VITAR INTERNATIONAL HOLDINGS LIMITED
威 達 國 際 控 股 有 限 公 司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 195)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors of Vitar International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Six months ended	
		30.6.2010	30.06.2009
	Notes	***HK$***	*HK$*
		(unaudited)	(unaudited)
Revenue	*3*	**90,685,781**	54,790,722
Cost of sales		**(79,635,241)**	(47,744,867)
Gross profit		**11,050,540**	7,045,855
Interest income	*5*	**139,693**	60,805
Other income	*5*	**110,069**	300,525
Other gains and losses	*6*	**12,404,099**	834,592
Selling and distribution costs		**(454,869)**	(393,935)
Administrative expenses		**(18,590,332)**	(10,661,487)
Finance costs	*7*	**(528,684)**	(567,782)
Profit/(loss) before taxation		**4,130,516**	(3,381,427)
Taxation	*8*	**(673,790)**	—
Profit/(loss) for the period	*9*	**3,456,726**	(3,381,427)
Other comprehensive income			
Exchange gains arising on translating foreign operations		**952,231**	299,284
Total comprehensive income (expense) for the period		**4,408,957**	(3,082,143)
Basic earnings (loss) per share	*11*	**0.14 cents**	(0.17 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	30.6.2010 HK$ (unaudited)	31.12.2009 HK$ (audited)
Non-current assets			
Property, plant and equipment	*12*	**53,171,073**	57,966,380
Prepaid lease payments	*12*	**6,333,415**	15,575,590
Investment property	*12*	**—**	1,968,988
Intangible asset		**1,060,851**	1,060,851
Deferred taxation		**755,000**	755,000
Deposit placed for a life insurance policy		**1,952,695**	1,918,669
		63,273,034	79,245,478
Current assets			
Inventories		**15,169,015**	15,076,652
Trade receivables	*13*	**63,314,915**	47,864,401
Other receivables, prepayments and deposits		**6,640,829**	8,401,417
Prepaid lease payments		**58,301**	429,651
Amounts due from related companies		**199,000**	56,000
Bank balances and cash		**423,515,542**	59,098,699
		508,897,602	130,926,820
Current liabilities			
Trade payables	*14*	**14,336,243**	15,576,481
Other payables and accruals		**8,872,134**	7,640,008
Amount due to a related company		**1,115,059**	740,879
Amounts due to directors		**1,658,173**	1,166,102
Bank borrowings — due within one year		**26,815,447**	26,172,997
Tax payable		**3,401,040**	2,830,539
		56,198,096	54,127,006
Net current assets		**452,699,506**	76,799,814
Total assets less current liabilities		**515,972,540**	156,045,292
Capital and reserves			
Share capital	*15*	**14,400,000**	10,000,000
Reserves		**494,872,540**	142,445,292
Total equity		**509,272,540**	152,445,292
Non-current liabilities			
Bank borrowings — due after one year		**6,700,000**	3,600,000
Total equity and liabilities		**515,972,540**	156,045,292

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Share capital *HK$*	Share premium *HK$*	Translation reserve *HK$*	Special reserve *HK$*	Retained profits *HK$*	Total *HK$*
At 1 January 2009 (audited)	10,000,000	41,574,386	5,744,331	7,800,000	107,411,491	172,530,208
Loss for the period	—	—	—	—	(3,381,427)	(3,381,427)
Exchange differences arising on translation of foreign operations	—	—	299,284	—	—	299,284
Total comprehensive income (expense) for the period	—	—	299,284	—	(3,381,427)	(3,082,143)
Transaction costs attributable to issue of shares	—	(91,835)	—	—	—	(91,835)
Payment of dividends	—	—	—	—	(2,500,000)	(2,500,000)
At 30 June 2009 (unaudited)	10,000,000	41,482,551	6,043,615	7,800,000	101,530,064	166,856,230
At 1 January 2010 (audited)	10,000,000	41,574,386	5,897,086	7,800,000	87,173,820	152,445,292
Profit for the period	—	—	—	—	3,456,726	3,456,726
Exchange differences arising on translation of foreign operations	—	—	952,231	—	—	952,231
Total comprehensive income for the period	—	—	952,231	—	3,456,726	4,408,957
Issue of shares	4,400,000	350,600,000	—	—	—	355,000,000
Transaction costs attributable to issue of shares	—	(2,581,709)	—	—	—	(2,581,709)
At 30 June 2010 (unaudited)	14,400,000	389,592,677	6,849,317	7,800,000	90,630,546	509,272,540

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended	
	30.6.2010	30.06.2009
	HK$	*HK$*
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	**(17,498,232)**	11,231,911
Interest received	**88,432**	60,805
Decrease in pledged bank deposits	—	1,974,748
Purchase of property, plant and equipment	**(5,251,507)**	(5,413,313)
Deposits paid for acquisition of property, plant and equipment	—	(9,203,222)
Proceed from disposal of property, plant and equipment, investment property and prepaid lease payments	**31,110,000**	—
Net cash from (used in) investing activities	**25,946,925**	(12,580,982)
Proceed from issue of shares	**355,000,000**	—
Transaction costs attributable to issue of shares	**(2,581,709)**	(91,832)
Interest paid	**(528,684)**	(567,782)
Dividend paid	—	(2,641,506)
Repayment of bank borrowings	**(83,084,722)**	(108,744,157)
New bank borrowings raised	**86,827,174**	96,649,452
Repayment of other payable	—	(1,287,629)
Net cash from (used in) financing activities	**355,632,059**	(16,683,454)
Net increase (decrease) in cash and cash equivalents	**364,080,752**	(18,032,525)
Effect of foreign exchange rate changes	**336,091**	183,411
Cash and cash equivalents at 1 January	**59,098,699**	60,671,691
Cash and cash equivalents at 30 June		
Bank balances and cash	**423,515,542**	42,822,577

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners

Except as described below, the same accounting policies have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2009.

Application of new and revised HKFRSs with no impact to financial statements for current period or prior periods

HKFRS 3 (Revised) "Business Combinations" & HKAS 27 (Revised) "Consolidated and Separate Financial Statements"

The Group applies HKFRS 3 (Revised) "Business combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and separate financial statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendment to HKAS 17 "Leases"

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. Before the amendment to HKAS 17, lesses were required to classify leasehold land as operating leases and presented as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. In accordance with the transitional provisions of HKAS 17 "Leases", the Group reassessed the classification of land elements of unexpired leasehold land as at 1 January 2010 based on information which existed at the inception of the leases. No reclassification is considered necessary because none of the leasehold land qualifies for finance lease classification.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statement of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related party disclosures[4]
HKAS 32 (Amendment)	Classification of rights issues[2]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[3]
HKFRS 9	Financial instruments[5]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a minimum funding requirement[4]
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments[3]

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

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.

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 financial position of the Group.

3. REVENUE

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

4. SEGMENT INFORMATION

The Group'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 business. Each business is managed by an unique business unit within the Group whose performance is assessed independently. The Group's operating segments are as follows:

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

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

Condensed consolidated statement of comprehensive income (unaudited)
For the six months ended 30 June 2010

	Six months ended 30 June 2010		
	Manufacturing	**Trading**	**Consolidated**
	HK$	*HK$*	*HK$*
Segment revenue	**60,392,324**	**30,293,457**	**90,685,781**
Segment result	**8,359,537**	**1,185,445**	**9,544,982**
Unallocated corporate income			**13,716,517**
Unallocated corporate expenses			**(18,602,299)**
Finance costs			**(528,684)**
Profit before taxation			**4,130,516**

Other information (unaudited)
For the six months ended 30 June 2010

	Manufacturing *HK$*	**Trading** *HK$*	**Unallocated** *HK$*	**Consolidated** *HK$*
Additions to property, plant and equipment	**1,851,532**	—	**3,399,975**	**5,251,507**
Depreciation of property, plant and equipment	**2,871,257**	—	**339,997**	**3,211,254**
Release of prepaid lease payments	**66,643**	—	**48,119**	**114,762**
Allowance for bad and doubtful debts	**1,062,656**	—	—	**1,062,656**
Written off of scraped plant and equipment	**824,934**	—	—	**824,934**

Condensed consolidated statement of comprehensive income (unaudited)
For the six months ended 30 June 2009

	Six months ended 30 June 2009		
	Manufacturing *HK$*	Trading *HK$*	Consolidated *HK$*
Segment revenue	46,001,328	8,789,394	54,790,722
Segment result	5,983,156	676,257	6,659,413
Unallocated corporate income			1,195,922
Unallocated corporate expenses			(10,668,980)
Finance costs			(567,782)
Loss before taxation			(3,381,427)

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

	Manufacturing *HK$*	Trading *HK$*	Unallocated *HK$*	Consolidated *HK$*
Additions to property, plant and equipment	5,413,313	—	—	5,431,313
Depreciation of property, plant and equipment	3,294,450	—	—	3,294,450
Release of prepaid lease payments	145,463	—	65,023	210,486

5. INTEREST INCOME AND OTHER INCOME

	Six months ended	
	30.06.2010	30.06.2009
	HK$	*HK$*
	(unaudited)	(unaudited)
Interest income from bank deposits	**88,433**	60,805
Interest income from a life insurance policy	**51,260**	—
Total interest income	**139,693**	60,805
Rental income	**61,936**	144,000
Sundry income	**48,133**	156,525
Total other income	**110,069**	300,525

6. OTHER GAINS AND LOSSES

	Six months ended	
	30.06.2010	30.06.2009
	HK$	*HK$*
	(unaudited)	(unaudited)
Allowance for bad and doubtful debts	**(1,062,656)**	—
Gain on fair value change of derivative financial instruments	**529,304**	749,356
Gain on disposal of property, plant and equipment, investment property and prepaid lease payments	**13,640,493**	—
Written off of scraped plant and equipment	**(824,934)**	—
Net foreign exchange gain	**121,892**	85,236
	12,404,099	834,592

7. FINANCE COSTS

	Six months ended	
	30.06.2010	30.06.2009
	HK$	*HK$*
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	**528,684**	548,306
Other borrowing wholly repayable within five years	**—**	19,476
	528,684	567,782

8. TAXATION

	Six months ended 30.06.2010 HK$ (unaudited)	30.06.2009 HK$ (unaudited)
The People's Republic of China (The "PRC") Enterprise Income Tax	**673,790**	—

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

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary of the Group is exempted from PRC Enterprise income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. Taxation arising in the PRC is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 12% for the six months ended 30 June 2010.

9. PROFIT/(LOSS) FOR THE PERIOD

	Six months ended 30.06.2010 HK$ (unaudited)	30.06.2009 HK$ (unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Auditor's remuneration	**400,752**	410,000
Cost of inventories recognized as an expense	**79,635,241**	47,744,867
Depreciation of property, plant and equipment	**3,211,254**	3,294,450
Depreciation of investment property	**8,869**	26,608
Release of prepaid lease payments	**114,762**	210,486
Operating lease rentals in respect of rented premises	**1,598,914**	863,462
Staff costs (including directors' emoluments)		
— Salaries and other benefits	**9,637,670**	7,410,282
— Contributions to retirement benefits scheme	**465,038**	350,018
	10,102,708	7,760,300
Rental income from investment property	**(61,936)**	(144,000)
Less: Outgoings	**29,356**	47,095
Net rental income	**(32,580)**	(96,905)

10. DIVIDEND

The directors do not recommend the payment of an interim dividend for six months ended 30 June 2010.

The directors have determined that an interim dividend of HK$5 cents per share (before share subdivision) for six months ended 30 June 2009.

11. BASIC EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for each of the six months ended 30 June 2010 and 2009 is based on the profit (loss) for the period attributable to owners of the Company for the respective periods and on the number of shares as follows as adjusted for the share split on 24 February 2010 as set out in note 15:

	2010	2009
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**2,532,596,685**	2,000,000,000

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

12. PROPERTY, PLANT AND EQUIPMENT

On 18 March 2010, the Group disposed of its investment property, certain prepaid lease payments and buildings with an aggregate carrying amount of HK$17.5 million to certain companies controlled by Vitar Development Holdings Limited ("Vitar Development"), a substantial shareholder of the Company, at a consideration of HK$31.1 million.

During the period, additions to the Group's property, plant and equipment amounted to HK$5,251,507 (1 January 2009 to 30 June 2009: HK$5,431,313).

13. TRADE RECEIVABLES

	30.06.2010 ***HK$*** **(unaudited)**	31.12.2009 *HK$* (audited)
Trade receivables	**69,152,712**	52,637,303
Less: Allowance for bad and doubtful debts	**(5,837,797)**	(4,772,902)
	63,314,915	47,864,401

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) presented based on invoice date at the end of the reporting period:

	30.06.2010 ***HK$*** **(unaudited)**	31.12.2009 *HK$* (audited)
0 — 30 days	**15,428,084**	14,424,819
31 — 60 days	**18,011,824**	10,690,932
61 — 90 days	**17,733,629**	8,748,286
Over 90 days but less than one year	**12,141,378**	14,000,364
	63,314,915	47,864,401

14. TRADE PAYABLES

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

	30.06.2010	31.12.2009
	HK$	*HK$*
	(unaudited)	(audited)
0 — 30 days	**4,984,018**	6,115,356
31 — 60 days	**3,739,471**	3,649,844
61 — 90 days	**836,357**	322,011
Over 90 days but less than one year	**4,776,397**	5,489,270
	14,336,243	15,576,481

15. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$
Ordinary shares of HK$0.005 each		
Authorised:		
At 1 January 2010 (audited)	1,000,000,000	100,000,000
Share subdivision — *Note 2*	19,000,000,000	—
At 30 June 2010 (unaudited)	20,000,000,000	100,000,000
Issued:		
At 1 January 2010 (audited)	100,000,000	10,000,000
Share Placement — *Note 1*	20,000,000	2,000,000
Share subdivision — *Note 2*	2,280,000,000	—
Share Placement — *Note 3*	480,000,000	2,400,000
At 30 June 2010 (unaudited)	2,880,000,000	14,400,000

Notes:

(1) Pursuant to a Placing Agreement dated 30 December 2009, the Company completed a placing and issue of 20,000,000 ordinary shares at a placing price of HK$2.15 per share (before share subdivision) on 19 January 2010. These shares rank pari passu in all respect with other shares in issue.

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

(3) Pursuant to a Placing Agreement dated 26 February 2010, the Company completed a placing and issue of 480,000,000 subdivided ordinary shares at a placing price of $0.65 per share (after share subdivision) on 29 April 2010. These shares rank pari passu in all respect with other shares in issue.

16. CAPITAL COMMITMENTS

	30.06.2010	31.12.2009
	HK$	*HK$*
	(unaudited)	(audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**1,084,680**	1,830,645

17. RELATED PARTY TRANSACTIONS

During the periods, the Group had entered into the following significant transactions with related parties:

	30.06.2010	30.06.2009
	HK$	*HK$*
	(unaudited)	(unaudited)
Proceed received from disposal of property, plant and equipment, investment property and prepaid lease payments	**31,110,000**	—
Rentals paid to		
First Phoenix Investments Limited	**168,000**	168,000
Grandeur (China) Limited	**165,677**	—
Joy Success Corporation Limited	**37,968**	—
Major Business Limited	**43,145**	—
Sheraton Limited	**36,000**	—
	450,790	168,000

On 6 March 2008, the Group entered into a tenancy agreement with First Phoenix Investments Limited, pursuant to which First Phoenix agreed to lease the office premises to the Group. First Phoenix is a related company of the Group as the director, Mr. Leung Kai Wing, have beneficial interests.

On 18 March 2010, the Group entered into separate tenancy agreements with Grandeur (China) Limited, Joy Success Corporation Limited and Major Business Limited ("the Landlords") to lease back certain properties after the disposal pursuant to the resolutions passed by the shareholders on the day. The Landlords are companies wholly owned by Vitar Development.

On 1 May 2010, the Group entered into a tenancy agreement with Sheraton Limited to lease a residential property to the Group for staff quarter. Sheraton Limited is a related company of the Group as the former director, Ms. Leung Chun Yin, have beneficial interests.

18. EVENT AFTER REPORTING PERIOD

On 13 July 2010, the Company entered into the sales and purchase agreement on acquiring entire equity interest in Parksong Mining And Resource Recycling Limited ("Parksong"), a limited liability company incorporated in Hong Kong, at a consideration of HK$1,086,500,000 (including HK$280,000,000 cash consideration and HK$806,500,000 issurance of convertible bonds). Parksong and its subsidiaries mainly engaged in the metal tin mining operation in Tasmania, Australia, since March 2010. The acquisition is not completed at the date of the report. Details refer to the announcement dated on 16 August 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

During the period of the first half of the year 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 there is a further enhancement in the quality control standard of the products of the Group, which serves to safeguard and further improve the competitive edge of products of the Group.

We are also delighted to see the recovery in the global market and the sales order are up and rising during the period. Insulation and heat-resistance solution provider business are still being managed in a difficult environment. We prime our competitiveness not just in price but rather on quality-price ratios, delivery lead times, as well as flexibility in meeting specific customers order requirements.

FINANCIAL REVIEW

The Group's unaudited consolidated revenue for the six months ended 30 June 2010 was HKD90.7 million (2009: HKD54.8 million) representing a year on year increase of 65.5% as compared to the same period last year. The overall increase in sales was accounted for by the respective increase of 31.3% in manufacturing segment and 244.7% in trading segment on comparison with that in same period last year.

The gross profit margin was shrinked slightly from 12.9% for the six months ended 30 June 2009 to 12.2% for the current period which was caused by a slow recovery of global economy and market demand, a higher portion of revenue generated from trading segment with a comparatively smaller profit margin, minor increase in manufacturing product prices being unable to compensate the effect of increase in copper and other material costs.

Other gains and losses increase greatly from a gain of HKD0.8 million for the six months ended 30 June 2009 to HKD12.4 million. The increase was derived mainly from an aggregate of a gain of HKD13.6 million on disposal of property, plant and equipment, investment property and prepaid lease payments, written off of scraped plant and equipment of HKD0.8 million and an allowance of HKD1.1 million for bad and doubtful debts.

Administration expenses, which represented 20.5% of the Group's revenue, increased by approximately 74% from HKD10.7 million for the six months ended 30 June 2009 to HKD18.6 million for the six months ended 30 June 2010. Such increase was mainly attributable to the increase in various professional fee and related expenses, additional professional fee on share placements and related expenses, and increase in directors' remuneration from a stronger team of board members.

As a result of the above factors, the Group's operation results recorded a profit of HKD3.5 million for the six months ended 30 June 2010 (2009: loss of HKD3.4 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flows and bank borrowings. At 30 June 2010, the Group had bank facilities amounted to HKD54.3 million of which HKD33.5 million were utilized. Bank borrowings were mainly in HK dollars while the borrowings in United States Dollars ("USD") amounted to HKD14.1 million. Bank borrowings are mostly repayable within one year and on floating interest rates on HIBOR basis during the period. The gearing ratio of the Group, calculated as a ratio of bank borrowings to total assets, was 5.9% as at 30 June 2010 (31 December 2009: 14.2%).

As at 30 June 2010, the Group had net current assets of approximately HKD452.7 million (31 December 2009: HKD76.8 million). Current ratio as at 30 June 2010 was 9.1 (31 December 2009: 2.4). The net cash position of the Group as at 30 June 2010 was approximately HKD423.5 million (31 December 2009: HKD59.1 million). The improvement of gearing ratio and the current ratio are attributable to high level of net cash position after the recent share placements on 19 January 2010 and 29 April 2010.

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

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

CHARGES OF ASSETS

As at 30 June 2010, our outstanding bank borrowings of HKD33.5 million and our banking facilities of HKD54.3 million (among which HKD20.8 million had not been utilized) were secured by an insurance policy of the Group together with the corporate guarantee given by the Company.

CONTINGENT LIABILITIES

As at 30 June 2010, the Group had no material contingent liabilities.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: HK5 cents).

MATERIAL DISPOSAL

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

EMPLOYMENT AND REMUNERATION POLICY

The Group employed approximately 380 (2009: 345) employees in total as at 30 June 2010. The Group implemented its remuneration policy, bonus and share option schemes based on the achievements and performance of employees. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-owned retirement benefit scheme in the PRC. The Group continues to provide training facilities for our staff to enhance knowledge of industry quality standards.

PROSPECTS

This year was a transformational milestone for the Group which has undergone a series of business expansion. On 13 July 2010, the Company has entered into a sales and purchase agreement to acquire entire interest in Parksong Mining And Resource Recycling Limited ("Parksong"). Parksong is engaged in the metal tin mining operation in Tasmania, Australia. The Directors are of the view that metal tin, being a scarce and valuable metal, has very high commercial value and relatively stable demand despite the recent global economic fluctuation. The Directors consider that this acquisition represents a good opportunity to venture into the natural resources business and to diversify the Group's existing business and broaden its income base. The Group will explore other business opportunities and place emphasis on business expansion in order to enhance its long term growth.

The outlook of the Group's existing business is still challenging, the Group will face a number of unfavorable conditions include: 1) the unemployment rates are still high in the US and other European countries; 2) shortage of labor together with rising labor costs in the PRC ; 3) copper and other materials costs are kept rising ; 4) RMB appreciation; 5) falling and shrinking profit margins depending on the ability of manufacturers in passing the rising cost of productions to buyers.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Bases on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the minimum amount of public float as required under the Listing Rules throughout the six months ended 30 June 2010.

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. For the six months ended 30 June 2010, no share option has been granted or agreed to be granted to any person under the Scheme.

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

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

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

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

REVIEW OF INTERIM REPORT

The Audit Committee has reviewed the Group's interim report for the six months ended 30 June 2010. 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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the six months ended 30 June 2010.

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors of the Company, all directors have confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the six months ended 30 June 2010.

PUBLICATION OF INTERIM REPORT

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

By the order of the board of directors
Vitar International Holdings Limited
Cheung Wai Kuen
Executive Director

Hong Kong, 30 August 2010

As at the date of this announcement, the Board comprises Mr. LEUNG Chau Hiu, Mr. LEUNG Kai Wing, Mr. CHEUNG Wai Kuen, Mr. CHENG Pak Lung, Mr. CHANG Yong Tian and Mr. CHEN Liang as executive Directors, and Mr. WONG Hing Tat, Mr. CHENG Hau Yan and Mr. ZHONG Wei Guang as independent non-executive Directors.