INFINITY CHEMICAL HOLDINGS COMPANY LIMITED
星謙化工控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 640)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2014

The board of directors (the "Board") of Infinity Chemical Holdings Company Limited (the "Company") is pleased to announce its unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 March 2014 together with the comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 31 March	
		2014	2013
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*4*	**245,281**	192,668
Cost of goods sold		**(177,110)**	(138,540)
Gross profit		**68,171**	54,128
Other income		**2,033**	1,699
Changes in fair value of investment properties		**15,484**	8,540
Other losses	*5*	**(4,220)**	(3,554)
Research and development costs		**(268)**	(886)
Selling and distribution costs		**(13,874)**	(8,537)
Administrative expenses		**(39,097)**	(34,575)
Interest on bank borrowings wholly repayable within five years		**(850)**	(506)
Profit before taxation	*6*	**27,379**	16,309
Taxation	*7*	**(4,253)**	(2,109)
Profit for the period		**23,126**	14,200
Other comprehensive income			
— exchange differences arising on translation of foreign operations which may be reclassified subsequently to profit or loss		**1,260**	769
Total comprehensive income for the period		**24,386**	14,969
Earnings per share — Basic	*9*	**HK4.06 cents**	HK2.82 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	31 March 2014 HK$'000 (Unaudited)	30 September 2013 HK$'000 (Audited)
Non-current assets			
Investment properties	*10*	**53,084**	37,600
Property, plant and equipment		**44,422**	42,469
Land use rights		**18,040**	18,235
Intangible assets		**34,000**	36,000
Deposits made on acquisition of property, plant and equipment		**2,468**	3,866
Club debentures		**1,080**	1,080
		153,094	139,250
Current assets			
Inventories		**75,244**	80,342
Trade, bills and other receivables	*11*	**127,464**	127,391
Pledged bank deposits		**19,132**	16,670
Bank balances and cash		**17,889**	17,654
		239,729	242,057
Current liabilities			
Trade, bills and other payables	*12*	**42,622**	38,065
Amount due to a related company		**5,828**	13,606
Taxation		**4,251**	3,971
Current portion of secured long-term bank loans		**18,048**	10,037
Secured short-term bank loans		**13,175**	24,341
Bank overdrafts — secured		**13,106**	12,991
		97,030	103,011
Net current assets		**142,699**	139,046
Total assets less current liabilities		**295,793**	278,296
Non-current liabilities			
Deferred taxation		**9,261**	7,042
Net assets		**286,532**	271,254
Capital and reserves			
Share capital		**5,692**	5,692
Reserves		**280,840**	265,562
Total equity		**286,532**	271,254

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 31 March 2014

1. BASIS OF PREPARATION

The condensed consolidated financial information for the six months ended 31 March 2014 has 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 and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 30 September 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

The condensed consolidated financial information is presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared under the historical cost basis, except for investment properties which are measured at fair values.

Except as described below, the accounting policies applied are consistent with those of the Group's annual financial statements for the year ended 30 September 2013, in those annual consolidated financial statements.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Accounting Standards issued by the HKICPA.

HKAS 19 (2011)	Employee Benefits
HKAS 27 (Revised)	Separate Financial Statements
HKAS 28 (Revised)	Associates and Joint Ventures
HKFRS 1 (Amendment)	First-time Adoption of HKFRS — Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, 11 and 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurements
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvement Projects	Improvements to HKASs and HKFRSs 2011

The adoption of the above new and amended HKFRSs did not result in substantial changes to the accounting policies of the Group and had no material effect on how the results and financial positions for the current or prior accounting periods have been prepared and presented.

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

3. MERGER ACCOUNTING AND RESTATEMENT

Mr. Ieong Un, the ultimate controlling shareholder of the Company, acquired 廣州市雅威貿易有限公司 (Guangzhou Shi Yawei Trading Company Limited) ("GSY") from independent third parties on 29 May 2012. Through a group reorganisation by set up certain newly incorporated companies in the second half of 2012, Rank Best Investment Limited became the holding company of the target group including GSY (the "Rank Best Group") on 11 October 2012.

The Group acquired Rank Best Group from Mr. Ieong Un on 22 March 2013, which is considered as business combination involving entities under common control. The comparative condensed consolidated financial information for the six months ended 31 March 2013 has been accounted for using the merger accounting method, based on the guidance set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

4. TURNOVER AND SEGMENT INFORMATION

The executive directors of Company considered that the operating activities of trading of electronic adhesives are in the same operating segment as the manufacture and sales of adhesives and related products used in footwear manufacturing which constitute a single operation segment. The operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to Hong Kong Financial Reporting Standards, that are regularly reviewed by the executive directors of the Company. The executive directors of the Company regularly review revenue analysis by products, including vulcanized shoes adhesive related products, electronic adhesives, other adhesives, primers, hardeners and others, and by locations. The executive directors of the Company review the overall result of the Group as a whole to make decisions about resources allocation.

Accordingly, no analysis of single operation segment by product is presented.

Turnover represents the fair value of the consideration received or receivable for goods sold to outside customers during the period.

Entity-wide information

An analysis of the Group's turnover by products is as follows:

	Six months ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of		
— vulcanized shoes adhesive related products	**39,285**	31,219
— electronic adhesives	**16,537**	10,769
— other adhesives	**114,369**	89,402
— primers	**44,157**	38,705
— hardeners	**26,101**	18,980
— others	**4,832**	3,593
	245,281	192,668

Turnover from external customers, based on locations of customers, attributed to the Group by geographical areas is as follows:

	Six months ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Turnover		
— PRC	**105,995**	101,050
— Vietnam	**113,363**	78,507
— Indonesia	**17,585**	9,514
— Bangladesh	**8,338**	3,597
	245,281	192,668

For the six months ended 31 March 2014, there was one customer (2013: one) contributing revenue of HK$64,732,000 (six months ended 31 March 2013: HK$47,056,000) which accounted for more than 10% of the Group's total revenue.

An analysis of the Group's non-current assets by their geographical location is as follows. The intangible assets are allocated based on the location of the operation of the entity which uses the intangible assets.

	At 31 March 2014	At 30 September 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
PRC	**49,540**	49,208
Macau	**94,238**	80,897
Vietnam	**3,698**	4,432
Indonesia	**4,571**	4,668
Hong Kong	**1,047**	–
Bangladesh	**–**	45
	153,094	139,250

5. OTHER LOSSES

	Six months ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Exchange loss, net	**(4,220)**	(3,554)

6. PROFIT BEFORE TAXATION

	Six months ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of land use rights	**303**	186
Amortisation of intangible assets	**2,000**	–
Depreciation	**4,512**	3,347
and after crediting:		
Gross property rental income before deduction of outgoings	**792**	773
Less: Outgoings	**(104)**	(163)
	688	610
Interest income	**48**	26

7. TAXATION

	Six months ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The charge comprises:		
PRC Enterprise Income Tax ("EIT")	**(1,548)**	(581)
Macau complementary tax	**(491)**	(477)
Taxation in other overseas jurisdictions	**–**	–
	(2,039)	(1,058)
Deferred taxation	**(2,214)**	(1,051)
	(4,253)	(2,109)

The PRC EIT, Macau complementary tax and Vietnam income tax for the current period are calculated at the applicable rates in accordance with the relevant laws and regulations in the respective jurisdictions.

Pursuant to the relevant laws and regulations in Macau, the Macau subsidiaries are subject to Macau complementary tax at a maximum rate of 12%.

Pursuant to the relevant laws and regulations in the PRC, 珠海市澤濤黏合製品有限公司 (Centresin Chemical Products Ltd, Zhuhai) ("Zhuhai Centresin") was entitled to exemptions from PRC income tax for the two years commencing from its first profit-making year in 2008, followed by a 50% reduction from 2010 to 2012. Zhuhai Centresin is subject to PRC EIT at the statutory rate of 25% after 2012.

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui (2008) No. 1, only the profits earned by Zhuhai Centresin and 中山信諾黏合製品有限公司 (Zhongshan Macson Adhesive Products Co., Ltd.) ("Zhongshan Macson") prior to 1 January 2008, when distributed to foreign investors, can be grandfathered with the exemption from withholding tax. Whereas, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entities aforementioned, where appropriate, pursuant to Articles 3 and 27 of the Law of the People's Republic of China on Enterprise Income Tax and Article 91 of its Detailed Implementation Rules. Deferred tax liability on the undistributed profits earned since 1 January 2008 have been accrued at the tax rate of 10%.

Pursuant to the relevant laws and regulations in Vietnam, Zhong Bu Adhesive (Vietnam) Co., Ltd. was entitled to exemption from Vietnam income tax for three years commencing from its first profit-making year in 2006, followed by a 50% reduction from 2009 to 2015.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

8. DIVIDENDS

During the six months ended 31 March 2014, a final dividend of HK1.6 cents per share in respect of the year ended 30 September 2013 (six months ended 31 March 2013: HK1.3 cents per share in respect of the year ended 30 September 2012), totalling HK$9,108,000 (six months ended 31 March 2013: HK$6,500,000) was declared and paid to the shareholders of the Company.

The directors do not recommend the payment of an interim dividend.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the condensed consolidated profit attributable to the owners of the Company and on the weighted average number of 569,230,769 (six months ended 31 March 2013: 503,404,792) shares in issue during the period.

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 31 March 2014 and 2013.

10. INVESTMENT PROPERTIES

	HK$'000
Fair value	
At 1 October 2012	23,430
Transfer to property, plant and equipment	(1,270)
Net increase in fair value recognised in profit or loss during the year	15,440
At 30 September 2013 (audited)	37,600
Net increase in fair value recognised in profit or loss during the period	15,484
At 31 March 2014 (unaudited)	53,084

The fair values of the Group's investment properties at 31 March 2014 and 30 September 2013 have been arrived at on the basis of a valuation carried out on those dates by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional surveyor not connected with the Group. The professional surveyors of LCH (Asia-Pacific) Surveyors Limited are members of The Hong Kong Institute of Surveyors. The valuations were arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions and taking into account the current rent receivables from the existing tenancy agreements.

11. TRADE, BILLS AND OTHER RECEIVABLES

Payment terms with customers are mainly on credit. Invoices are normally payable 15 to 90 days (six months ended 31 March 2013: 15 to 90 days) by the customers from date of issuance. The following is an aged analysis of trade and bills receivables based on the invoice date at the end of the reporting period:

	At 31 March 2014 *HK$'000* (Unaudited)	At 30 September 2013 *HK$'000* (Audited)
Age		
0 to 30 days	**73,058**	96,228
31 to 60 days	**16,347**	10,342
61 to 90 days	**20,352**	5,269
91 to 180 days	**2,448**	4,145
181 to 365 days	**127**	256
Over 1 year	**–**	58
	112,332	116,267

12. TRADE, BILLS AND OTHER PAYABLES

The Group normally receives credit terms of 30 to 60 days (six months ended 31 March 2013: 30 to 60 days) from its suppliers. The following is an aged analysis of trade and bills payables based on the invoice date at the end of the reporting period:

	At 31 March 2014 *HK$'000* (Unaudited)	At 30 September 2013 *HK$'000* (Audited)
Age		
0 to 30 days	**27,842**	20,925
31 to 60 days	**6,036**	5,495
61 to 90 days	**519**	1,277
91 to 180 days	**333**	378
	34,730	28,075

13. EVENTS AFTER THE REPORTING PERIOD

On 11 April 2014, a subsidiary of the Group entered into an agreement with Shiny Meadow Limited (the "Vendor") to acquire 20% of the entire issued share capital of Blue Sky Energy Efficiency Company Limited at a consideration of HK$21,000,000 (the "Acquisition"). Pursuant to the Acquisition agreement, the Group agreed to pay HK$4,200,000 in cash and the remaining balance HK$16,800,000 by procuring the Company to issue convertible bonds to the Vendor or its nominees (the "Convertible Bonds"). The Convertible Bonds with a maturity of 2 years will entitle the holders thereof to convert into 21,000,000 Conversion Shares at the Conversion Price of HK$0.80 per share.

On the same date, the Group entered into another agreement with Gu Guoying (the "Arranger") to procure for the services in connection with the Acquisition. Pursuant and subject to the fulfillment of the conditions under the Arranger agreement, the Group procures the Company to allot and issue 5,692,307 Warrants to subscribe for up to 5,692,307 Warrant Shares at the Exercise Price of HK$0.80 per share.

The Acquisition was completed on 2 May 2014. Details regarding the Acquisition and the Arranger's transactions are disclosed in the Company's announcements dated 11 April and 2 May 2014 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group's turnover for the six months ended 31 March 2014 (the "Period") was approximately HK$245,281,000 (2013: HK$192,668,000), representing an increase of 27.31% over last year. Profit attributable to the owners of the Company amounted to approximately HK$23,126,000, representing an increase of approximately 62.86% as compared to last year. During the Period, the sales of the Group recorded a growth in all regions and the selling prices of our products remained relatively stable.

During the Period, the Group recorded a gross profit of approximately HK$68,171,000 (2013: HK$54,128,000) and profit before taxation of approximately HK$27,379,000 (2013: HK$16,309,000).

Benefiting from the effective implementation of production cost control, a stable gross profit margin was maintained. The increased gross profit of approximately HK$14,043,000 exceeded the increase in the operating costs, including the increase in selling and distribution costs by approximately HK$5,337,000 and administrative expenses by approximately HK$4,522,000 respectively.

During the Period, profit attributable to the owners of the Company amounted to approximately HK$23,126,000 (2013: HK$14,200,000) and basic earnings per share was HK4.06 cents (2013: HK2.82 cents).

Business Review and Prospects

Businesses

The Group is principally engaged in the manufacturing and sales of adhesives, primers, hardeners and related products used by the footwear manufacturers and acting as the sales agent for adhesives used in the production of electronic products. These products are key production materials used in different phases during the manufacturing process of footwear and electronic products. Adhesives are used for bonding all components of footwear including outsoles, insoles, and uppers, while vulcanized shoes adhesives are used for bonding all components of vulcanized shoes. Primers are used in the pretreatment of footwear components, including outsoles, insoles, and uppers, prior to the application of adhesives. Hardeners, being a curing agent, are used by mixing with adhesives to control or speed up the curing action of adhesives. The electronic adhesive related products are key materials used in bonding components of electronic products.

Segment Information

The principal activities set out above are the single operating segment of the Group. For management purposes, the management of the Group will review and analyze the revenues by products and by locations.

Products

1. *Adhesives and vulcanized shoes adhesive related products*

   During the Period, the sales revenue generated from this product category was approximately HK$153,654,000 (2013: HK$120,621,000), representing approximately 62.64% of the Group's total turnover.

2. *Primers*

   During the Period, the sales revenue generated from this product category was approximately HK$44,157,000 (2013: HK$38,705,000), representing approximately 18% of the Group's total turnover.

3. *Hardeners*

   During the Period, the sales revenue generated from this product category was approximately HK$26,101,000 (2013: HK$18,980,000), representing approximately 10.64% of the Group's total turnover.

4. *Agent business and electronic adhesive related products*

   During the Period, the sales revenue generated from this product category was approximately HK$16,537,000 (2013: HK$10,769,000), representing approximately 6.74% of the Group's total turnover.

   During the Period, 廣州市雅威貿易有限公司 (Guangzhou Shi Yawei Trading Company Limited), a subsidiary acquired by the Group last year, was appointed by a renowned chemical company in USA as its direct trader in the territory of PRC, for the marketing and after-sales support of its electronics material products in the region. Such product series are mainly applied to the bonding of relevant components of new energy vehicles.

   The Directors expected that the agent business and electronic adhesive related products will be the contributor to the growth in sales performance and earnings of the Group in the future.

Regional Information

1. *The PRC market*

   During the Period, by region, the turnover in the PRC market increased by 4.89% over last year to approximately HK$105,995,000 (2013: HK$101,050,000), representing approximately 43.21% of the Group's total turnover.

   The Directors expected that the relevant market would continue to maintain a steady growth in the coming year.

2. *The Vietnamese market*

During the Period, by region, the turnover in the Vietnamese market increased by 44.40% over last year to approximately HK$113,363,000 (2013: HK$78,507,000), representing approximately 46.22% of the Group's total turnover.

The Directors expected that the relevant market would grow at a faster pace in the coming year.

3. *The Indonesian market*

During the Period, by region, the turnover in the Indonesian market increased by 84.83% over last year to approximately HK$17,585,000 (2013: HK$9,514,000), representing approximately 7.17% of the Group's total turnover.

The Directors expected that the relevant market would grow at a steady pace in the coming year.

4. *The Bangladeshi market*

During the Period, by region, the turnover in the Bangladeshi market increased by 131.80% over last year to approximately HK$8,338,000 (2013: HK$3,597,000), representing approximately 3.40% of the Group's total turnover.

During the Period, the turnover in the Bangladeshi market increased by 131.80%, mainly due to the relatively low turnover base for the corresponding period last year.

The Directors expected that the relevant market would maintain a steady growth in the coming year.

Production Facilities

1. *The Zhuhai Plant:*

In light of the upward trend of the Group's sales and the changes in the PRC market, the management decided to execute the second phase expansion project in the existing Zhuhai Plant. The management considered that by executing the second phase expansion project, the Group will meet the production capacity requirement and be well-prepared for the development of its OEM business in the future. At present, the relevant construction of the Zhuhai Plant, including the addition of production equipment, warehousing facilities and extension of plants, has commenced as planned.

2. *The Zhongshan Plant:*

In order to alleviate the production capacity pressure of the Zhuhai Plant, the Group has installed additional production equipment in the Zhongshan Plant to enhance its production capacity.

3. *The Vietnamese Plant:*

   Given the orderly shift of the footwear manufacturing industry to the Southeast Asia as well as the necessity to satisfy market development in the future, the management decided to expand the existing scale of the Vietnamese Plant in the future. In order to meet the current production capacity requirement, the Group rented additional warehouses in the industrial zone where its existing plant is located so as to make space for the installation of newly added production equipment to enhance its existing production capacity. The new plant is now entering into the preparation stage and design for the plant and warehouses has been commenced as planned.

4. *The Indonesian Plant:*

   To ensure the provision of stable services for local customers, the Group's Indonesian Plant has been operating normally and the existing bonded warehouses have ceased operation.

5. *The Bangladeshi Plant:*

   The Group has successfully transferred its plant and land and incorporated a liaison office according to the plan. Currently products available for sale to local customers in Bangladesh are directly exported from the Zhuhai Plant in China, the Vietnamese Plant and the Indonesian Plant.

Cost Control

The Group will continue to carefully review and extensively investigate into the current situation in relation to costs and resources deployment. The Group will also improve its internal management in a proactive manner for the purposes of effectively controlling and lowering the operating costs.

Research and Development

As always, the Group will continuously develop premium products on an environment-friendly basis to meet the market needs, and closely observe the development trend in the future to research and develop products pre-emptively meeting the future development needs in the industry. In addition to the technology cooperation between the Group and the No-Tape Japan as well as its own research and development team, the Group also entered into technology cooperation agreements with several sophisticated technology experts in the industry (including those from countries and regions such as Japan, Taiwan and Hong Kong). Hopefully, such measures will enhance the research and development capability of the Group so as to maintain the leading position of its technologies in the industry.

Prospects

The Directors are relatively optimistic towards the growth of the Group's results for the coming year. In view of the current situations including continued growth in global demand for footwear, more stringent requirement for the quality of adhesives on the part of manufacturers, rapid increase in the demand for the use of environment-friendly water-based adhesive products by footwear brands and manufacturers, and ongoing diversion of the footwear manufacturing industry to low-cost countries or regions, the previous regional deployments of the Group have gradually contributed in the face of swift changes in the market. The Directors believe that the abovementioned market changes will positively enhance the sales performance of the Group, and anticipate stable growth in the sales of traditional shoe-making adhesive products for the coming year, with significant gains from new footwear manufacturing bases in Asia in particular. The Group will continue to devote more resources to expedite/enhance marketing for gaining larger market share.

Leveraging on the Group's solid experience accumulated over the years, premium products recognized by the market and its competence in research and development/improvement of products, the Group will commit itself on a continuous healthy business growth in the industry, and gear up for any opportunity arising from economic recovery. In the meantime, the Group will implement the business strategy of diversified development, including devoting more resources and accelerating the development of its agent business and electronic adhesive related products. In addition, the Group will invest and develop its OEM business in a proactive manner by entering into an OEM cooperation agreement with a world renowned enterprise for a term of 6 years. The Group will also identify and explore synergic investment opportunities in order to broaden its revenue sources, improve its competence in response to future changes and development in the market, and maximize the returns for its shareholders and employees.

Liquidity and Financial Resources and Capital Structure

For the six months ended 31 March 2014, the Group's working capital requirement was principally financed by its internal resources and banking facilities.

As at 31 March 2014, the Group had cash and bank balances and deposits, net current assets and total assets less current liabilities of approximately HK$37,021,000 (30 September 2013: HK$34,324,000), approximately HK$142,699,000 (30 September 2013: HK$139,046,000) and approximately HK$295,793,000 (30 September 2013: HK$278,296,000) respectively.

As at 31 March 2014, the Group had total bank borrowings except bills payable, on floating interest rates basis, of approximately HK$44,329,000 (30 September 2013: HK$47,369,000). All these utilised bank borrowings, both long and short terms, were secured by pledged bank deposits, land use rights, land and buildings and investment properties held under medium-term leases.

The total bank borrowings of the Group, mainly denominated in Hong Kong dollars, United States dollars and Renminbi, were mainly for business expansion, capital expenditure and working capital purposes.

Total equity attributable to owners of the Company as at 31 March 2014 increased by approximately HK$15,278,000 to approximately HK$286,532,000. The gearing ratio (calculated as the ratio of total borrowings: total assets) of the Group as at 31 March 2014 was approximately 0.11 (30 September 2013: 0.12).

Saved as disclosed above, there was no other changes in Company's share capital.

Significant Investments

Save as disclosed elsewhere under the section headed "Management Discussion and Analysis", the Group had no other significant investment held during the Period.

Acquisition and Disposal of Subsidiaries and Associated Companies

Save as disclosed elsewhere under the section headed "Management Discussion and Analysis", the Group had no other material acquisition and disposal of subsidiaries and affiliated companies during the Period.

Employee Information

As at 31 March 2014, the Group employed a total of 374 (2013: 375) employees. It is the policy of the Group to provide and regularly review its employees' pay levels, performance bonus system and other fringe benefits (including social insurance coverage and company sponsored training) to ensure that the remuneration policy is competitive within the relevant industry. During the Period, the staff costs (including Directors' emoluments) amounted to approximately HK$25,800,000 (2013: HK$18,328,000).

In order to provide incentive or reward to eligible persons for their contribution to the Group and to enable the Group to recruit and retain human resources that are valuable to the Group, the Company adopted a share option scheme ("2010 Scheme") as detailed in the Company's prospectus dated 29 July 2010 (the "Prospectus"), under which it may grant options to eligible persons, including but not limited to employees, directors and consultants, with the Group. During the Period, no options have been granted nor exercised pursuant to the 2010 Scheme.

Charges on Group Assets

As at 31 March 2014, certain interests in land use rights, land and buildings and investment properties held under medium-term leases of approximately HK$57,618,000 (30 September 2013: HK$53,445,000) and bank deposits of HK$19,132,000 (30 September 2013: HK$16,670,000) were pledged to banks for bank borrowings totalling approximately HK$44,329,000 (30 September 2013: HK$47,369,000) granted to the Group.

Future Plans for Material Investments and Expected Sources of Funding

On 11 April 2014, a wholly-owned subsidiary of the Company (the "Purchaser") entered into an agreement with an vendor and guarantor, pursuant to acquire 20% of the entire issued share capital of the Blue Sky Energy Efficiency Limited at an aggregate consideration of HK$21,000,000, which will be satisfied as to HK$4,200,000 in cash and the remaining balance of HK$16,800,000 by procuring the Company to issue the Convertible Bonds to the vendor or its nominees which entitles the holders thereof to convert into 21,000,000 conversion shares at the initial conversion price of HK$0.80.

On the same date, the Group entered into another agreement with an arranger to procure for the services in connection with the Acquisition. Pursuant and subject to the fulfillment of the conditions under the Arranger agreement, the Group procures the Company to allot and issue 5,692,307 Warrants to subscribe for up to 5,692,307 Warrant Shares at the Exercise Price of HK$0.80 per share.

The completion of the Acquisition took place on 2 May 2014. Details regarding the Acquisition and the Arranger's transaction and completion are disclosed in the Company's announcements dated 11 April and 2 May 2014 respectively.

On 22 May 2014, the convertible bonds (due in May 2016) with an aggregate principal amount of HK$16,800,000 were converted into 21,000,000 shares of the Company at the conversion price of HK$0.8 each.

Save as discussed elsewhere under the section headed "Management Discussion and Analysis", the Group had no future plans for material investments as at the date of this announcement.

The management, however, will continue to closely observe the development and operating condition of the industry. It will seek investments in companies/projects that could bring synergy to the Group should the targets/opportunities arise. In addition, the management may also invest in new business projects in situations they consider in favour to the future of the Group. Given the current uncertain market conditions, the management may fund new projects not mentioned in the Prospectus through fund raising or loans while reserve the internal resources for its core businesses.

Exposure to Fluctuations in Exchange Rates

The Group has foreign currency sales and certain financial assets and liabilities are denominated in foreign currency, which expose the Group to risk principally in Renminbi, New Taiwan Dollars, Rupiah and United States dollars. The Group does not expect any appreciation or depreciation of the Hong Kong Dollars against foreign currencies which might materially affects the Group's result of operations. The Group did not employ any financial instruments for hedging purposes.

Capital Commitments

As at 31 March 2014, the Group had capital commitments of approximately HK$23,168,000 (30 September 2013: HK$25,537,000) in respect of the acquisition of property, plant and equipment.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 March 2014.

Events after the reporting period

Saved as disclosed in note 13 to the condensed consolidated interim financial information, there is no material subsequent event undertaken by the Company or by the Group after 31 March 2014 and up to the date of this interim announcement.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2014 (2013: Nil).

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

During the Period and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the Period.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") during the Period contained in Appendix 14 to the Listing Rules, save for the deviation discussed below:

Code Provision A.2.1. provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company deviates from this provision because Mr. Ieong Un has been performing both the roles of Chairman and Chief Executive Officer. Mr. Ieong is the founder of the Group and has over 20 years of experience in the adhesive related industry. The Directors consider that vesting two roles in the same person provides the Group with strong and consistent leadership in the development and execution of the Group's business strategies and is beneficial to the Group. The Directors will continue to review the effectiveness of the current structure and assess whether change in the separation of the roles of Chairman and Chief Executive Officer is necessary.

AUDIT COMMITTEE

The Company established the audit committee which comprises three independent non-executive Directors, namely, Mr. Tong Hing Wah (chairman of the audit committee), Mr. Chan Wing Yau George and Mr. Simon Luk.

The audit committee is primarily responsible for the review and supervision of the Group's financial reporting process and internal control system. It has met with the external auditors of the Group to review the accounting principles and practices adopted by the Company and the unaudited interim results of the Group for the six months ended 31 March 2014.

The condensed consolidated interim financial information for the six months ended 31 March 2014 has not been audited, but has been reviewed by Lau & Au Yeung C.P.A. Limited, the external auditor of the Company and the audit committee of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules up to the date of this announcement.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

In accordance with the requirements under the Listing Rules, the 2014 Interim Report containing all the Company's information set out in this announcement including the unaudited financial results for the six months ended 31 March 2014 will be posted on the Company's website (www.infinitychemical.com) and the website of the Stock Exchange (www.hkex.com.hk) in due course.

By order of the Board
Infinity Chemical Holdings Company Limited
Tong Yiu On
Executive Director

Hong Kong, 29 May 2014

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Ieong Un, Mr. Ip Chin Wing, Mr. Ip Ka Lun, Mr. Stephen Graham Prince and Mr. Tong Yiu On and three independent non-executive Directors, namely Mr. Chan Wing Yau George, Mr. Simon Luk and Mr. Tong Hing Wah.