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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The board of directors of Vitar International Holdings Limited (the " Company ") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group'') for the year ended 31 December 2008 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	**2008** *HK$*	**2007** *HK$*
Revenue	3	193,889,613	204,539,963
Cost of sales		(155,932,050)	(161,345,247)
Gross profit		37,957,563	43,194,716
Bank interest income		273,603	516,701
Other income	5	550,753	1,437,229
Selling and distribution costs		(2,124,981)	(2,784,069)
Administrative expenses		(17,334,419)	(12,572,787)
Other expenses	6	(9,873,447)	—
Finance costs	7	(1,925,684)	(2,551,384)
Profit before taxation		7,523,388	27,240,406
Taxation	8	(1,313,683)	(2,987,102)
Profit for the year	9	6,209,705	24,253,304
Dividends	10	27,500,000	12,000,000
Earnings per share			
Basic	11	0.08	0.34

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2008

	Notes	**2008** *HK$*	**2007** *HK$*
Non-current assets			
Property, plant and equipment	12	56,864,838	50,132,467
Prepaid lease payments		15,986,689	9,931,277
Investment property		2,022,204	2,075,420
Deposits paid for acquisition of property, plant and equipment		—	1,486,735
Intangible asset		1,905,792	—
		76,779,523	63,625,899
Current assets			
Inventories		32,808,815	33,825,131
Trade receivables	13	56,760,230	80,835,440
Other receivables, prepayments and deposits		4,473,293	5,249,685
Prepaid lease payments		429,428	270,130
Amounts due from related companies		56,000	90,903
Tax recoverable		1,112,707	—
Pledged bank deposits		8,029,587	5,857,877
Bank balances and cash		60,671,691	29,627,996
		164,341,751	155,757,162
Current liabilities			
Trade payables	14	18,088,657	17,284,722
Other payables and accruals		6,668,751	7,481,189
Amount due to a related company		118,504	—
Bank borrowings — due within one year		38,052,993	47,773,660
Other payable — due within one year		227,741	—
Dividend payable		141,506	4,380,252
Tax payable		—	524,657
		63,298,152	77,444,480
Net current assets		101,043,599	78,312,682
Total assets less current liabilities		177,823,122	141,938,581

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

NOTES

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

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

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

The shares of the Company have been listed on the Stock Exchange since 12 November 2008 (the "Listing Date").

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

The Company acts as an investment holding company and provides corporate management services. The principal activities of its subsidiaries are manufacturing and trading of insulated sleeving, tubes, wires and mica sheets and investing holding.

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

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

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

HKAS 39 & HKFRS7 (Amendments)	Reclassification of financial assets
HK(IFRIC)-INT 11	HKFRS2 — Group and treasury share transactions
HK(IFRIC)-INT 12	Service concession arrangements
HK(IFRIC)-INT 14	HKAS19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[2]
HKFRS 8	Operating segments[2]
HK(IFRIC)-INT 9 & HKAS 39 (Amendments)	Embedded derivatives[4]

HK(IFRIC) - INT 13	Customer loyalty programmes[5]
HK(IFRIC) - INT 15	Agreements for the construction of real estate[2]
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation[6]
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners[3]
HK(IFRIC) - INT 18	Transfers of assets from customers[7]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2009

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for annual periods ending on or after 30 June 2009

[5] Effective for annual periods beginning on or after 1 July 2008

[6] Effective for annual periods beginning on or after 1 October 2008

[7] Effective for transfers on or after 1 July 2009

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

3. REVENUE

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

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

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

Consolidated income statement
For the year ended 31 December 2008

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

Consolidated balance sheet
At 31 December 2008

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

Other information
For the year ended 31 December 2008

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

Consolidated income statement
For the year ended 31 December 2007

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

Consolidated balance sheet
At 31 December 2007

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

Other information
For the year ended 31 December 2007

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

Geographical segment

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

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

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

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

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

5. OTHER INCOME

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

6. OTHER EXPENSES

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

7. FINANCE COSTS

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

8. TAXATION

The charge comprises:

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

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

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

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

	2008 *HK$*	**2007** *HK$*
Profit before taxation	7,523,388	27,240,406
Tax at Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	1,241,359	4,767,071
Tax effect of expenses not deductible for tax purpose	2,870,951	309,864
Tax effect of income not taxable for tax purpose	(2,201,824)	(2,269,245)
Tax effect of change in tax rate on deferred tax liabilities	—	(44,737)
Tax effect of tax losses not recognised	276,888	77,658
Effect of tax exemption granted to a PRC subsidiary	(639,816)	
Effect of different tax rates of subsidiaries operating in the PRC	—	55,043
Overprovision in prior years	(166,307)	—
Others	(67,568)	91,448
Taxation for the year	1,313,683	2,987,102

9. PROFIT FOR THE YEAR

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

10. DIVIDEND

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

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

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

11. EARNINGS PER SHARE

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

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

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

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

12. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$10.2 million (2007: HK$13.5 million) on acquisition of property, plant and equipment. The Group has pledged buildings having a carrying value of HK$5.9 million (2007: HK$6.0 million) to secure general banking facilities granted to the Group.

13. TRADE RECEIVABLES

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

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

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

14. TRADE PAYABLES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

FINANCIAL REVIEW

Revenue

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

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

Cost of sales

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

Gross profit and margin

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

Other income

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

Selling and distribution costs

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

Administrative expenses

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

Finance costs

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

Taxation

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

Profit for the year

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

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

Major Financial Ratios

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

Trade receivable turnover

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

Trade payable turnover

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

Inventory turnover

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

Gearing ratio

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

CHARGES OF ASSETS AND CONTINGENT LIABILITIES

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

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

DIVIDEND

The directors recommend a payment from the distributable reserves of the Group a final dividend of HK$0.025 per share in respect of the year ended 31 December 2008 to the shareholders whose names appear on the register of members of the Company at the close of business on 8 June 2009 (Monday). The final dividend will be payable on 29 June 2009 (Monday) subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on 8 June 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 June 2009 to 8 June 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, and be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on 3 June 2009.

SIGNIFICANT INVESTMENTS

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

EMPLOYMENT AND REMUNERATION POLICY

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

SHARE OPTION SCHEME

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

INITIAL PUBLIC OFFER

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

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

PROSPECT

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

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

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

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

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

AUDIT COMMITTEE

An audit committee has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee has reviewed the annual results of the Group for the year ended 31 December 2008. The audit committee comprises all of the three independent non-executive directors, namely Mr. Wong Chi Kin, Mr. Chau Shing Yu and Mr. Lee Wing Yiu, William.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2008 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CORPORATE GOVERNANCE

Compliance with Code on Corporate Governance Practices

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

Compliance with Model Code for Securities Transactions by Directors

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

PUBLICATION OF ANNUAL RESULTS

The annual results announcement is published at the website of The Hong Kong Exchanges and Clearing Limited (http//www.hkexnews.hk) and the Company (http//www.vitar.com.hk). The annual report will be dispatched to shareholders and will be available at the website of The Hong Kong Exchanges and Clearing Limited and the Company in due course.

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

Hong Kong, 20 April 2009

As at the date of this announcement, Mr. Leung Chau Hiu, Mr. Leung Kai Wing, Ms. Tsang Chi Yung and Ms. Leung Chun Yin are the executive directors of the Company and Mr. Wong Chi Kin, Mr. Chau Shing Yu and Mr. Lee Wing Yiu, William are the independent non-executive directors of the Company.