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 2009

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 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	NOTES	**2009**	2008
		HK$	*HK$*
Revenue	*3*	**134,585,928**	193,889,613
Cost of sales		**(115,317,929)**	(155,932,050)
Gross profit		**19,267,999**	37,957,563
Interest income	*5*	**163,780**	273,603
Other income	*5*	**592,010**	470,663
Other gains and losses	*6*	**(4,039,745)**	(711,304)
Selling and distribution costs		**(1,543,955)**	(2,124,981)
Administrative expenses		**(23,722,646)**	(16,543,025)
Other expenses	*7*	**–**	(9,873,447)
Finance costs	*8*	**(774,123)**	(1,925,684)
(Loss) profit before taxation		**(10,056,680)**	7,523,388
Taxation	*9*	**(2,680,991)**	(1,313,683)
(Loss) profit for the year	*10*	**(12,737,671)**	6,209,705
Other comprehensive income for the year			
Exchange gains arising on translating foreign operations		**152,755**	1,513,524
Total comprehensive (loss) income for the year		**(12,584,916)**	7,723,229
			(restated)
(Loss) earnings per share			
Basic	*12*	**(0.64 cents)**	0.41 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	**2009**	2008
		HK$	*HK$*
Non-current assets			
Property, plant and equipment		**57,966,380**	56,864,838
Prepaid lease payments		**15,575,590**	15,986,689
Investment property		**1,968,988**	2,022,204
Intangible asset		**1,060,851**	1,905,792
Deferred taxation		**755,000**	–
Deposit placed for a life insurance policy		**1,918,669**	–
		79,245,478	76,779,523
Current assets			
Inventories		**15,076,652**	32,808,815
Trade receivables	*13*	**47,864,401**	56,760,230
Other receivables, prepayments and deposits		**8,401,417**	4,473,293
Prepaid lease payments		**429,651**	429,428
Amount due from a related company		**56,000**	56,000
Tax recoverable		**–**	1,112,707
Pledged bank deposits		**–**	8,029,587
Bank balances and cash		**59,098,699**	60,671,691
		130,926,820	164,341,751
Current liabilities			
Trade payables	*14*	**15,576,481**	18,088,657
Other payables and accruals		**7,640,008**	6,668,751
Amount due to a related company		**740,879**	118,504
Amounts due to directors		**1,166,102**	–
Bank borrowings – due within one year		**26,172,997**	38,052,993
Other payable – due within one year		**–**	227,741
Dividend payable		**–**	141,506
Tax payable		**2,830,539**	–
		54,127,006	63,298,152
Net current assets		**76,799,814**	101,043,599
Total assets less current liabilities		**156,045,292**	177,823,122

	NOTES	**2009**	2008
		HK$	*HK$*
Capital and reserves			
Share capital		**10,000,000**	10,000,000
Reserves		**142,445,292**	162,530,208
Total equity		**152,445,292**	172,530,208
Non-current liabilities			
Deferred taxation		**–**	900,000
Bank borrowings – due after one year		**3,600,000**	3,333,026
Other payable – due after one year		**–**	1,059,888
		3,600,000	5,292,914
		156,045,292	177,823,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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. From the date of incorporation to 20 October 2008, the Company was solely owned by Mr. Leung Chau Hiu. For the period from 21 October 2008 to 11 August 2009, its immediate and ultimate holding company was Vitar Development Holdings Limited ("Vitar Development"), a limited company incorporated in the British Virgin Islands owned by 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, the controlling shareholders of the Company. On 12 August 2009, Vitar Development completed a placing of 28,000,000 existing shares, representing 28% of the Company's issued share capital to Wright Source Limited and since then Vitar Development ceased to be the immediate and ultimate holding company of the Company. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited the ("Stock Exchange") since 12 November 2008. 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 (the "Listing"), the Company became the holding company of the Group on 21 October 2008. 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. Details of the Corporate Reorganisation were set out in the prospectus dated 30 October 2008 issued by the Company (the "Prospectus").

The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2008 are prepared as if the current group structure had been in existence throughout the year ended 31 December 2008, or since the respective dates of incorporation of the relevant entity, where this is a shorter period.

The Company acts as an investment holding company and provides corporate management services.

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 new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives

HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting years.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments (see note 4) nor changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

HKAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). The revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

The application of the HKAS 23 (Revised 2007) has had no material effect on the consolidated financial statements of the Group for the year ended 31 December 2009.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopers[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK (IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK (IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK (IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[5]

1 *Effective for annual periods beginning on or after 1 July 2009.*
2 *Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.*
3 *Effective for annual periods beginning on or after 1 January 2010.*
4 *Effective for annual periods beginning on or after 1 February 2010.*
5 *Effective for annual periods beginning on or after 1 July 2010.*
6 *Effective for annual periods beginning on or after 1 January 2011.*
7 *Effective for annual periods beginning on or after 1 January 2013.*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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 consolidated financial statements.

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. SEGMENTS INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and assessing their performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's executive directors are the chief operating decision maker as they collectively make strategic decisions towards the Group's operations. Information reported to the Group's executive directors for the purpose of resources allocation and assessment of performance focuses on the type of businesses. Each business is managed by an unique business unit within the Group whose performance is assessed independently. The Group's operating segments under HKFRS 8 are therefore as follows:

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

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

Segment revenue and results

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

For the year ended 31 December 2009

	Manufacturing	**Trading**	**Combined**
	HK$	***HK$***	***HK$***
REVENUE			
External sales	**105,583,694**	**29,002,234**	**134,585,928**
Segment profit	**12,635,554**	**1,737,451**	**14,373,005**
Interest income			**163,780**
Other income			**592,010**
Other gains and losses			**28,201**
Unallocated selling and distribution costs			**(716,907)**
Unallocated corporate expenses			**(23,722,646)**
Finance costs			**(774,123)**
Loss before taxation			**(10,056,680)**

For the year ended 31 December 2008

	Manufacturing	Trading	Combined
	HK$	*HK$*	*HK$*
REVENUE			
External sales	142,510,552	51,379,061	193,889,613
Segment profit	32,666,086	3,323,148	35,989,234
Interest income			273,603
Other income			470,663
Other gains and losses			(295,569)
Unallocated selling and distribution costs			(572,387)
Unallocated corporate expenses			(16,543,025)
Other expenses			(9,873,447)
Finance costs			(1,925,684)
Profit before taxation			7,523,388

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of interest income, other income, unallocated selling and distribution costs, unallocated administration costs, directors' salaries, finance costs and change in fair value of derivatives financial instruments, impairment loss recognised in respect of intangible asset, income tax expenses and professional fees and expenses related to the Listing. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

At 31 December 2009

	Manufacturing	**Trading**	**Combined**
	HK$	***HK$***	***HK$***
Assets			
Segment assets	**109,022,886**	**23,709,761**	**132,732,647**
Prepaid lease payments			**4,180,027**
Investment property			**1,968,988**
Intangible asset			**1,060,851**
Deferred taxation			**755,000**
Deposit placed for a life insurance policy			**1,918,669**
Other receivables, prepayment and deposits			**8,401,417**
Amount due from a related company			**56,000**
Bank balances and cash			**59,098,699**
Consolidated assets			**210,172,298**
Liabilities			
Segment liabilities	**12,807,549**	**2,768,932**	**15,576,481**
Other payables and accruals			**7,640,008**
Amount due to a related company			**740,879**
Amounts due to directors			**1,166,102**
Bank borrowings			**29,772,997**
Tax payable			**2,830,539**
Consolidated liabilities			**57,727,006**

At 31 December 2008

	Manufacturing *HK$*	Trading *HK$*	Combined *HK$*
Assets			
Segment assets	134,399,927	24,140,001	158,539,928
Prepaid lease payments			4,310,072
Investment property			2,022,204
Intangible asset			1,905,792
Other receivables, prepayment and deposits			4,473,293
Amount due from a related company			56,000
Tax recoverable			1,112,707
Pledged bank deposits			8,029,587
Bank balances and cash			60,671,691
Consolidated assets			241,121,274
Liabilities			
Segment liabilities	16,919,967	1,168,690	18,088,657
Other payables and accruals			7,956,380
Amount due to a related company			118,504
Bank borrowings			41,386,019
Deferred taxation			900,000
Dividend payable			141,506
Consolidated liabilities			68,591,066

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

- all assets are allocated to operating segments, other than investment property, prepaid lease payments related to investment property, intangible asset, deposit placed for a life insurance policy, other receivables, prepayments, deposits, amount due from a related company, tax recoverable, pledged bank deposits, bank balances and cash.

- liabilities allocated to operating segments for both years are trade payables. Other liabilities such as other payables, accruals, amount due to a related company, amounts due to directors, dividend payable, bank borrowings and deferred taxation are unallocated.

Other segment information

For the year ended 31 December 2009

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

	Manufacturing *HK$*	**Trading** *HK$*	**Total** *HK$*
Additions to property, plant and equipment	**7,769,239**	**515,369**	**8,284,608**
Depreciation of property, plant and equipment	**6,348,144**	**658,082**	**7,006,226**
Loss on disposal of property, plant and equipment	**85,104**	**–**	**85,104**
Release of prepaid lease payments	**291,045**	**–**	**291,045**
Allowance for bad and doubtful debts	**4,067,946**	**–**	**4,067,946**
Allowance for obsolete inventories	**2,830,905**	**–**	**2,830,905**

Amount regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:	
Finance costs	**774,123**

For the year ended 31 December 2008

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

	Manufacturing *HK$*	Trading *HK$*	Total *HK$*
Additions to property, plant and equipment	9,673,838	494,699	10,168,537
Additions to prepaid lease payments	6,431,750	–	6,431,750
Depreciation of property, plant and equipment	5,170,594	480,395	5,650,989
Release of prepaid lease payments	265,863	–	265,863
Gain on disposal of property, plant and equipment	80,090	–	80,090
Allowance for bad and doubtful debts	415,735	–	415,735

Amount regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:	
Finance costs	1,925,684

Geographical information

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

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

	Revenue from external customers by geographical location	
	2009	2008
	HK$	*HK$*
The PRC (including Hong Kong) (country of domicile)	**117,671,640**	165,920,157
Korea, Malaysia, Singapore and Thailand *(note)*	**12,337,945**	23,347,746
Germany and Ireland *(note)*	**4,576,343**	4,621,710
	134,585,928	193,889,613

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

As at 31 December 2009, non-current assets of the Group of HK$76,571,809 (2008: HK$76,779,523) were located in the PRC (including in Hong Kong).

Information about major customers

During the year ended 31 December 2009, a customer contributed revenue from Trading segment of HK$15,037,995 (2008: HK$17,564,032) of the total revenue of the Group. Other than this, none of the customer contributed over 10% of the total revenue of the Group during both years.

Revenue from major products

No information for revenue from major products have been prepared and disclosed, as in the opinion of the directors, the information is not readily available and the cost to develop such information would be excessive.

5. INTEREST INCOME AND OTHER INCOME

	2009	2008
	HK$	*HK$*
Interest income from bank deposits	**90,070**	273,603
Interest income from other receivable	**73,710**	–
	163,780	273,603
Rental income	**288,000**	288,000
Sundry income	**304,010**	182,663
	592,010	470,663

6. OTHER GAINS AND LOSSES

	2009	2008
	HK$	*HK$*
Allowance for bad and doubtful debts	**(4,067,946)**	(415,735)
Gain (loss) on fair value change of derivative financial instruments	**750,016**	(62,240)
(Loss) gain on disposal of property, plant and equipment	**(85,104)**	80,090
Impairment loss recognised in respect of intangible asset	**(844,941)**	–
Net foreign exchange gain (loss)	**208,230**	(313,419)
	(4,039,745)	(711,304)

7. OTHER EXPENSES

The amount represented 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 expenses when incurred.

8. FINANCE COSTS

	2009	2008
	HK$	*HK$*
Interest on:		
Bank borrowings wholly repayable within five years	**(754,647)**	(1,899,738)
Other payable wholly repayable within five years	**(19,476)**	(25,946)
	(774,123)	(1,925,684)

9. TAXATION

The charge comprises:

	2009	2008
	HK$	*HK$*
Current tax:		
Hong Kong Profits Tax	**–**	(1,479,990)
PRC Enterprise Income Tax	**(17,991)**	–
	(17,991)	(1,479,990)
(Under) overprovision of Hong Kong Profits Tax in prior years *(note)*	**(4,318,000)**	166,307
Current year deferred tax	**1,655,000**	–
	(2,680,991)	(1,313,683)

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

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% of the estimated assessable profit for both years.

In current year, no provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Hong Kong subsidiary has no assessable profits generated during the year.

Pursuant to the relevant laws and regulations in the PRC, Long Chuan Weida Insulation Material Co., Ltd. ("Long Chuan Weida"), a PRC subsidiary of the Company, is exempted from PRC Enterprise Income Tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years ("Tax Exemption"). Long Chuan Weida commenced its first profit making year in 2008.

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

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

	2009	2008
	HK$	*HK$*
(Loss) profit before taxation	**(10,056,680)**	7,523,388
Tax at Hong Kong Profits Tax rate of 16.5%	**1,659,352**	(1,241,359)
Tax effect of expenses not deductible for tax purpose	**(56,791)**	(12,437,001)
Tax effect of income not taxable for tax purpose	**8,512**	11,767,874
Tax effect of estimated tax losses not recognised	**(294,559)**	(276,888)
Effect of Tax Exemption granted to a PRC subsidiary	**351,802**	639,816
Effect of different tax rate of a subsidiary operating in the PRC	**(6,117)**	–
(Under) overprovision in prior years	**(4,318,000)**	166,307
Others	**(25,190)**	67,568
Taxation for the year	**(2,680,991)**	(1,313,683)

10. (LOSS) PROFIT FOR THE YEAR

	2009	2008
	HK$	*HK$*
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**901,487**	862,575
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK$2,830,905 (2008: nil))	**115,317,929**	155,932,050
Depreciation of property, plant and equipment	**7,006,226**	5,650,989
Amortisation of investment property (included in administrative expenses)	**53,216**	53,216
Release of prepaid lease payment	**421,090**	395,908
Operating lease rentals in respect of rented premises	**1,281,227**	1,300,744
Staff costs (including directors' emoluments)		
– Salaries and other benefits	**15,174,303**	16,604,763
– Contributions to retirement benefit schemes	**668,977**	779,078
	15,843,280	17,383,841
Rental income from investment property	**(288,000)**	(288,000)
Less: direct operating expenses from investment property that generated rental income during the year	**93,400**	91,692
Net rental income	**(194,600)**	(196,308)

11. DIVIDEND

	2009	2008
	HK$	*HK$*
Dividends declared and recognised as distribution during the year:		
2009 Interim – HK$5 cents (on a pre-split basis) (2008: 2008 interim dividend – HK$250) per share	**5,000,000**	25,000,000
2008 Final – HK$2.5 cents (on a pre-split basis) per share	**2,500,000**	–
	7,500,000	25,000,000
Dividend proposed	**–**	2,500,000

Pursuant to the directors' meeting dated 29 September 2008, Vitar Hong Kong declared dividend of HK$250 per share, which were distributed to the then shareholders according to their respective shareholding.

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for each of the two years ended 31 December 2009 and 2008 is based on the consolidated (loss) profit attributable to the owners of the Company for the respective years and on the number of shares as follows as adjusted for the share split on 24 February 2010.

	2009	2008 (restated)
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share *(note)*	**2,000,000,000**	1,516,502,740

Note: The number of shares for the purpose of calculating basic earnings per share for the year ended 31 December 2008 was 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 year and also had been adjusted for the 50,000,000 shares issued pursuant to the capitalisation issue.

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

13. TRADE RECEIVABLES

	2009	2008
	HK$	*HK$*
Trade receivables	**52,637,303**	57,821,962
Less: Allowance for bad and doubtful debts	**(4,772,902)**	(1,061,732)
	47,864,401	56,760,230

The Group allows a credit period ranging from 30 days to 90 days to its trade customers. For certain customers in connection with trading of copper or having long established relationship with the Group, the Group may grant a longer credit period up to 120 days. The following is an aged analysis of trade receivables (net of allowance for bad and doubtful debts) presented based on invoice date at the end of the reporting period:

	2009	2008
	HK$	*HK$*
0 – 30 days	**14,424,819**	21,769,253
31 – 60 days	**10,690,932**	9,451,909
61 – 90 days	**8,748,286**	10,752,542
Over 90 days but less than two years	**14,000,364**	14,786,526
Total	**47,864,401**	56,760,230

14. TRADE PAYABLES

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

	2009	2008
	HK$	*HK$*
0 – 30 days	**6,115,356**	9,697,817
31 – 60 days	**3,649,844**	3,574,964
61 – 90 days	**322,011**	666,300
90 days but less than one year	**5,489,270**	4,149,576
Total	**15,576,481**	18,088,657

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

2009 is a difficult and challenging year for the Group under the difficult global economic conditions. Like many of the manufacturing enterprises, the Group was significantly impacted by the rapid global economic downturn caused by the financial tsunami in the second half of the year 2008.

During the year under review, the economic environment was difficult and the decline in global economic activities suppressed consumption and demand for electrical appliance in the US and European markets. Such reduction in demand in return caused a corresponding drop in the sales of our product which is a component of most electrical appliances. It was particularly challenging when revenue from most of our major markets contracted simultaneously that posed considerable pressure to the performance of the Group.

The Group has pursued different strategies to cope with the depressing economic and business environment. In order to sustain our market shares, we had put more effort in marketing activities such as participating in various international insulation materials exhibitions, establishment of sales office, modernization of warehouse and optimization of distribution outlets. To enhance our product features and its competitiveness, we had modification of existing production lines, refinement of labor force, research on materials application, reengineering of manufacturing process and product development. The Group endeavored to maintain the position of being one of the major insulation material manufacturers in Mainland China.

Under the above circumstances, the Group reported a turnover of approximately HK$134.6 million for 2009, representing a decrease of approximately 30.6% as compared to previous financial year. The Group also recorded a loss of approximately HK$12.7 million in 2009 due to the drop in revenue and squeeze in profit margin during the year.

FINANCIAL REVIEW

Revenue

The Group's audited consolidated revenue and loss attributable to the Company's shareholders for the year ended 31 December 2009 were amounted to approximately HK$134.6 million (2008: HK$193.9 million) and HK$12.7 million (2008: Profit of HK$6.2 million) respectively. The Group's revenue has decreased by 30.6% from that of last year.

We were adversely affected by the global financial crisis throughout 2009. Sales in the first half of 2009 was particularly worse and it recovered a lot in the second half of 2009 with an increase of 45.6% compared with the first half of 2009. The overall decrease in revenue was contributed by the decrease in sales of manufacturing products by 25.9% and trading business of 43.6%.

Cost of sales

Cost of sales includes mainly direct material costs, direct labor costs and manufacturing overhead absorbed during the production process of our products. It was approximately HK$115.3 million for the year ended 31 December 2009 and HK$155.9 million for the year ended 31 December 2008, respectively representing 85.7% and 80.4% of the revenue recorded in the respective years.

Gross profit and margin

The Group record a gross profit of HK$19.3 million for the year ended 31 December 2009. This represents a decrease of 49.2% comparing with the gross profit of HK$37.9 million in 2008. Gross profit as a percentage of revenue for 2009 drops significantly to 14.3% (2008: 19.6%) due to the increase in material and overhead cost.

Other gains and losses

Other losses increased from HK$0.7 million for the year ended 31 December 2008 to HK$4.0 million in 2009 mainly as a result of the increase in allowance for bad and doubtful debts and impairment loss recognized in respect of intangible asset.

Selling and distribution costs

Selling and distribution costs, representing 1.2% of Group's revenue, decrease by approximately 27.3% from HK$2.1 million for the year ended 31 December 2008 to HK$1.5 million for the year ended 2009. Such decrease was in line with the drop in sales for the year ended 31 December 2009.

Administrative expenses

Administration expenses, which represented 17.6% of the Group's revenue, increase by approximately 43.4% from HK$16.5 million for the year ended 31 December 2008 to HK$23.7 million for the year of 2009. Such increase was mainly attributable to the increase in various additional professional fees and expenses after listing in November 2008, higher depreciation charge on additional property, plant and equipment acquired during the year, increase in other administration expenses.

Finance costs

With the general decline in interest rates during the year 2009 together with our decrease in bank borrowing on comparison with those in 2008. The finance cost of the Group deceased from HK$1.9 million in 2008 to HK$0.8 million in 2009.

Taxation

Income tax increase from HK$1.3 million for the year ended 31 December 2008 to HK$2.7 million for the year ended 31 December 2009 due to under provision of Hong Kong profits tax in prior years.

Loss for the year

There was an abrupt change in operating result for the year 2009 from a profit of HK$6.2 million for the year ended 31 December 2008 to a loss of HK$12.7 million for the year ended 31 December 2009. The loss was attributed to the increase in other losses and administrative expense, decrease in revenue and gross profit.

Profit attributable to shareholders as a percentage of revenue decrease greatly from approximately 3.2% for the year ended 31 December 2008 to a loss of 9.5% for 2009.

Major Financial Ratios

	2009	2008
Trade receivables turnover (days)	**130**	107
Trade payable turnover (days)	**49**	42
Inventory turnover (days)	**48**	77
Gearing ratio	**14.2%**	17.2%

Trade receivables turnover

The trade receivables turnover is calculated by dividing the trade receivables as of the end of the respective year by revenue for the year, multiplied by 365 days. Due to change in market conditions, the trade receivables turnover day was increased from 107 days as of 31 December 2008 to 130 days as of 31 December 2009.

Trade payables turnover

The trade payables 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 payables turnover days stayed close for both years and stood at 42 days as of 31 December 2008 and 49 days as of 31 December 2009.

Inventories turnover

The inventories turnover is calculated by dividing the inventories as of the end of the respective year by cost of sales for the year, multiplied by 365 days. The inventories turnover days was more cautiously monitored during the year in order to maintain the minimum level to meet our customers order. It was 77 days as of 31 December 2008 and 48 days as of 31 December 2009.

Gearing ratio

The gearing ratio is calculated by dividing the total bank borrowings by total assets at the end of the respective year. Following our listing on 12 November 2008, the gearing ratio was further improved and it dropped from 17.2% as at 31 December 2008 to 14.2% as at 31 December 2009.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flows and bank borrowings. At 31 December 2009, the Group had bank facilities amounted to HK$96.3 million of which HK$29.8 million were utilized. Majority of the bank borrowings were in HK dollars while bank borrowings in USD amounted to HK$10.1 million. All bank borrowings were mostly repayable within one year and on floating interest rates basis ranging from HIBOR plus 1.25% to 2.25% during the year. The gearing ratio of the Group, calculated as a ratio of bank borrowings to total assets, was 14.2% as at 31 December 2009 (2008: 17.2%). As at 31 December 2009, the Group had net current assets of approximately HK$76.8 million (2008: HK$101.0 million). Current ratio as at 31 December 2009 was slightly lower than last year and stood at 2.4% (2008: 2.6%). The net cash position of the Group as at 31 December 2009 was approximately HK$59.1 million (2008: HK$68.7 million). The Group has consistently maintained a sound financial position with low gearing ratio, high liquidity and adequate financial resources.

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

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

CHARGES OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2009, our outstanding bank borrowings of HK$29.8 million and our banking facilities of HK$96.3 million (among which HK$66.5 million had not been utilized) were secured by the properties owned by the Group in Hong Kong.

As at 31 December 2009, the Group did not have any significant contingent liabilities.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: HK$2.5 cents per share (on a pre-split basis)) .

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2009, capital expenditure of the group for property, plant and equipment and leasehold in PRC amounted to approximately HK$8.3 million (2008: HK$16.6 million).

EMPLOYMENT AND REMUNERATION POLICY

The Group employed approximately 340 employees in total as at 31 December 2009. The Group implemented its remuneration policy, bonus and share option schemes based on the achievements and performance of employees. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-owned retirement benefit scheme in the PRC. The Group continues to provide training facilities to our staff to enhance knowledge of industry quality standards.

SHARE OPTION SCHEME

On 21 October 2008, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Eligible participants of Scheme include, without limitation, employees, Directors, shareholder and any other eligible persons of the Group. Up to 31 December 2009, no share option has been granted or agreed to be granted to any person under the Scheme.

PROSPECT

On 1 February 2010, the Group obtained the certification of ISO/TS16949:2009 auto components supplier quality control system certification from a certification organization. The implementation of this quality management system implies that the Group has further enhanced the quality control standard on its products, which serves to safeguard and further improve the competitive edge of its products in future.

With the introduction of additional Directors, certain new business ideas are introduced to the Board. The Company is now strategically positioned to venture into the natural resources business. As announced on 1 February 2010, the Company has entered into a non-legally binding memorandum of understanding for a possible acquisition of certain oilfield project.

Lastly, we are encouraged to see signs of recovery in the global market. Although the global economies have been stabilized, we do not expect consumer confidence in Americans and European markets to rebound substantially especially when their unemployment rates are still at a high level. Insulation and heat-resistance solution provider business will remain as our Group's core business. As economic conditions gradually improve in 2010, along with the recovery, the Group is expected to achieve business growth through product innovation, market exploration and diversification of businesses. The Group will explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, divertment and/or diversification will be appropriate in order to enhance the long term potential of the Group. Any acquisition or disposal will be made in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong. However, at present no detailed plan has been formulated. With future emphasis being placed on business rationalization and diversification, it is anticipated that these efforts would offer a route to business growth. The Group will continue to strive for advancement in both quantity and quality of earnings and expansion of business by all means, including merger, acquisition or establishment of business ventures.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

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 2009. The Audit Committee comprises all of the three independent non-executive directors, namely Mr. Wong Hing Tat, Mr. Cheng Hau Yan and Mr. Zhong Wei Guang.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2009 as set out in this preliminary 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 Hong Kong Institute of Certified Public Accountants 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 provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the year ended 31 December 2009.

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors of the Company, all directors have confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the year ended 31 December 2009.

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, 27 April 2010

As at the date of this announcement, Mr. Leung Chau Hiu, Mr. Leung Kai Wing, Ms. Tsang Chi Yung, Ms. Leung Chun Yin, Mr. Cheung Wai Kuen, Mr. Cheng Pak Lung, Mr. Chang Yong Tian and Mr. Chen Liang are the executive directors of the Company and Mr. Wong Hing Tat, Mr. Cheng Hau Yan and Mr. Zhong Wei Guang are the independent non-executive directors of the Company.