 December 2005, 2006 and 2007. On 6 March 2008, Vitar Hong Kong entered into a tenancy agreement with First Phoenix, pursuant to which First Phoenix agreed to lease the Office Premises to Vitar HK at a monthly rental of HK\$28,000 for the period from 1 January, 2008 to 31 December 2010. Rental paid by the Group to the First Phoenix for the four months ended 30 April 2008 is HK\$112,000.

Details of amounts due from and to directors and other related parties are set out in notes 22, 23, 26 and 27.

In the opinion of the directors of the Company, the above transactions and relevant pricing policy were conducted in the ordinary course of business. The transactions will be discontinued after the listing of shares of the Company on the Stock Exchange except for the use of Office Premises as disclosed above.

Compensation of key management personnel

The remuneration of members of key management including directors of the Company during the year ended 31 December 2005, 2006 and 2007 and period ended 30 April 2007 and 2008 was as follows:

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
				<i>(unaudited)</i>	
Short-term benefits	2,684,991	2,712,677	3,356,719	1,027,355	1,224,583
Contributions to retirement benefit scheme	<u>86,468</u>	<u>82,524</u>	<u>110,840</u>	<u>32,810</u>	<u>33,722</u>
	<u>2,771,459</u>	<u>2,795,201</u>	<u>3,467,559</u>	<u>1,060,165</u>	<u>1,258,305</u>

37. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 31 December 2005, 2006 and 2007 are not presented as the Company was incorporated on 22 January 2008. As at 30 April 2008, the Company had one issued ordinary share of HK\$0.1 each and investment in a subsidiary of US\$1 and remained inactive.

(B) ULTIMATE HOLDING COMPANY

After the completion of the Corporate Reorganisation, the ultimate holding company of the companies comprising the Group is Vitar Development Holdings Limited (“Vitar Development”), a company incorporated in the British Virgin Islands.

(C) SUBSEQUENT EVENTS

The following events took place subsequent to 30 April 2008.

Corporate Reorganisation

On 17 October 2008, Vitar Insulation acquired the entire issued share capital of Vitar Hong Kong from its shareholders and as consideration Vitar Insulation allotted and issued 1,000 new shares of US\$1 each to the shareholders of Vitar Hong Kong credited fully paid at par, that is, 350 shares, 325 shares, 100 shares, 100 shares, 50 shares and 75 shares to each of 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”), respectively.

On 21 October 2008, Mr. Leung Chau Hiu transferred the nil-paid share of the Company to Vitar Development. The Company also increased the authorised share capital to HK\$100,000,000 by the creation of 996,200,000 shares on the same date. Pursuant to the sale and purchase agreement dated

21 October 2008 entered between the Vendors and the Company, the Company acquired 1,000 shares of US\$1.00 each of Vitar Insulation from the Vendors, which was satisfied by the nil-paid share of the Company held by Vitar Development and the issue of 21,999,999 shares of the Company, all credited as fully paid, to Vitar Development.

Capitalisation Issue

Conditional on the share premium account of the Company being credited as a result of the shares of the Company in issue as at the date of Prospectus, directors of the Company are authorised to capitalise an amount of HK\$5,000,000 from such account and applying such sum in paying up in full at par a total of 50,000,000 shares for allotment and issue to Vitar Development.

Dividends

Pursuant to the directors' meeting dated 29 September 2008, Vitar Hong Kong declared dividend of HK\$250 per share amounting to HK\$25,000,000, which was distributed to the then shareholders according to their shareholding.

(D) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 April 2008.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the accountants' report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our reporting accountants as set out in appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information set out below should be read in conjunction with the section headed "Financial information" of the prospectus and the accountants' report on our Company set out in appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets set forth below is prepared based on the audited combined net tangible assets as at 30 April 2008, as shown in the accountants' report, the text of which is set out in appendix I to this prospectus, and adjusted as described below.

The unaudited pro forma adjusted net tangible assets has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, is set out to illustrate the effect of the Share Offer on our net tangible assets as at 30 April 2008 as if it had taken place on 30 April 2008. This unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of our financial position.

	Audited combined net tangible assets attributable to equity holders as at 30 April 2008	Add: Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	<i>(HK\$'000)</i> <i>(Note a)</i>	<i>(HK\$'000)</i> <i>(Note b)</i>	<i>(HK\$'000)</i>	<i>(HK\$)</i> <i>(Note c)</i>
Based on the Offer Price of HK\$2.1	<u>146,144</u>	<u>43,451</u>	<u>189,595</u>	<u>1.90</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (a) The audited combined net assets attributable to the equity holders of the Company, are extracted from the accountants' report set out in appendix I to this prospectus.

- (b) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$2.1 and 28,000,000 Offer Shares, after deduction of the underwriting fees and other related expenses payable by the Company after 30 April 2008 and taking into account of the professional fees and other expenses relating to the Listing of HK\$3,084,519 which have been recognised as an expense in the combined income statement for the four months ended 30 April 2008 in accordance with HKAS 32 Financial Instruments: Presentation.

- (c) The unaudited pro forma adjusted net tangible assets per Share is based on 100,000,000 Shares, being the number of Shares expected to be in issue immediately following completion of the Share Offer and the Capitalisation Issue but takes no account of any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

- (d) The property interests were valued by Jones Lang LaSalle Sallmanns Limited and the valuation report in respect of which was set out in appendix III to this prospectus. According to the valuation report, the property interests as at 31 August 2008 amounted to approximately HK\$75,170,000. Comparing this amount with the unaudited net carrying value of the property interests as at 31 August 2008 of approximately HK\$53,045,000, there was a surplus of HK\$22,125,000. Had the property interests been stated at revaluation, additional annual depreciation of HK\$350,543 will therefore be charged. The surplus on revaluation will not be reflected in our consolidated financial statements in subsequent years as the Group has elected to state the property interests at cost model.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report prepared for the purpose of incorporation in this prospectus, received from the reporting accountants of our Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong in respect of the unaudited pro forma financial information for the purpose of incorporation in this prospectus:-

30 October 2008

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF VITAR INTERNATIONAL HOLDINGS LIMITED**

We report on the unaudited pro forma financial information of Vitar International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed share offer might have affected the financial information presented, for inclusion in Appendix II of the prospectus dated 30 October 2008 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 April 2008 or any future date.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group so far as such policies relate to net tangible assets; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 August 2008 of the property interests.



Jones Lang LaSalle Sallmanns Limited
22nd Floor Siu On Centre
188 Lockhart Road
Wanchai Hong Kong
tel +852 2169 6000 fax +852 2169 6001

30 October 2008

The Board of Directors
Vitar International Holdings Limited

Dear Sirs,

In accordance with your instructions to value the properties in which Vitar International Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”) and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 August 2008 (the “date of valuation”).

Our valuations of the property interests represent the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

We have valued the property interests in Group I by the direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

Due to the nature of the buildings and structures of the property in the PRC, there are no market sales comparables readily available, the property interest in Group II has been valued on the basis of its depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement costs of the property interest is subject to adequate potential profitability of the concerned business.

We have valued the property in Group III by the income approach taking into account the net rental income of the property derived from the existing lease with due allowance for the reversionary income potential of the lease, which has been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to comparable sale transactions as available in the relevant market.

We have attributed no commercial value to the property interests in Groups IV and V, which are leased by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing those property interests of the Group in Hong Kong held under the Government Leases expiring before 30th June, 1997, we have taken account of the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30th June, 2047 and that a rent of three per cent of the then rateable value is charged per annum from the date of extension.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been, in some instances, provided by the Group with copies of the title documents relating to the property interests in the PRC including State-owned Land Use Rights Certificates and Real Estate Title Certificates, and have caused searches to be made at the Hong Kong Land Registry in respect of Hong Kong properties. Where possible, we have searched the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the properties or any lease amendments which may not appear on the copies handed to us. We have relied considerably on the advice given by the Company's PRC legal advisers — Commerce & Finance Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services, etc., for any development thereon. Our valuations have been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollars (HK\$). The exchange rate adopted in our valuations is approximately HK\$1 = RMB0.877, being the prevailing exchange rate as at the date of valuation.

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 25 years' experience in the valuation of properties in the PRC and 28 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

GROUP I — PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN HONG KONG

No. Property	Capital value in existing state as at 31 August 2008 HK\$
1. Workshop 12 on 7th Floor of Block A New Trade Plaza No. 6 On Ping Street Shatin New Territories Hong Kong	3,100,000
2. Workshop C on 26th Floor Shield Industrial Centre Nos. 84-92 Chai Wan Kok Street Tsuen Wan New Territories Hong Kong	3,000,000
3. Unit 3A on 3rd & 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 New Territories Hong Kong	16,400,000
	<hr/>
Sub-total:	<u>22,500,000</u>

GROUP II — PROPERTY INTEREST HELD AND OCCUPIED BY THE GROUP IN THE PRC

No. Property	Capital value in existing state as at 31 August 2008 HK\$
4. A parcel of land, various buildings and structures located at Baolong Industrial Park Tuocheng Town Longchuan County Heyuan City Guangdong Province The PRC	45,070,000
Sub-total:	<u>45,070,000</u>

GROUP III — PROPERTY INTEREST HELD FOR INVESTMENT BY THE GROUP IN HONG KONG

No. Property	Capital value in existing state as at 31 August 2008 HK\$
5. Flat H on 6th Floor of Block 5 and Car Parking Spaces Nos. 35 and 79 on Basement Villa Concerto, Symphony Bay No. 530 Sai Sha Road New Territories Hong Kong	7,600,000
Sub-total:	<u>7,600,000</u>

GROUP IV — PROPERTY INTEREST RENTED AND OCCUPIED BY THE GROUP IN HONG KONG

No. Property	Capital value in existing state as at 31 August 2008 HK\$
6. Workshops 4, 5 and 6 on 3rd Floor of Block B New Trade Plaza No. 6 On Ping Street Shatin New Territories Hong Kong	No commercial value
Sub-total:	<u>Nil</u>

GROUP V — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN THE PRC

No. Property	Capital value in existing state as at 31 August 2008 HK\$
7. A parcel of land and a building located at Shufangmen Maozai Village Wutongshan Shenzhen City Guangdong Province The PRC	No commercial value
8. 4 industrial buildings located at Shufangmen Maozai Village Wutongshan Shenzhen City Guangdong Province The PRC	No commercial value
Sub-total:	<u>Nil</u>
Total:	<u><u>75,170,000</u></u>

VALUATION CERTIFICATE

GROUP I — PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN HONG KONG

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2008 <i>HK\$</i>
1. Workshop 12 on 7th Floor of Block A New Trade Plaza No. 6 On Ping Street Shatin New Territories Hong Kong	The property comprises an industrial unit on the 7th floor of a 20-storey industrial building completed in about 1993. The property has a gross floor area of approximately 1,473 sq.ft. The property is held under a New Grant No. 12340 for a term commencing from 11 December 1990 and expiring on 30 June 2047.	The property is currently occupied by the Group for storage and ancillary office purposes.	3,100,000
16/5612th shares of and in Sha Tin Town Lot No. 372			

Notes:

1. The registered owner of the property is Vitar Insulation Manufacturers Limited, a wholly-owned subsidiary of the Company, vide Memorial No. 05122901720047 dated 30 November 2005.
2. The property is subject to an Occupation Permit vide Memorial No. ST707276 dated 15 June 1993.
3. The property is subject to a Certificate of Compliance vide Memorial No. ST728117 dated 20 August 1993.
4. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. ST728119 dated 31 August 1993.
5. The property is subject to a Mortgage in favour of Dah Sing Bank Limited vide Memorial No. 07011001300012 dated 3 January 2007.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2008 <i>HK\$</i>
2. Workshop C on 26th Floor Shield Industrial Centre Nos. 84-92 Chai Wan Kok Street Tsuen Wan New Territories Hong Kong 17/7000th shares of and in Tsuen Wan Inland Lot No. 43	<p>The property comprises an industrial unit on the 26th floor of a 30-storey industrial building completed in about 1982.</p> <p>The property has a saleable area of approximately 2,560 sq.ft.</p> <p>The property is held under a Conditions of Sale No. UB5192 for a term of 75 years commencing from 1 July 1898 renewable for further 24 years and thereafter statutorily extended until 30 June 2047 without premium but subject to a payment of Government Rent which equals to 3% of the rateable value for the time being of the lot.</p>	The property is currently occupied by the Group for warehouse purpose.	3,000,000

Notes:

1. The registered owner of the property is Vitar Insulation Manufacturers Limited, a wholly-owned subsidiary of the Company, vide Memorial No. UB5192848 dated 8 February 1992.
2. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. UB2341554 and re-registered by Memorial No. UB2554153 dated 29 October 1982.
3. The property is subject to an Agreement Supplemental to Deed of Mutual Covenant vide Memorial No. UB2341555 and re-registered by Memorial No. UB2554154 dated 29 October 1982.
4. The property is subject to a Mortgage to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. UB5192849 dated 8 February 1992.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2008 <i>HK\$</i>
3. Unit 3A on 3rd & 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 New Territories Hong Kong 102/825th shares of and in Sha Tin Town Lot No. 58	<p>The property comprises a duplex residential unit on the 3rd and 4th floors (including roof) and 2 car parking spaces on the ground floor of a 5-storey residential building completed in about 1983.</p> <p>The duplex residential unit has a saleable area of approximately 2,518 sq.ft. and a roof area of approximately 1,141 sq.ft.</p> <p>The property is held under a New Grant No. 11416 for a term of 99 years commencing from 1 July 1898 and thereafter statutorily extended until 30 June 2047 without premium but subject to a payment of Government Rent which equals to 3% of the rateable value for the time being of the lot.</p>	The property is currently occupied by the Group for staff quarters and car parking purposes.	16,400,000

Notes:

1. The registered owner of the property is Vitar Insulation Manufacturers Limited, a wholly-owned subsidiary of the Company, vide Memorial No. ST1227425 dated 25 May 2001.
2. The property is subject to a Deed of Mutual Covenant vide Memorial No. ST249832 dated 15 February 1984.
3. The property is subject to a Mortgage in favour of DBS Bank (Hong Kong) Limited (formerly known as "Dao Heng Bank Limited") vide Memorial No. ST1227426 dated 25 May 2001.

VALUATION CERTIFICATE

GROUP II — PROPERTY INTEREST HELD AND OCCUPIED BY THE GROUP IN THE PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2008 HK\$
4. A parcel of land, various buildings and structures located at Baolong Industrial Park Tuocheng Town Longchuan County Heyuan City Guangdong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 86,269.1 sq.m. and 8 buildings and various structures erected thereon completed in various stages between 2006 and 2007.</p> <p>The buildings have a total gross floor area of approximately 32,145.03 sq.m.</p> <p>The buildings mainly include factories, warehouses and a dormitory.</p> <p>The structures mainly include boundary fences, roads, gates, guard house and etc.</p> <p>The land use rights of the property have been granted for a term expiring on 23 January 2055 for industrial use.</p>	The property is currently occupied by the Group for production, storage and ancillary office purposes.	45,070,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 4 March 2008 entered into between the State-owned Land Resources Bureau of Longchuan County and Long Chuan Weida Insulation Material Co., Ltd., a wholly-owned subsidiary of the Company, the land use rights of a parcel of land with a site area of approximately 86,269.1 sq.m. were contracted to be granted to Long Chuan Weida Insulation Material Co., Ltd. for a term of 50 years for industrial use. The land use rights premium is RMB5,780,029.
2. Pursuant to a State-owned Land Use Rights Certificate — Long Fu Guo Yong (Chu) Di No. 0000567, the land use rights of a parcel of land with a site area of approximately 86,269.1 sq.m. have been granted to Long Chuan Weida Insulation Material Co., Ltd. for a term expiring on 23 January 2055 for industrial use.
3. Pursuant to 8 Real Estate Title Certificates — Yue Fang Di Zheng Zi Di Nos. C5513147, C5513148, C5513149, C5513150 and C5515402 to C5515405, 8 buildings with a total gross floor area of approximately 32,145.03 sq.m. are owned by Long Chuan Weida Insulation Material Co., Ltd.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, that contains, inter alia, the following:
 - i) The Group has obtained the land use rights over the land and the building ownership rights of the 8 buildings stated in note 3 and such rights can be legally used, transferred, leased and mortgaged by the Group.
 - ii) The property is not subject to any mortgage.

VALUATION CERTIFICATE

GROUP III — PROPERTY INTEREST HELD FOR INVESTMENT BY THE GROUP IN HONG KONG

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2008 <i>HK\$</i>
5. Flat H on 6th Floor of Block 5 and Car Parking Spaces Nos. 35 and 79 on Basement Villa Concerto, Symphony Bay No. 530 Sai Sha Road New Territories Hong Kong 283/324570th shares of and in The Remaining Portion of Tai Po Town Lot No. 146	The property comprises a residential unit on the 6th floor of a 12-storey residential building and 2 car parking spaces completed in about 1998. The residential unit has a gross floor area of approximately 1,264 sq.ft. The property is held under a New Grant No. TP13189 for a term commencing from 27 June 1996 and expiring on 30 June 2047.	The residential unit and Car Parking Space No. 35 are currently rented to an independent third party for a term of 2 years commencing from 7 July 2008 and expiring on 6 July 2010 at a monthly rent of HK\$24,000 inclusive of management fees and rates whilst Car Parking Space No. 79 is vacant.	7,600,000

Notes:

1. The registered owner of the property is Vitar Insulation Manufacturers Limited, a wholly-owned subsidiary of the Company, vide Memorial Nos. TP597462, TP610413 and TP616796 dated 12 February 1999, 19 July 1999 and 12 July 1999 respectively.
2. The property is subject to an Occupation Permit No. NT68/98 vide Memorial No. TP591443 dated 13 July 1998.
3. The property is subject to a Certificate of Compliance vide Memorial No. TP593068 dated 21 January 1999.
4. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. TP594776 dated 29 January 1999.
5. The property is subject to Mortgages to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial Nos. TP597463 and TP616175 dated 12 February 1999 and 13 October 1999 respectively.

VALUATION CERTIFICATE

GROUP IV — PROPERTY INTEREST RENTED AND OCCUPIED BY THE GROUP IN HONG KONG

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2008 HK\$
6. Workshops 4, 5 and 6 on 3rd Floor of Block B New Trade Plaza No. 6 On Ping Street Shatin New Territories Hong Kong	The property comprises 3 industrial units on the 3rd floor of a 21-storey industrial building completed in about 1993. The property has a total gross floor area of approximately 2,924 sq.ft. Pursuant to a Tenancy Agreement, the property is rented to the Group from First Phoenix Investments Limited, a connected party of the Company, for a term of 3 years commencing from 1 January 2008 and expiring on 31 December 2010, at a monthly rent of HK\$28,000 exclusive of Government rent, management fees and rates.	The property is currently occupied by the Group for storage and ancillary office purposes.	No commercial value

Note:

1. The registered owner of the property is First Phoenix Investments Limited vide Memorial No. ST1363335 dated 30 March 2004.

VALUATION CERTIFICATE

GROUP V — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN THE PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2008 <i>HK\$</i>
7. A parcel of land and a building located at Shufangmen Maozai Village Wutongshan Shenzhen City Guangdong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 600 sq.m. and an industrial building erected thereon completed in about 2006.</p> <p>The building has a gross floor area of approximately 1,800 sq.m.</p> <p>The property is rented to Vitar Insulation Manufacturers Limited, a wholly-owned subsidiary of the Company, from an independent third party for a term of 10 years.</p>	The property is currently occupied by the Group for production and warehouse purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement dated 7 November 2003, the property is leased to Vitar Insulation Manufacturers Limited from an independent third party for a term of 10 years. Both the lessee and the lessor agreed that the lessee would pay the construction cost of the industrial building and the lessee can use and occupy the property for a term of 10 years at nil rent from the commencement date of occupation. Pursuant to a Supplemental Agreement dated 5 March 2008, Vitar Insulation Material (Shenzhen) Limited, a wholly-owned subsidiary of the Company, agrees to assume all the rights and obligations of Vitar Insulation Manufacturers Limited under the Tenancy Agreement, effective from the date of the Tenancy Agreement.
2. We have been provided with a legal opinion on the legality of the Tenancy Agreement of the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - i) The lessor did not provide any land use rights certificates, building title certificates or any other documentation evidencing that he is authorised to enter into the Tenancy Agreement. Accordingly, the legality of the Tenancy Agreement cannot be determined. As advised by the Group, the lessor has provided the Group a letter of undertaking pursuant to which the lessor: (a) warrants that he is the lawful owner of the relevant land use rights and the leased building; and (b) agrees to compensate the Group for all losses arising from any government action or third party claim that causes loss to the Group or otherwise impedes the proper performance of the Tenancy Agreement.
 - ii) According to PRC laws, where a lessee is forced to vacate leased premises in favour of the lessor or the rightful property owner in circumstances where a lease is found to be invalid on the basis of (a) the lessor does not have the right to lease the property; or (b) a third party successfully disputing the legality of the lease, the lessee may claim damages from the lessor in accordance with relevant laws or on the basis of any letter of undertaking provided by the lessor to the lessee.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2008 <i>HK\$</i>
8. 4 industrial buildings located at Shufangmen Maozai Village Wutongshan Shenzhen City Guangdong Province The PRC	<p>The property comprises 4 industrial buildings completed in about 1995.</p> <p>The buildings have a total gross floor area of approximately 6,177.5 sq.m.</p> <p>The property is rented to the Group from an independent third party for terms of 5 and 3 years with the latest expiry date on 31 July 2011 at a total monthly rent of RMB52,008.75 exclusive of water and electricity charges and other outgoings.</p>	The property is currently occupied by the Group for production purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement dated 22 July 2006, a building of the property with a gross floor area of approximately 1,000 sq.m. is rented to Vitar Insulation Manufacturers Limited, a wholly-owned subsidiary of the Company, from an independent third party for a term of 5 years commencing from 1 August 2006 and expiring on 31 July 2011 at a monthly rent of RMB8,000 from 1 August 2006 to 31 July 2009 and RMB9,200 from 1 August 2009 to 31 July 2011, exclusive of water and electricity charges and other outgoings. Pursuant to a Supplemental Agreement dated 5 March 2008, Vitar Insulation Material (Shenzhen) Limited, a wholly-owned subsidiary of the Company, agrees to assume all the rights and obligations of Vitar Insulation Manufacturers Limited under the Tenancy Agreement, effective from the date of the Tenancy Agreement.
2. Pursuant to a Tenancy Agreement dated 11 January 2008, 3 buildings of the property with a total gross floor area of approximately 5,177.5 sq.m. are rented to Vitar Insulation Material (Shenzhen) Limited, a wholly-owned subsidiary of the Company, from an independent third party for a term of 3 years commencing from 1 January 2008 and expiring on 31 December 2010 at a monthly rent of RMB44,008.75 exclusive of water and electricity charges and other outgoings.
3. We have been provided with a legal opinion on the legality of the Tenancy Agreements of the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - i) The lessor did not provide any land use rights certificates, building title certificates or any other documentation evidencing that he is authorised to enter into the Tenancy Agreements. Accordingly, the legality of the Tenancy Agreements cannot be determined. As advised by the Group, the lessor has provided the Group a letter of undertaking pursuant to which the lessor: (a) warrants that he is the lawful owner of the relevant land use rights and the leased buildings; and (b) agrees to compensate the Group for all losses arising from any government action or third party claim that causes loss to the Group or otherwise impedes the proper performance of the Tenancy Agreements.
 - ii) According to PRC laws, where a lessee is forced to vacate leased premises in favour of the lessor or the rightful property owner in circumstances where a lease is found to be invalid on the basis of (a) the lessor does not have the right to lease the property; or (b) a third party successfully disputing the legality of the lease, the lessee may claim damages from the lessor in accordance with relevant laws or on the basis of any letter of undertaking provided by the lessor to the lessee.

Set out below is a brief overview of the PRC legal framework for foreign investment, foreign exchange controls, taxation, employment, workplace safety, environmental protection and production quality control.

PART I FOREIGN INVESTMENT

1. The Provisions on Guiding Foreign Investment Direction and the Catalogue for the Guidance of Foreign Investment Industries

The Provisions on Guiding Foreign Investment (指導外商投資方向規定) and the Catalogue for the Guidance of Foreign Investment (外商投資產業指導目錄) constitute the basis for applicable policies regarding the examination and approval of foreign investment projects and foreign investment enterprises in the PRC.

(1) The Provisions on Guiding Foreign Investment

On 20 June 1995, the State Planning Commission, the State Economic and Trade Commission and the Ministry of Foreign Trade and Economic Cooperation jointly promulgated the Interim Provisions on Guiding Foreign Investment (指導外商投資方向暫行規定) (the “**Interim Foreign Investment Provisions**”), classifying all foreign investment projects into one of four categories: encouraged projects, permitted projects, restricted projects and prohibited projects.

On 11 February 2002, the State Council promulgated the Provisions on Guiding Foreign Investment (the “**Foreign Investment Provisions**”), re-stating the four classifications of foreign investment projects. Foreign investment projects belonging to any of the encouraged, restricted or prohibited categories are listed in the Catalogue for the Guidance of Foreign Investment (the “**Foreign Investment Catalogue**”), whereas foreign investment projects which do not belong to the above three categories are classified as permitted projects and are not listed in the Foreign Investment Catalogue. The purpose of the Foreign Investment Provisions is to direct foreign investment into certain priority industry sectors while restricting or prohibiting investment in other sectors.

The Foreign Investment Provisions entered into force on 1 April 2002 and the Provisional Foreign Investment Provisions were simultaneously repealed.

(2) The Catalogue for the Guidance of Foreign Investment

The Catalogue for the Guidance of Foreign Investment (the “**Foreign Investment Catalogue**”) lists specific industries and economic activities in which foreign investment in China is encouraged, restricted or prohibited.

The State Planning Commission, the State Economic and Trade Commission and the Ministry of Foreign Trade and Economic Cooperation jointly promulgated the Foreign Investment Catalogue in 1995. Since then, the Foreign Investment Catalogue has been revised several times, with the most significant revisions taking place in 2002, 2004 and 2007. The version of the Foreign Investment Catalogue currently in effect was jointly promulgated by the National Development and Reform Commission (the “**NDRC**”) and the Ministry of Commerce on 31 October 2007 and came into effect on 1 December 2007. On the same day, the Foreign Investment Catalogue (as amended in 2004) was repealed.

In general, the Foreign Investment Catalogue (2007) improves foreign investors’ access to commercial and financial services, activities contributing to environmental protection and advanced manufacturing activities; while placing greater restrictions on access to investments in real estate, media-related activities and production activities for which foreign investment is no longer considered necessary to assure future development.

2. **Decision of the State Council on the Reform of the Investment System**

On 16 July 2004, the State Council promulgated the Decision on the Reform of the Investment Sector (關於投資體制改革的決定), (the “**Investment Reform Decision**”) reforming the system of government supervision over enterprise investment. The Investment Reform Decision allows enterprises greater independence in making investment decisions in line with the principle that “the investor makes the investment decisions, reaps the profits and bears the risks”. According to the Investment Reform Decision, government approval will no longer be required for projects that are not funded by the government. Instead, a system of “Authorisation” and “Record-filing” will be used based on the following principle: (a) projects not using state funds will only need governmental authorisation for important and restricted investment projects relating to public or social interests; (b) other projects without state funds, no matter how large the scale, only need to be put on record, and enterprises are free to make decisions and assume risks on market prospects, economic benefits, source of capital and product planning.

The appendix to the Investment Reform Decision contains the Catalogue of Investment Projects Authorised by the Government (2004) (政府核准的投資項目目錄) (the “**Authorisation Catalogue**”). The Authorisation Catalogue lists: (a) major and restricted fixed-asset investment projects that are not government funded and that are subject to authorisation from relevant government department(s); and (b) non-government funded projects invested in by enterprises that are neither covered in the Catalogue nor prohibited by national laws, regulations or the rules set out by the State Council and that need only be put on record.

3. **Provisional Administrative Measures on the Examination and Approval of Foreign Investment Projects**

Pursuant to the Investment Reform Decision, on 9 October 2004 the NDRC promulgated the Provisional Administrative Measures on the Examination and Approval of Foreign Investment Projects (外商投資項目核准暫行管理辦法) (the “**Provisional Administrative Measures**”) which became effective on the date of promulgation. According to the Provisional Administrative Measures, the NDRC shall examine and approve foreign investment projects: (i) with a total investment of US\$100 million or more that come within the category of industries in which foreign investment is encouraged or permitted; and (ii) those with a total investment of US\$50 million or more that come within the category of industries in which foreign investment is subject to restrictions. Furthermore, foreign investment projects with a total investment of US\$500 million or more that come within the category of industries in which foreign investment is encouraged or permitted and those with a total investment of US\$100 million or more that come within the category of industries in which foreign investment is subject to restrictions are subject to further approval by the State Council based on the examination and approval of the NDRC. Local counterparts of the NDRC have authority to approve projects with total investment less than the above thresholds.

4. **Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors**

On 7 March 2003, the Ministry of Foreign Trade and Economic Cooperation, the State Administration of Taxation, the State Administration for Industry & Commerce and the State Administration of Foreign Exchange jointly promulgated the Interim Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (外國投資者併購境內企業暫行規定) (the “**Interim M&A Rules**”), which became effective on 12 April 2003.

Based on the Interim M&A Rules, on 8 August 2006, the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, the State Administration for Industry & Commerce, the China Securities Regulatory Commission and State Administration of Foreign Exchange jointly promulgated the Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “**M&A Rules**”), which became effective on 8 September 2006.

According to the M&A Rules: (a) an “Equity Merger and Acquisition” of a domestic enterprise by a foreign investor occurs where a foreign investor(s) purchases an equity interest from the shareholders of a domestic enterprise with no foreign investment (the “**Domestic Company**”) or subscribes to an increase in the registered capital of the Domestic Company with the result that such Domestic Company changes into a foreign invested enterprise; (b) an “Asset Merger and Acquisition” occurs where (i) a foreign investor(s) establishes a foreign invested enterprise and then, through such enterprise, purchases the assets of a Domestic Company by agreement and operates such assets, or (ii) a foreign investor(s) purchases the assets of a Domestic Company by agreement and uses such assets to invest in the establishment of a foreign invested enterprise to operate such assets; (c) where a

Domestic Company or natural person intends to merge or acquire a Domestic Company with which they share a connection in the name of a foreign company legally established or controlled by them, approval must be granted from the Ministry of Commerce; (d) if a foreign investor through a merger or acquisition gains control of a Domestic Company that is involved in a major industry, has had or may have an influence on national security, is the owner of a famous domestic trademark or has a long history in the PRC, the person concerned shall submit a report to the Ministry of Commerce; and (e) if the investor is a foreign company that is directly or indirectly controlled by PRC residents and that was established for the special purpose of listing its equity interest in the Domestic Company on an overseas stock exchange (SPV), the overseas listing must receive approval from the China Securities Regulatory Commission. The need for approval is particularly emphasised in circumstances where the SPV uses its own equity (including any additional share issues) as consideration for its purchase of equity in the Domestic Company or its subscription to an increase in the Domestic Company's registered capital.

PART II FOREIGN EXCHANGE CONTROL

1. Announcement of the People's Bank of China Concerning Further Reform of the Foreign Currency Control System

The People's Bank of China (the "PBOC") under the authority of the State Council promulgated the Announcement of the People's Bank of China Concerning Further Reform of the Foreign Currency Control System (關於進一步改革外匯管理體制的公告) (the "**Foreign Currency Reform Announcement**") on 28 December 1993, which became effective on 1 January 1994. According to the Foreign Currency Reform Announcement, (a) the PRC adopts a system of settlement of foreign exchange income; and (b) foreign-funded enterprises are permitted to open foreign exchange cash accounts with designated banks or foreign funded banks for their foreign exchange income.

2. Regulations of People's Republic of China on Foreign Exchange Control

On 29 January 1996, the State Council promulgated the Regulations of the People's Republic of China on Foreign Exchange Control (中華人民共和國外匯管理條例) (the "**Regulations on Foreign Exchange**"), which became effective on 1 April 1996 and were amended on 14 January 1997. The Regulations on Foreign Exchange (1997) set out the fundamental principles and systems regarding foreign exchange control and administration, addressing all activities related to the receipt and payment of foreign exchange as well as foreign exchange operations of domestic entities, individuals, foreign establishments, and foreign nationals in China. In summary: (a) all foreign exchange receipts for capital account transactions shall, unless specially exempted, be placed in a foreign exchange account at a designated foreign exchange bank or sold to a designated foreign exchange bank; (b) foreign exchange receipts for current account transactions shall be sold to a designated foreign exchange bank or, upon approval, be deposited into the foreign exchange account at a designated bank; (c) foreign exchange owned by individuals can be held at their own discretion, deposited into bank account or sold to a designated foreign exchange bank; (d) foreign exchange remitted or carried in by foreign establishments and foreign nationals in China can be held at their own discretion, deposited into a designated bank or sold to a designated foreign exchange bank. Such foreign exchange can also be remitted or taken abroad upon the presentation of valid documentation.

3. **Regulations for the Administration of Settlements, Sales and Payments of Foreign Exchange**

On 20 June 1996, the PBOC promulgated the Regulations for the Administration of Settlements, Sales and Payments of Foreign Exchange (結匯、售匯及付匯管理規定) (the “**Settlement Regulations**”), which became effective on 1 July 1996.

The Settlement Regulations contain specific rules governing the settlement and sale of foreign exchange, the opening of foreign exchange accounts and the remittance of payments to payees outside the PRC. According to the Settlement Regulations: (a) foreign exchange revenue relating to current account items of foreign investment enterprises may be retained as foreign currency up to the maximum amount specified by the Administration of Foreign Exchange, and the portion in excess of such amount shall be sold to a designated foreign exchange bank; (b) foreign exchange relating to capital account items shall be deposited into the capital account of a designated foreign exchange bank.

4. **Measures and Implementation Rules regarding the Administration of Individual Foreign Exchange**

On 25 December 2006, the PBOC promulgated the Measures regarding the Administration of Individual Foreign Exchange (個人外匯管理辦法) (the “**Individual Foreign Exchange Measures**”) which became effective on 1 February 2007. On 5 January 2007, the State Administration of Foreign Exchange promulgated the Implementation Rules for the Measures regarding the Administration of Individual Foreign Exchange (個人外匯管理辦法實施細則), which became effective on 1 February 2007.

According to the Individual Foreign Exchange Measures and their Implementation Rules, individuals may freely convert foreign exchange on current accounts, while foreign exchange on capital accounts must be managed in accordance with the convertibility process.

5. **The Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning the Administration of Foreign Exchange with respect to Financing and Round-trip Investment by Domestic Residents through Offshore Special Purpose Companies**

On 21 October 2005, the State Administration of Foreign Exchange promulgated the Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning the Administration of Foreign Exchange with respect to Financing and Round-trip Investment by Domestic Residents through Offshore Special Purpose Companies (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“**Circular 75**”), which became effective on 1 November 2005.

According to Circular 75: (a) PRC residents (companies and individuals) are permitted to establish overseas special purpose companies to engage in equity financing in the international capital market through such means as reverse mergers and acquisitions, equity conversion and convertible debts; (b) so long as PRC residents have completed their foreign exchange registration requirements for overseas investments, their round trip investment in China will be granted foreign exchange registration status granted to foreign investment enterprises, including capital flows under relevant regulations; (c) after the foreign exchange registration has been completed, the invested enterprises may distribute funds to special purpose companies through dividends, liquidation, equity transfer, capital decrease and other means; (d) after completion of financing activities by the special purpose companies, PRC residents may repatriate to China funds that should be used onshore, based on the capital use plans in their business plans or prospectuses; (e) profits, dividends and other income distributed by overseas special purpose companies to the PRC residents are to be repatriated to China within 180 days of receipt to appropriate accounts depending on the nature of the income.

6. Exchange Rate System

According to the Regulations on Foreign Exchange (amended in 1997), the exchange rate for the Renminbi is a single, managed floating exchange rate based on market demand and supply. The People's Bank of China announces the exchange rate of the Renminbi against major currencies on the basis of the prevailing exchange rates in the inter-bank foreign exchange market.

Currently, the PBOC sets and publishes the daily exchange rate of the Renminbi against major currencies on each business day. This exchange rate is determined with reference to the transaction price for the Renminbi against major currencies in the inter-bank foreign exchange market on the previous day. In foreign exchange transactions, a designated foreign exchange bank may, within a specified range, freely determine the applicable exchange rate in accordance with the exchange rate announced by the PBOC.

7. Gradual Relaxation of Foreign Exchange Controls

The PRC government is gradually relaxing its control on foreign exchange in the following ways:-

- (a) PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of the State Administration of Foreign Exchange, effect payment from their foreign exchange account or convert and pay at a designated foreign exchange bank, on the strength of valid receipts and proof of transactions;
- (b) Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises which in accordance with regulations are required to pay dividends to shareholders in foreign exchange, may on the strength of general meeting resolutions of such PRC enterprises or board resolutions relating to the distribution of profits, effect payment from their foreign exchange account or convert and pay at a designated foreign exchange bank.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from the State Administration of Foreign Exchange and the relevant branch must be sought. Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or security, requires the approval of the State Administration of Foreign Exchange and other relevant authorities.

PART III DIVIDEND DISTRIBUTION LAWS AND REGULATIONS

1. The Law of the PRC on Foreign Invested Enterprises and the Regulations for the Implementation of the Law of the PRC on Foreign Invested Enterprises

The Law of the PRC on Foreign Invested Enterprises (中華人民共和國外資企業法) (the “**FIE Law**”), promulgated by the National People’s Congress of the PRC came into effect on 12 April 1986 and was amended on 31 October 2000.

The Regulations for the Implementation of the Law of the PRC on Foreign Invested Enterprises (中華人民共和國外資企業法實施細則) (the “**FIE Regulations**”), promulgated by the Ministry of Foreign Trade and Economy (外經貿部), came into effect on 12 December 1990 and were amended by the State Council on 12 April 2001.

According to the FIE Law (as amended in 2000) and the FIE Regulations (as amended in 2001), foreign investors who receive dividends in accordance with the law are, with the prior consent of the relevant governmental authority, permitted to reinvest such dividends in enterprises in the PRC. Before making a dividend distribution, a foreign invested enterprise must pay all relevant taxes and set aside cash reserves in contribution towards the mandatory reserve fund and welfare fund. A proportion of no less than 10% of the enterprise’s after tax profits must be set aside for the cash reserve fund until the accumulated amount of the fund has reached 50% of the registered capital of the enterprise, after which time the foreign invested enterprise may cease to set aside cash for the reserve fund. The proportion to be set aside for the employee welfare fund may be determined by the foreign invested enterprise.

2. According to the Settlement Regulations (1996) (結匯、售匯及付匯管理規定) and the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning the Improvement of the Administration of Foreign Exchange for Direct Investments by Foreign Investors (2003) (國家外匯管理局關於完善外商直接投資外匯管理工作有關問題的通知), foreign investors are permitted to remit abroad legal profits, other legal income and post liquidation capital funds originating from foreign invested enterprises.

PART IV TAXATION LAWS AND REGULATIONS OF THE PRC

1. Enterprise Income Tax

- (1) The State Council promulgated the Provisional Regulations of the PRC on Enterprises Income Tax (中華人民共和國企業所得稅暫行條例) (the “**Provisional Income Tax Regulations**”) on 13 December 1993, which were brought into effect on 1 January 1994. According to the Provisional Income Tax Regulations, with the exception of foreign invested enterprises and foreign enterprises, all enterprises incorporated in the PRC must pay enterprise income tax on all income derived from production, operations and other sources at the tax rate of 33%.
- (2) The National People’s Congress promulgated the Law of the PRC on Enterprise Income Tax for Foreign Invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) (the “**Foreign EIT Law**”) on 9 April 1991, which was brought into effect on 1 July 1991. The State Council promulgated the Regulations for the Implementation of the Law of the PRC on Enterprises Income Tax for Foreign Invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法實施細則) (the “**Foreign EIT Regulations**”) on 30 June 1991, which was brought into effect on 1 July 1991. According to the Foreign EIT Law and the Foreign EIT Regulations, enterprise income tax is levied at the rate of 30% and local income tax is levied at the rate of 3% both in respect of the taxable income of foreign invested enterprises and the income derived from the production or business operations of foreign enterprises in the PRC.
- (3) On 16 March 2007, the National People’s Congress promulgated the Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法) (the “**EIT Law**”). The EIT Law came into effect on 1 January 2008, on which date the Provisional Income Tax Regulations (1993) and the Foreign EIT Law (1991) were repealed. According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are established in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de-facto control is administered from within the PRC. Non-resident enterprises refer to enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but who (whether or not through the establishment of institutions in the PRC) derive income from the PRC. Under the EIT Law, a uniform enterprise income tax rate of 25% is applicable. However if non-resident enterprises have not established institutions in the PRC, or if they have established institutions in the PRC but there is no actual relationship between their income and the institutions set up by them, enterprise income tax is set at the rate of 20%. Pursuant to the provisions of the State Council, enterprises established prior to the promulgation of the EIT Law that enjoyed preferential tax rates in accordance with relevant tax laws and administrative regulations may, during a five year transition period beginning on the date the law came into effect, gradually move to the tax rate provided by the EIT Law. Fixed period tax exemptions and

reductions may continue to apply to eligible enterprises even after the expiry of the implementation period of the EIT Law. However, where such enterprises fail to derive any profits and therefore do not benefit from the preferential treatment, the preferential period shall commence upon the implementation of the EIT Law.

- (4) According to the Notice of the State Council on the Implementation of the Transitional Preferential Policies of Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) (the “**EIT Transitional Policies**”), during a transition period of five years from the implementation of the EIT Law, the preferential tax rate for eligible enterprises shall gradually transform to the tax rate established by the EIT Law. For enterprises whose enterprises income tax rate is 15%, the tax rate shall be 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. For enterprises whose enterprises income tax rate is 24%, the tax rate shall be 25% from 2008. From 1 January 2008, enterprises that were eligible for tax exemptions and reductions such as “exemption for the first two years and half deduction for the following three years” may continue to enjoy such preferential policies pursuant to previous tax laws and regulations until the expiry of such preferential policies. Where such enterprises fail to derive any profits and therefore do not benefit from the preferential treatment, the preferential period shall commence in 2008.

2. Value-added Tax

- (1) The State Council promulgated the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例) (the “**Provisional VAT Regulations**”) on 13 December 1993, which came into effect on 1 January 1994. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例實施細則) (the “**Provisional VAT Implementation Rules**”) were promulgated by the Ministry of Finance on 25 December 1993. According to the Provisional VAT Regulations and the Provisional VAT Implementation Rules, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax. The sale or import of food grains, edible vegetable oils, tap water, central heating, air conditioning, hot water, gas, liquefied petroleum gas, natural gas, methane gas, coal/charcoal products for household use, books, newspapers, magazines, feeds, chemical fertilisers, agricultural chemicals, agricultural machinery and plastic film covers for farming, or other goods as regulated by the State Council, are all subject to a uniform value-added tax rate of 13%. Except as otherwise stipulated by the State Council, for taxpayers exporting goods, the value-added tax rate shall be 0%. For taxpayers selling or importing goods other than those listed above or for taxpayers providing processing, repairs and replacement services, the value-added tax rate shall be 17%. The rate levied on small-scale taxpayers selling goods or providing processing, repairs and replacement services shall be 6%.

- (2) According to the Measures on the Administration by China Customs Regulating Tax on Imported and Exported Goods (中華人民共和國海關進出口貨物徵稅管理辦法) (with effect from 1 March 2005), the Notice of the State Administration of Taxation on Issues regarding the Refund (Exemption) of Tax on Exported Goods (國家稅務總局關於出口貨物退(免)稅若干問題的通知) (with effect from 1 July 2006), the Measures on the Administration of Tax Refunds (Exemption) of Exported Goods (for trial implementation) (出口貨物退(免)稅管理辦法(試行)) (with effect from 1 May 2005), the Notice of the Ministry of Finance and the State Administration of Taxation on the Further Implementation of Measures for Tax Exemption, Offset and Refund on Exported Goods (財政部、國家稅務局關於進一步推進出口貨物實行免抵退稅辦法的通知) (with effect from 1 January 2002) and the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting the Tax Refund Rate of Exported Goods (財政部、國家稅務總局關於調整出口貨物退稅率的通知) (with effect from 1 January 2004), depending on the category of the exported goods, different preferential policies for value-added tax exemption, offset and refund may apply. For enterprises which export goods on their own or through foreign trade enterprises: tax exemption means that the value-added tax applicable in the production and sale phases shall be exempted; tax offset means that the taxes levied on the consumed raw materials and accessories which are exempted or refunded may be set off by the tax payable on the sale of the goods in the domestic market; and tax refund means that, with prior approval from the relevant taxation authorities in charge of tax refunds on exported goods, the remaining part of the tax which has not been completely off-set shall be refunded.

3. Business Tax

On 13 December 1993, the State Council promulgated the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例) (the “**Provisional Business Tax Regulations**”), which came into effect on 1 January 1994. The Ministry of Finance promulgated the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例實施細則) (the “**Provisional Business Tax Implementation Rules**”) on 25 December 1993, which came into effect on 1 January 1994.

According to the Provisional Business Tax Regulations and the Provisional Business Tax Implementation Rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC must pay business tax. The items and rates of business tax shall be implemented in accordance with the List of Items and Rates of Business Tax attached to the Provisional Business Tax Regulations.

4. Land Use Tax

On 27 September 1988 the State Council promulgated the Provisional Regulations of the PRC on Land Use Tax in Cities and Towns (中華人民共和國城鎮土地使用稅暫行條例) (the “**Provisional Land Use Tax Regulations**”) which came into effect on 1 November 1988 and were amended on 31 December 2006. From 1 January 2007, foreign invested enterprises and foreign enterprises became subject to the payment of land use tax.

According to the Provisional Land Use Tax Regulations (as amended in 2006), all enterprises and individuals (including state-owned enterprises, collectively-owned enterprises, private enterprises, stock enterprises, foreign invested enterprises, foreign enterprises, other enterprises and institutions, public organisations, governmental authorities, armies, individual businesses and other individuals) who use land within the boundaries of cities, county towns, villages operated under an organisational system and industrial and mining districts, shall be subject to the payment of land use tax. The annual rates for land use tax per square metre of land is as follows: (1) between 1.5 yuan and 30 yuan in large cities; (2) between 1.2 yuan and 24 yuan in medium sized cities; (3) between 0.9 yuan and 18 yuan in small cities; (4) between 0.6 yuan and 12 yuan in county towns, villages operated under an organisational system and industrial and mining districts.

5. City Maintenance and Construction Tax

According to the Provisional Regulations of the PRC on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例) (the “**City Maintenance and Construction Tax Regulations**”), which were promulgated by the State Council and came into effect on 8 February 1985, all enterprises and individuals who are subject to consumption tax, value-added tax and/or business tax shall also be subject to city maintenance and construction tax. The city maintenance and construction tax rate is 7% for taxpayers located in urban areas, 5% for taxpayers located in counties or townships, and 1% for taxpayers located in areas other than urban area, counties and townships.

However, according to the State Administration of Taxation the Notice regarding the Temporary Exemption from City Maintenance and Construction Tax for Foreign Invested Enterprises and Foreign Enterprises (國家稅務總局關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育附加的通告), no city maintenance and construction tax shall be levied on foreign invested enterprises and foreign enterprises.

6. Stamp Tax

The State Council promulgated the Provisional Regulations of the PRC on Stamp Tax (中華人民共和國印花稅暫行條例) (the “**Provisional Stamp Tax Regulations**”) on 6 August 1988, which came into effect on 1 October 1988. The Ministry of Finance and the State Administration of Taxation collectively promulgated the Detailed Rules of Implementation of the Provisional Regulations of the PRC on Stamp Tax (中華人民共和國印花稅暫行條例施行細則) (the “**Provisional Stamp Tax Implementation Rules**”) on 29 September 1988, which came into effect on 1 October 1988.

According to the Provisional Stamp Tax Regulations and the Provisional Stamp Tax Implementation Rules, all institutions and individuals creating and obtaining taxable documents within the PRC shall pay stamp tax. The list of taxable documents includes purchase and sale contracts, processing contracts, construction project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents that resemble a contract in nature, title transfer deeds, business account books, certificates of rights, licences and other taxable documents specified by the Ministry of Finance.

The items and rates of stamp tax shall be implemented in accordance with the List of Items and Rates of Stamp Tax attached in the Provisional Stamp Tax Regulations.

PART V LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

1. The Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the “**Environmental Protection Law**”), which was promulgated by the Standing Committee of the National People’s Congress and came into effect on 26 December 1989, aims to protect and develop the environment, prevent and cure pollution and other public hazards, and safeguard human health. Pursuant to the Environmental Protection Law, all enterprises and institutions that may cause environmental pollution and other public hazards are required to adopt effective measures to prevent and control pollution levels and harm caused to the environment in the form of waste gas, waste water and solid waste, dust, malodorous gas, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities; enterprises and institutions discharging pollutants must report to and register with the relevant authorities in accordance with the provisions of the competent department of environmental protection administration under the State Council; enterprises and institutions discharging pollutants in excess of the prescribed national or local discharge standards shall pay a fine for excessive discharge according to state provisions and shall assume responsibility for eliminating and controlling the pollution; the environmental protection department of the State Council is in charge of promulgating national standards for environmental protection, the provincial governments and the local governments in autonomous regions and municipalities may also promulgate local standards for environmental protection on matters not specified under national standards and the local governments must report such standards to the competent department of environmental protection administration under the State Council for record.
2. Pursuant to the Law of the People’s Republic of China on the Appraisal of Environmental Impacts (中華人民共和國環境影響評價法) (the “**Environmental Impact Law**”), which was promulgated by the Standing Committee of the National People’s Congress on 28 October 2002 and became effective on 1 September 2003, manufacturers must prepare an environmental impact assessment report for any proposed construction project that may have an impact on the environment. The environmental impact assessment report must be examined by, and obtain approval from, the relevant government authority prior to the commencement of construction. In circumstances where the project is not examined by the relevant government authority, or where after the examination the relevant approval is not issued, the manufacturer must not commence construction.
3. On 29 October 1996, the Standing Committee of the National People’s Congress promulgated the Law on the Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法) (the “**Environmental Noise Pollution Law**”), which became effective on 1 March 1997. Pursuant to the Environmental Noise Pollution Law, industrial enterprises are required to comply with set limits on the emission of environmental noise within the boundaries of their operating facilities and minimise the impact of noise on surrounding areas. Any industrial enterprise that produces

environmental noise pollution due to the use of permanent equipment in the course of industrial production must report the following information to the competent administrative department for environmental protection: (i) the types and quantity of its equipment that produces environmental noise pollution; (ii) the noise level produced under normal operation; and (iii) the facilities installed for prevention and control of such pollution. Any substantial change in the type or quantity of the equipment that produces environmental noise pollution, the noise level itself or in the facilities for prevention and control of such pollution must also be promptly reported.

4. The Standing Committee of the National People's Congress promulgated the Law on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) (the "**Water Pollution Law**") on 11 May 1984, which became effective on 1 November 1984 and was revised on 15 May 1996. Pursuant to the Water Pollution Law, enterprises that discharge pollutants directly or indirectly into a body of water are required to register with and report the following information to their local environmental protection department: (i) their existing treatment and discharge facilities for pollutants; and (ii) the categories, quantities and concentrations of pollutants discharged under their normal operating conditions. Enterprises are also required to report any substantial change in the categories, quantities or concentrations of the pollutants discharged. Permits are required for the dismantling of pollutant treatment facilities. Enterprises discharging pollutants into a body of water must also pay a discharge fee according to requirements promulgated by the State Council.
5. The Standing Committee of the National People's Congress promulgated the Law on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) (the "**Atmospheric Pollution Law**") on 5 September 1987, which came into force on 1 June 1988, and was revised and re-promulgated in 1995 and 2000. Pursuant to the Atmospheric Pollution Law, enterprises that discharge atmospheric pollutants must report the following information to the local administrative department of environmental protection: (i) their existing discharge and treatment facilities for pollutants; and (ii) the categories, quantities and concentrations of pollutants discharged under normal operation conditions. Enterprises that discharge pollutants must report any substantial change in the category, quantity or concentration of the atmospheric pollutants discharged. Where atmospheric pollutants are discharged, the concentration of the pollutants may not exceed the limits prescribed by the State and local authorities. Fees are levied according to the categories and quantities of the atmospheric pollutants discharged.
6. The Standing Committee of the National People's Congress promulgated the Law on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法) (the "**Solid Waste Law**") on 30 October 1995, which came into force on 1 April 1996. On 29 December 2004, the Solid Waste Law was revised and re-promulgated by the Standing Committee of the National People's Congress, which came into force on 1 April 2005, and on the same day, the original Solid Waste Law (1996) was abolished. Pursuant to the Solid Waste Law (2005), enterprises and individuals, who collect, store, transfer, use or treat solid waste, shall adopt relevant measures to prevent diffusion, erosion, pervasion and other environmental pollutions. Enterprises are required to properly dispose of solid waste generated during their production processes. Enterprises

that generate hazardous waste must establish hazardous waste management plans with details of the types of hazardous waste, their output, flow direction, storage, treatment and other relevant information, and register such plans with the relevant local environmental protection departments.

PART VI LAWS AND REGULATIONS ON LABOR SECURITY AND PRODUCTION SAFETY

The labor and safety laws and regulations in the PRC include: the Labor Law of the PRC (中華人民共和國勞動法), the Employment Contract Law of the PRC (中華人民共和國勞動合同法), the Production Safety Law of the PRC (中華人民共和國安全生產法), the Regulation of Insurance for Labor Injury(工傷保險條例), the Regulation of Insurance for Unemployment (失業保險條例), the Provisional Insurance Measures for Maternity of Employees (企業職工生育保險試行辦法), Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), Regulations on Management of Housing Fund (住房公積金管理條例) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time.

In accordance with the Labor Law of the PRC (中華人民共和國勞動法) (implemented on 1 January 1995, “**Labor Law**”) and the Employment Contract Law of the PRC (中華人民共和國勞動合同法) (implemented since 1 January 2008, “**Labor Contract Law**”), employment contracts shall be executed when labor relationships are to be established between enterprises and employees. Enterprises are required to provide wages to employees that are no lower than local minimum wage standards as determined from time to time.

As required under Regulation of Insurance for Labor Injury (工傷保險條例) (implemented on 1 January 2004), the Provisional Insurance Measures for Maternity of Employees (企業職工生育保險試行辦法) (implemented on 1 January 1995), the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) (implemented on 22 January 1999) and the Interim Provisions on the Registration of Social Insurance (社會保險登記管理暫行辦法) (implemented on 19 March 1999), enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance.

In accordance with the Regulations on the Management of Housing Funds (住房公積金管理條例) (revised in 2002), enterprises must register at the competent managing centre for housing funds and, upon the examination by such managing centre of housing fund, complete procedures for opening an account at the relevant bank for the deposit of employees’ housing funds. Enterprises are also obliged to pay and deposit housing funds in full and on time.

In accordance with the Production Safety Law of the PRC (中華人民共和國安全生產法), which was promulgated by the Standing Committee of the National People's Congress on 29 June 2002 and came into force on 1 November 2002, and other relevant laws and regulations, enterprises engaged in production activities are required to: (i) comply with relevant laws and regulations on production safety, (ii) strengthen managerial control over production safety, (iii) improve on safety precautions at the production sites, and (iv) establish or improve accountability systems with regard to safety incidents to ensure workplace safety at the production sites. Entities which do not satisfy the relevant safety requirements may not engage in production activities. Further, entities that engage in production in disregard of the relevant production safety laws and regulations may be subject to administrative sanctions such as penalties, orders for rectification within a set limited period or suspension of business operations. Such illegal production activities may also violate criminal statutes and be subject to criminal liabilities.

PART VII PRODUCT QUALITY LAW

In accordance with the Law of the PRC on the Protection of Consumers Rights and Interests (中華人民共和國消費者權益保護法) promulgated by the Standing Committee of the National People's Congress on 31 October 1993 and which came into effect on 1 January 1994, the rights and interests of consumers who purchase or use commodities for the purpose of consumption or those who receive services are protected, and all manufacturers and distributors are required to ensure that their products and services will not cause personal or property damages.

Pursuant to the Product Quality Law of the PRC (中華人民共和國產品質量法) (the “**Product Quality Law**”) promulgated by the Standing Committee of the National People's Congress on 22 February 1993 and revised on 8 July 2000, anyone who conducts production and sale activities of any product within the territory of the PRC shall be liable for product quality; where products produced do not comply with the relevant national or trade standards safeguarding the health or safety of human life and property, the producer shall be ordered to stop the production and sale, the products illegally produced and sold shall be confiscated, the earning illegally made shall be confiscated, and a fine of an amount equal to three times the amount of the unlawful earnings shall be imposed; when the circumstances are serious, the business licence may be revoked; when the case constitutes a crime, the offender shall be investigated for criminal responsibility according to law.

**APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CERTAIN ASPECTS OF THE CAYMAN ISLANDS COMPANY LAW**

Set out below is a summary of certain provisions of the memorandum of association of our Company and the Articles and certain aspects of Cayman Islands company law.

*The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 January 2008 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The memorandum of association of our Company (the “**Memorandum**”) and the Articles comprise our constitution.*

1. MEMORANDUM

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES

The Articles were adopted on 21 October 2008. The following is a summary of certain provisions of the Articles:

(a) **Directors**

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) ***Power to dispose of the assets of the Company or any subsidiary***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) ***Loans and provision of security for loans to Directors***

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any

such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) ***Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) ***Proceedings of the Board***

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) ***Register of Directors and Officers***

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.A13B1

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Articles) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case

of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) if required by the rules of the Designated Stock Exchange (as defined in the Articles), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

**APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CERTAIN ASPECTS OF THE CAYMAN ISLANDS COMPANY LAW**

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any

case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty (20) per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CERTAIN ASPECTS OF THE CAYMAN ISLANDS COMPANY LAW**

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 29 January, 2008.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

**APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CERTAIN ASPECTS OF THE CAYMAN ISLANDS COMPANY LAW**

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his

appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

(o) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) **Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CERTAIN ASPECTS OF THE CAYMAN ISLANDS COMPANY LAW**

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES**A. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on Cayman Islands. Our Company has established a place of business in Hong Kong at Flat 4-6, 3/F, New Trade Plaza Tower B, 6 On Ping Street, Siu Lek Yuen, Shatin, Hong Kong, and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance on 29 April 2008. Leung Kai Wing and Wong Fai Kit, David have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and to its constitution comprising a memorandum of association and the articles of association. A summary of certain provisions of its constitution and relevant aspects of the Cayman Companies Law is set out in Appendix V to this prospectus.

B. Change in share capital

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each.

On 22 January 2008, one subscriber share with the par value of HK\$0.10 of our Company was transferred from Codan Trust Company (Cayman) Limited to Mr. LEUNG Chau Hiu.

On 21 October 2008, Mr. LEUNG Chau Hiu transferred the one nil-paid Share to Vitar Development.

Pursuant to the resolutions in writing of the sole Shareholder passed on 21 October 2008, the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 996,200,000 Shares.

Pursuant to the sale and purchase agreement dated 21 October 2008 between (i) LEUNG Chau Hiu, (ii) LEUNG Chun Yin, (iii) LEUNG Kai Wing, (iv) TSANG Chi Yung, (v) WONG Lai Mui, and (vi) YIP Sai Keung, as vendors and our Company as purchaser regarding the acquisition of the entire issued share capital of Vitar Insulation, our Company acquired 1,000 shares of US\$1.00 each in the issued share capital of Vitar Insulation in consideration of (a) the crediting as fully paid at par of the one (1) nil-paid Share held by Vitar Development and (b) the issue of 21,999,999 Shares, all credited as fully paid, to Vitar Development.

Immediately following completion of the Share Offer and the Capitalisation Issue (and before the exercise of any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK\$10,000,000 divided into 100,000,000 Shares, all fully paid or credited as fully paid and 900,000,000 Shares will remain unissued.

Save for aforesaid and as mentioned in the paragraph headed “Resolutions in writing of the Sole Shareholder on 21 October 2008” below, there has been no alteration in the share capital of our Company since its incorporation.

C. Resolutions in writing of the Sole Shareholder on 21 October 2008

Pursuant to the written resolutions passed by the Sole Shareholder on 21 October 2008:

- (a) our Company approved and adopted the Articles;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 996,200,000 Shares;
- (c) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to options which may be granted under the Share Option Scheme); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Share Offer was approved and the Directors were authorised to allot and issue the new Shares pursuant to the Share Offer;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” under the section entitled “Other information” in this Appendix, were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and
 - (iii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Share Offer, the Directors were authorised to capitalise the HK\$5,000,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 50,000,000 Shares. such Shares to be allotted and issued to Vitar Development.
- (d) a general unconditional mandate was given to the Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the shareholders in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately

following completion of the Share Offer and Capitalisation Issue, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the shareholders in general meeting, whichever occurs first;

- (e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the shareholders in general meeting, whichever occurs first; and
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

2. CORPORATE REORGANISATION

The companies comprising our Group underwent a reorganisation in preparation for the listing of the Shares on the Stock Exchange. The Reorganisation involved the following:

- (a) Our Company was incorporated in the Cayman Islands on 22 January 2008 to act as an intermediate holding company of the Group. The initial authorised share capital of our Company is HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each.
- (b) On 22 January 2008, 1 share in the issued share capital of the Company (nil paid) was transferred by Codan Trust Company (Cayman) Limited to Mr. LEUNG Chau Hiu.
- (c) Vitar Insulation was incorporated in the BVI on 25 January 2008 to act as the intermediate holding company of the Group. The initial authorised share capital of Vitar Insulation is US\$50,000 divided into 50,000 shares of US\$1 each.
- (d) On 7 March 2008, one share of US\$1 each in the capital of Vitar Insulation was allotted and issued to the Company at par and fully paid representing the entire issued share capital of Vitar Insulation.

- (e) Vitar Development was incorporated in the BVI on 25 January 2008 to act as the holding company of the Company. The initial authorised share capital of Vitar Development is US\$50,000 divided into 50,000 shares of US\$1 each.
- (f) On 17 October 2008, Vitar Insulation acquired the entire issued share capital of Vitar Hong Kong from its shareholders and as consideration Vitar Insulation allotted and issued 1,000 new shares of US\$1.00 each to the shareholders of Vitar Hong Kong credited as fully paid at par, that is, 350 shares, 325 shares, 100 shares, 100 shares, 50 shares and 75 shares to each of Mr. LEUNG Chau Hiu, Mr. LEUNG Kai Wing, Ms. TSANG Chi Yung, Ms. LEUNG Chun Yin, Ms WONG Lai Mui and Mr. YIP Sai Kung, respectively.
- (g) On 21 October 2008, Mr. LEUNG Chau Hiu transferred the one nil-paid Share to Vitar Development.
- (h) On 21 October 2008, our Company increased its authorised share capital from HK\$380,000 to HK\$100,000,000 by the creation of 996,200,000 Shares.
- (i) Pursuant to the sale and purchase agreement dated 21 October 2008 between (i) LEUNG Chau Hiu, (ii) LEUNG Chun Yin, (iii) LEUNG Kai Wing, (iv) TSANG Chi Yung, (v) WONG Lai Mui, and (vi) YIP Sai Keung, as vendors and our Company as purchaser, our Company acquired 1,000 shares of US\$1.00 each in the issued share capital of Vitar Insulation in consideration of (a) the crediting as fully paid at par of the one (1) nil-paid Share held by Vitar Development and (b) the issue of 21,999,999 Shares, all credited as fully paid, to Vitar Development.

3. CHANGES IN SHARE CAPITAL OF SUBSIDIARIES

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

4. PARTICULARS OF SUBSIDIARIES

Our Group has interests in two major PRC subsidiaries. Set out below is a summary of the corporate information of these PRC subsidiaries:

Vitar Shenzhen

Date of Establishment	: 28 March 2003
Place of Establishment	: PRC
Nature	: wholly foreign owned enterprise
Registered Capital	: HK\$2,000,000
Shareholder	: Vitar Hong Kong (100%)

Weida Longchuan

Date of Establishment	: 14 January 2005
Place of Establishment	: PRC
Nature	: wholly foreign owned enterprise
Registered Capital	: US\$6,000,000
Shareholder	: Leader Tech (100%)

5. REPURCHASE OF SHARES BY THE COMPANY**A. Provisions of the Listing Rules**

The Listing Rules permit companies whose primary listing is on the Main Board of Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

(Note: Pursuant to resolution passed by the sole Shareholder on 21 October 2008, a general unconditional mandate (the "Buyback Mandate") was granted to the Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of the shareholders of our Company in general meeting, whichever is the earliest.)

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

B. Reasons for repurchases

The Directors believe that it is in the best interests of our Company and its shareholders for the Directors to have a general authority from shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

C. Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or the proceeds of a fresh issue of shares made for the purpose of the purchase or, if authorised by the Articles and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the Cayman Companies Law, out of capital.

The Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for our Company.

D. Share capital

Exercise in full of the Buyback Mandate, on the basis of 100,000,000 Shares in issue immediately after the listing of the Shares (but without taking into account any Shares which may be issued upon the exercise of any option to be granted under the Share Option Scheme), could accordingly result in up to 10,000,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of the shareholders in general meeting, whichever occurs first.

E. General

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands. Our Company has not repurchased any Shares in the previous six months.

No connected person (as defined in the Listing Rules) has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a shareholder, or a group of shareholders acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. The Directors are not aware of any consequences which may arise under the Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Share Offer but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the total number of Share which will be repurchased pursuant to the Buyback Mandate shall be 10,000,000 Shares (being 10% of the issued share capital of our Company based on the aforesaid assumptions). The percentage shareholding of the Controlling Shareholders of our Company, will be increased to approximately 80% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. In the event that the Buyback Mandate is exercised in full, the number of Shares held by the public would fall below 25% of the total number of Shares in issue. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, the Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

6. FURTHER INFORMATION ABOUT THE BUSINESS

A. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or any of its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an instrument of transfer dated 22 January 2008 entered into between Codan Trust Company (Cayman) Limited as transferor and Leung Chau Hiu as transferee whereby Codan Trust Company (Cayman) Limited transferred 1 share of HK\$0.10 each in the issued share capital of the Company to Leung Chau Hiu at nil consideration;
- (b) an instrument of transfer dated 21 October 2008 entered into between Leung Chau Hiu as transferor and Vitar Development as transferee whereby Leung Chau Hiu transferred 1 share of HK\$0.10 each in the issued share capital of the Company to Vitar Development at nil consideration;
- (c) an instrument of transfer dated 17 October 2008 entered into between Leung Chau Hiu as transferor and Vitar Insulation as transferee whereby Leung Chau Hiu transferred 35,000 shares of HK\$100 each in the issued share capital of Vitar Hong Kong to Vitar Insulation in consideration of issue of 350 shares credited as fully paid in Vitar Insulation and one





- bought and sold notes dated 17 October 2008 between Vitar Insulation as transferee and Leung Chau Hiu as transferor in relation to 35,000 ordinary shares of HK\$100 each in the capital of Vitar Hong Kong in consideration of issue of 350 shares credited as fully paid in Vitar Insulation;
- (d) an instrument of transfer dated 17 October 2008 entered into between Leung Kai Wing as transferor and Vitar Insulation as transferee whereby Leung Kai Wing transferred 32,500 shares of HK\$100 each in the issued share capital of Vitar Hong Kong to Vitar Insulation in consideration of issue of 325 shares credited as fully paid in Vitar Insulation and one bought and sold notes dated 17 October 2008 between Vitar Insulation as transferee and Leung Kai Wing as transferor in relation to 32,500 ordinary shares of HK\$100 each in the capital of Vitar Hong Kong in consideration of issue of 325 shares credited as fully paid in Vitar Insulation;
- (e) an instrument of transfer dated 17 October 2008 entered into between Yip Sai Keung as transferor and Vitar Insulation as transferee whereby Yip Sai Keung transferred 7,500 shares of HK\$100 each in the issued share capital of Vitar Hong Kong to Vitar Insulation in consideration of issue of 75 shares credited as fully paid in Vitar Insulation and one bought and sold notes dated 17 October 2008 between Vitar Insulation as transferee and Yip Sai Keung as transferor in relation to 7,500 ordinary shares of HK\$100 each in the capital of Vitar Hong Kong in consideration of issue of 75 shares credited as fully paid in Vitar Insulation;
- (f) an instrument of transfer dated 17 October 2008 entered into between Leung Chun Yin as transferor and Vitar Insulation as transferee whereby Leung Chun Yin transferred 10,000 shares of HK\$100 each in the issued share capital of Vitar Hong Kong to Vitar Insulation in consideration of issue of 100 shares in Vitar Insulation and one bought and sold notes dated 17 October 2008 between Vitar Insulation as transferee and Leung Chun Yin as transferor in relation to 10,000 ordinary shares of HK\$100 each in the capital of Vitar Hong Kong in consideration of issue of 100 shares in Vitar Insulation;
- (g) an instrument of transfer dated 17 October 2008 entered into between Wong Lai Mui as transferor and Vitar Insulation as transferee whereby Wong Lai Mui transferred 5,000 shares of HK\$100 each in the issued share capital of Vitar Hong Kong to Vitar Insulation in consideration of issue of 50 shares in Vitar Insulation and one bought and sold notes dated 17 October 2008 between Vitar Insulation as transferee and Wong Lai Mui as transferor in relation to 5,000 ordinary shares of HK\$100 each in the capital of Vitar Hong Kong in consideration of issue of 50 shares in Vitar Insulation;
- (h) an instrument of transfer dated 17 October 2008 entered into between Tsang Chi Yung as transferor and Vitar Insulation as transferee whereby Tsang Chi Yung transferred 10,000 shares of HK\$100 each in the issued share capital of Vitar Hong Kong to Vitar Insulation in consideration of issue of 100 shares in Vitar Insulation and one bought and sold notes dated 17 October 2008 between Vitar Insulation as transferee and Tsang Chi Yung as transferor in relation to 10,000 ordinary shares of HK\$100 each in the capital of Vitar Hong Kong in consideration of issue of 100 shares in Vitar Insulation;

- (i) the deed of indemnity dated 21 October 2008 entered into between our Controlling Shareholders and our Company, pursuant to which our Controlling Shareholders agree to provide us with certain indemnities a summary of which is set out in the section headed “Other information — Estate duty, tax and other indemnities” in Appendix VI to this prospectus;
- (j) the Deed of Non-Competition dated 21 October 2008 entered into between our Controlling Shareholders and our Company, pursuant to which our Controlling Shareholders agree not to engage in the restricted activities stated in this deed and which are likely to be in competition with the business carried out by the Group;
- (k) the Hong Kong Public Offer Underwriting Agreement dated 29 October 2008 entered into between our Company, the executive Directors, Warranting Shareholders (as defined therein as Vitar Development, Mr. LEUNG Chau Hiu, Mr. LEUNG Kai Wing, Ms. TSANG Chi Yung, Ms. LEUNG Chun Yin), China Everbright, China Everbright Securities and other Hong Kong Public Offer Underwriters in relation to the Hong Kong Public Offer; and
- (l) the sale and purchase agreement dated 21 October 2008 between (i) Leung Chau Hiu, (ii) Leung Chun Yin, (iii) Leung Kai Wing, (iv) Tsang Chi Yung, (v) Wong Lai Mui, and (vi) Yip Sai Keung, as vendors and our Company as purchaser pursuant to which our Company acquired 1,000 shares of US\$1.00 each in the issued share capital of Vitar Insulation which was satisfied by (a) the crediting as fully paid at par of the one (1) nil-paid Share held by Vitar Development and (b) the issue of 21,999,999 Shares, all credited as fully paid, to Vitar Development.

B. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group is a registered proprietor of the following trademarks:

<u>Trademark</u>	<u>Registration No.</u>	<u>Registrant</u>	<u>Registration Date</u>	<u>Class</u>	<u>Place of Registration</u>
	301039437	Vitar Hong Kong	25 January 2008	17, 35, 40 and 42	Hong Kong
					
	301039455	Vitar Hong Kong	25 January 2008	17, 35, 40 and 42	Hong Kong
					

(b) *Domain Name*

As at the Latest Practicable Date, our Group is a registered proprietor of the following domain name:

<u>Domain name</u>	<u>Name of Proprietor</u>	<u>Expiry Date</u>
http://www.vitar.com.hk	Vitar Insulation Manufacturers Ltd	20 November 2009

7. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

A. Directors

(a) *Disclosure of interest — interests and short positions of the Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Share Offer and the Capitalisation Issue, the interest or short position of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed are as follows:

<u>Name of Director</u>	<u>Company/ Associated Corporation</u>	<u>Nature of Interest</u>	<u>Number of Securities</u>	<u>Approximate Percentage of Shareholding</u>
Mr. LEUNG Chau Hiu ⁽¹⁾	Company	Interest of a controlled corporation	72,000,000L ⁽⁵⁾	72%
Mr. LEUNG Kai Wing ⁽²⁾	Company	Interest of a controlled corporation	72,000,000L ⁽⁵⁾	72%
Ms. LEUNG Chun Yin ⁽³⁾	Company	Interest of a controlled corporation	72,000,000L ⁽⁵⁾	72%
Ms. TSANG Chi Yung ⁽⁴⁾	Company	Interest of a controlled corporation	72,000,000L ⁽⁵⁾	72%

Notes:

- (1) Mr. LEUNG Chau Hiu's interest in our Company is held through Vitar Development, which is wholly owned as to 35% by Mr. LEUNG Chau Hiu, as to 32.5% by Mr. LEUNG Kai Wing, as to 7.5% by Mr. YIP Sai Keung, as to 10% by Ms. LEUNG Chun Yin, as to 5% by Ms. WONG Lai Mui and as to 10% by Ms. TSANG Chi Yung.

- (2) Mr. LEUNG Kai Wing's interest in our Company is held through Vitar Development, which is wholly owned as to 35% by Mr. LEUNG Chau Hiu, as to 32.5% by Mr. LEUNG Kai Wing, as to 7.5% by Mr. YIP Sai Keung, as to 10% by Ms. LEUNG Chun Yin, as to 5% by Ms. WONG Lai Mui and as to 10% by Ms. TSANG Chi Yung.
- (3) Ms. LEUNG Chun Yin's interest in our Company is held through Vitar Development, which is wholly owned as to 35% by Mr. LEUNG Chau Hiu, as to 32.5% by Mr. LEUNG Kai Wing, as to 7.5% by Mr. YIP Sai Keung, as to 10% by Ms. LEUNG Chun Yin, as to 5% by Ms. WONG Lai Mui and as to 10% by Ms. TSANG Chi Yung.
- (4) Ms. TSANG Chi Yung's interest in our Company is held through Vitar Development, which is wholly owned as to 35% by Mr. LEUNG Chau Hiu, as to 32.5% by Mr. LEUNG Kai Wing, as to 7.5% by Mr. YIP Sai Keung, as to 10% by Ms. LEUNG Chun Yin, as to 5% by Ms. WONG Lai Mui and as to 10% by Ms. TSANG Chi Yung.
- (5) The letter "L" denotes the person's long position in such securities.

(b) *Particulars of service contracts*

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from 21 October 2008, which may be terminated by not less than three months' notice in writing served by either party on the other.

(c) *Directors' remuneration*

Each of the executive Directors is entitled to a director's fee. Each executive Director shall be paid a remuneration on the basis of twelve months in a year. The current annual director's fees and remuneration of the executive Directors are as follows:

Mr. Leung Chau Hiu — HK\$336,000 per annum

Mr. Leung Kai Wing — HK\$546,000 per annum

Ms. Tsang Chi Yung — HK\$508,800 per annum

Ms. Leung Chun Yin — HK\$294,000 per annum

The independent non-executive Directors have been appointed for a term of one year. Our Company intends to pay a director's fee of HK\$120,000 per annum to each of the independent non-executive Directors respectively.

Under the arrangement currently in force, the aggregate amount of emoluments payable by our Group to the Directors for the year ending 31 December 2008 will be approximately HK\$1,875,925.

Further details of the terms of the above service contracts are set out in the paragraph headed "Particulars of service contracts" in the subsection headed "Directors" in this Appendix.

B. Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Share Offer, the following persons will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Capacity	Number of Securities	Approximate Percentage of Shareholding
Vitar Development ⁽¹⁾	Beneficial owner	72,000,000L	72%
Mr. LEUNG Chau Hiu ⁽²⁾ & ⁽⁴⁾	Interest of a controlled corporation	72,000,000L	72%
Mr. LEUNG Kai Wing ⁽³⁾ & ⁽⁴⁾	Interest of a controlled corporation	72,000,000L	72%

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%, respectively.
- (2) Mr. LEUNG Chau Hiu owned 35% of the issued share capital of Vitar Development.
- (3) Mr. LEUNG Kai Wing owned 32.5% of the issued share capital of Vitar Development.
- (4) The letter "L" denotes the person's long position in such securities.

C. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

D. Disclaimers

Save as disclosed herein:

- (a) none of the Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will

be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;

- (b) none of the Directors or experts referred to under the heading “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Share Offer and Share to be issued upon the exercise of any option to be granted under the Share Option Scheme, none of the Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) none of the experts referred to under the heading “Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to the Directors, none of the Directors, their respective associates (as defined under the Listing Rules) or shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

8. OTHER INFORMATION

A. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the sole Shareholder of our Company passed on 21 October, 2008.

(a) *Purpose*

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) *Who may join*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its Subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer, being 10,000,000 Shares, 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 our Company). Subject to the issue of a circular by our Company and the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(d) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(e) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(f) *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of the shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
 - (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting;
 - (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
 - (iv) the information required under Rule 2.17 of the Listing Rules.
- (g) *Restrictions on the times of grant of Options*

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement.

(h) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

(i) *Time of exercise of Option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(j) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) *Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation,

which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) *Rights on dismissal*

If the grantee of an Option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an

employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offence involving his integrity or honesty, his Option will lapse and not be exercisable after the date of termination of his employment.

(m) *Rights on takeover*

If a general offer is made to all the shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) *Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(o) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of exercise.

(q) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;

- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
 - (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;
 - (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;
 - (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
 - (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.
- (s) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by the shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders in general meeting.

(t) *Cancellation of Options*

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(u) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the approval of the rules of the Share Option Scheme by the Shareholders in general meeting; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

(x) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(y) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being Shares in total.

B. Estate duty, tax and other indemnities

The Controlling Shareholders have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (i) of the subsection headed “Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, Hong Kong estate duty which might be payable by any member of our Group, by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, as amended by the Revenue (Abolition of Estate Duty) Ordinance) to any member of our Group on or before the date on which the Share Offer becomes unconditional (the “Effective Date”).

The deed of indemnity also contain (a) indemnities given by the Controlling Shareholders in respect of taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which our Company may be subject on or before the Effective Date which might be payable by any member of our Group, (b) any claim resulting from the tenancy agreements in respect of properties 7 and 8 under the Valuation Certificates of Group V properties in Property Valuation as set out in Appendix III of this Prospectus, (c) any penalty, fine or payment in relation to any shortfall of payment of social security contribution payable by Vitar Shenzhen and Weida Longchuan.

C. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

D. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

E. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US\$5,500 and are payable by our Company.

F. Promoter

There are no promoters of our Company. Saved as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

G. Taxation of holders of Shares*(a) Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after 11 February 2006.

(b) Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, the Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

H. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
China Everbright Capital Limited	Licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants

Name	Qualifications
Commerce and Finance Law Offices	PRC lawyers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jones Lang LaSalle Sallmanns Limited	Professional property surveyors and valuers

I. Consents of experts

Each of China Everbright Capital Limited, Deloitte Touche Tohmatsu, Commerce and Finance Law Offices, Conyers Dill & Pearman and Jones Lang LaSalle Sallmanns Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

J. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

K. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries;

- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of its subsidiaries;
- (c) none of the persons named in the sub-paragraph headed “Consents of experts” in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;
- (d) the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 April 2008 (being the date to which the latest audited combined financial statements of our Group were made up);
- (e) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (f) the principal register of members of our Company will be maintained in the Cayman Islands by Butterfield Fulcrum Group (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS; and
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:-

- (a) a copy of each of the **WHITE** and **YELLOW** Application Forms;
- (b) the written consents referred to in the section entitled “Statutory and general information” in appendix VI to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section entitled “Statutory and general information — Summary of material contracts” in appendix VI to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin at 39th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:-

- (a) the memorandum of association of the Company and the Articles;
- (b) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in appendix I to this prospectus;
- (c) the audited financial statements of the subsidiaries of our Group for each of the three financial years ended 31 December 2007 and the four months ended 30 April 2008;
- (d) the letter from Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information of our Group, the text of which are set out in appendix II to this prospectus;
- (e) the letter, valuation certificate and report dated the date of this prospectus relating to our property interests prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in appendix III to this prospectus;
- (f) the letter dated the date of this prospectus and prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law as referred to in “Summary of the constitution of our Company and certain aspects of the Cayman Islands company law” in appendix V to this prospectus;
- (g) the Cayman Companies Law;
- (h) the material contracts referred to in the section entitled “Statutory and general information — Summary of material contracts” in appendix VI to this prospectus;

- (i) the written consents referred to in the section entitled “Statutory and general information — Consents of experts” in appendix VI to this prospectus;
- (j) the service contracts referred to in the section entitled “Disclosure of interests — Particulars of Directors’ service contracts” in appendix VI to this prospectus;
- (k) the PRC legal opinion issued by Commerce and Finance Law Offices, the legal advisers to our Company, on PRC law, dated the date of this prospectus; and
- (l) the rules of the Share Option Scheme.