# 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 2010

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 2010 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2010*

| | *Notes* | **2010** *HK$'000* | 2009 *HK$'000* |
|---|---|---|---|
| Revenue | *3* | **207,350** | 134,586 |
| Cost of sales | | **(178,414)** | (115,318) |
| Gross profit | | **28,936** | 19,268 |
| Interest income | | **298** | 164 |
| Other income | | **204** | 592 |
| Other gains and losses | *5* | **7,873** | (4,040) |
| Selling and distribution costs | | **(1,138)** | (1,544) |
| Administrative expenses | | **(39,370)** | (23,723) |
| Other expenses | *7* | **(6,971)** | — |
| Finance costs | | **(487)** | (774) |
| Loss before taxation | | **(10,655)** | (10,057) |
| Taxation | *6* | **(2,101)** | (2,681) |
| Loss for the year | *7* | **(12,756)** | (12,738) |
| Other comprehensive income for the year | | | |
| Exchange gains arising on translating foreign operations | | **6,178** | 153 |
| Total comprehensive expense for the year | | **(6,578)** | (12,585) |
| | | | *(restated)* |
| Loss per share | | | |
| Basic (HK cents) | *9* | **0.47** | 0.64 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2010*

| | Notes | 31.12.2010<br>HK$'000 | 31.12.2009<br>HK$'000<br>(Restated) | 1.1.2009<br>HK$'000<br>(Restated) |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | | **58,086** | 63,410 | 62,467 |
| Prepaid lease payments | | **6,364** | 6,240 | 6,363 |
| Investment property | | **—** | 6,149 | 6,332 |
| Intangible asset | | **1,061** | 1,061 | 1,906 |
| Deferred taxation | | **—** | 755 | — |
| Deposit placed for a life insurance policy | | **1,979** | 1,919 | — |
| Deposit paid for acquisition of a target company | | **280,000** | — | — |
| | | **347,490** | 79,534 | 77,068 |
| **Current assets** | | | | |
| Inventories | | **16,831** | 15,077 | 32,809 |
| Trade receivables | *10* | **53,388** | 47,864 | 56,760 |
| Other receivables, prepayments and deposits | | **11,911** | 8,401 | 4,473 |
| Prepaid lease payments | | **147** | 141 | 141 |
| Amount due from a related company | | **56** | 56 | 56 |
| Tax recoverable | | **1,483** | — | 1,113 |
| Pledged bank deposits | | **—** | — | 8,029 |
| Bank balances and cash | | **118,666** | 59,099 | 60,672 |
| | | **202,482** | 130,638 | 164,053 |
| **Current liabilities** | | | | |
| Trade payables | *11* | **20,906** | 15,576 | 18,089 |
| Other payables, deposits received and accruals | | **13,693** | 7,640 | 6,669 |
| Amounts due to related companies | | **1,513** | 741 | 118 |
| Amounts due to directors | | **2,796** | 1,166 | — |
| Bank borrowings | | **11,032** | 29,773 | 41,386 |
| Other payable — due within one year | | **—** | — | 228 |
| Dividend payable | | **—** | — | 141 |
| Tax payable | | **589** | 2,831 | — |
| Bank overdrafts | | **881** | — | — |
| | | **51,410** | 57,727 | 66,631 |
| **Net current assets** | | **151,072** | 72,911 | 97,422 |
| **Total assets less current liabilities** | | **498,562** | 152,445 | 174,490 |

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2010*

### 1. GENERAL

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

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

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

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

**New and revised HKFRSs applied in the current year**

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

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

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

**HKFRS (revised in 2008) Business combinations**

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

HKFRS 3 (revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. In the current year, the application of HKFRS 3 (revised in 2008) has affected the accounting treatment for transaction costs of HK$4,747,000 incurred during the year for the proposed acquisition of Parksong Mining and

Resources Recycling Limited ("Parksong") which was completed after the end of the reporting period. As a result of application of HKFRS 3 (revised in 2008), transaction costs of HK$4,747,000 were charged to the consolidated statement of comprehensive income during the year (see note 7 for details).

**Amendments to HKAS 17 Leases**

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

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

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

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

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

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

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

**Summary of the effects of the above changes in accounting policies**

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

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

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

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

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

*Impact on basic loss per share*

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

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

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

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

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

## 3. 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

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

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

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

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

**Segment revenues and results**

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

***For the year ended 31 December 2010***

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

*For the year ended 31 December 2009*

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 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, change in fair value of derivatives financial instruments, impairment loss recognised in respect of intangible asset, gain on disposal of property, plant and equipment, gain on disposal of investment property, net foreign exchange gain and income tax expenses. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

**Segment assets and liabilities**

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

***At 31 December 2010***

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

*At 31 December 2009*

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

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

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

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

**Other segment information**

***For the year ended 31 December 2010***

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

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

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

| | ***HK$'000*** |
|---|---|
| Finance costs | **487** |

*For the year ended 31 December 2009*

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

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

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

| | *HK$'000* |
|---|---|
| Finance costs | 774 |

**Revenue from major products**

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

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

**Geographical information**

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

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

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

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

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

**Information about major customers**

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

## 5. OTHER GAINS AND LOSSES

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

## 6. TAXATION

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

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

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

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

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

## 7. LOSS FOR THE YEAR

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

## 8. DIVIDEND

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

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

## 9. LOSS PER SHARE

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

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

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

## 10. TRADE RECEIVABLES

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

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

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

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Trade receivables that are neither past due nor impaired are those debtors with satisfactory credit quality under the management's assessment and with good past repayment record. The directors also believe that there is no further credit provision required in excess of the allowance for bad and doubtful debts.

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

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

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK$2,284,000 (2009: HK$14,000,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as certain of the receivables were subsequently settled or the customers have no history of default on receivables and the directors of the Company believe that the amounts are recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 135 days (2009: 159 days).

**Aging of trade receivables which are past due but not impaired**

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

**Movement in the allowance for bad and doubtful debts**

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

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

## 11. TRADE PAYABLES

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

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

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

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

## 12. EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW

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

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

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

## FINANCIAL REVIEW

### Revenue

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

### Cost of sales

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

**Gross profit and margin**

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

**Other gains and losses**

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

**Selling and distribution costs**

Selling and distribution costs, representing 0.6% of Group's revenue, decreased by approximately 26.3% from HK$1.5 million for the year ended 31 December 2009 to HK$1.1 million for the year ended 2010.

**Administrative expenses**

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

**Finance costs**

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

**Taxation**

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

**Loss for the year**

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

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

**Major Financial Ratios**

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

*Trade receivable turnover*

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

*Trade payables turnover*

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

*Inventories turnover*

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

*Gearing ratio*

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

## LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

## CHARGES OF ASSETS AND CONTINGENT LIABILITIES

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

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

## SIGNIFICANT INVESTMENTS

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

## MATERIAL DISPOSAL

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

## EMPLOYMENT AND REMUNERATION POLICY

The Group employed approximately 380 employees in total as at 31 December 2010. The Group implemented its remuneration policy, bonus and share option schemes based on the achievements and performance of employees. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-owned retirement benefit scheme in the PRC. The Group continues to provide training facilities to our staff to enhance knowledge of industry quality standards.

## SHARE OPTION SCHEME

On 21 October 2008, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Eligible participants of Scheme include, without limitation, employees, Directors, shareholder and any other eligible persons of the Group. Up to 31 December 2010, no share option has been granted or agreed to be granted to any person under the Scheme.

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

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

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

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

## PROSPECT

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

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

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

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

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

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2010.

## 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 2010. As at the date of this announcement, the Audit Committee comprises all of the three independent non-executive directors, namely Mr. Poon Fuk Chuen, Mr. Liu Feng 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 2010 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 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 year ended 31 December 2010.

## PUBLICATION OF ANNUAL RESULTS

The annual results announcement is published on 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 on the website of The Hong Kong Exchanges and Clearing Limited and the Company in due course.

By the order of the Board
**Vitar International Holdings Limited**
**Cheung Wai Kuen**
*Executive Director*

Hong Kong, 29 March 2011

*As at the date of this announcement, the Board comprises Mr. LEUNG Chau Hiu, Mr. LEUNG Kai Wing, Mr. CHEUNG Wai Kuen, Mr. CHENG Hau Yan, Mr. CHEN Liang and Mr. LI Xianghong as executive Directors, and Mr. POON Fuk Chuen, Mr. LIU Feng and Mr. ZHONG Wei Guang as independent non-executive Directors.*