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

Infinity Chemical

Interim Report 2014

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Ieong Un
(Chairman and Chief Executive Officer)
Mr. Ip Chin Wing
Mr. Ip Ka Lun
Mr. Stephen Graham Prince
Mr. Tong Yiu On

Independent Non-executive Directors

Mr. Chan Wing Yau George
Mr. Simon Luk
Mr. Tong Hing Wah

AUDIT COMMITTEE

Mr. Tong Hing Wah *(Chairman)*
Mr. Chan Wing Yau George
Mr. Simon Luk

REMUNERATION COMMITTEE

Mr. Chan Wing Yau George *(Chairman)*
Mr. Simon Luk
Mr. Tong Hing Wah
Mr. Ip Ka Lun

NOMINATION COMMITTEE

Mr. Simon Luk *(Chairman)*
Mr. Chan Wing Yau George
Mr. Tong Hing Wah
Mr. Ip Ka Lun

COMPANY SECRETARY

Mr. Tong Yiu On

AUTHORISED REPRESENTATIVES

Mr. Ip Chin Wing
Mr. Tong Yiu On

AUDITOR

Lau & Au Yeung C.P.A. Limited
21/F, Tai Yau Building
181 Johnston Road
Wanchai, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2201–2202, 22/F, Alliance Building
133 Connaught Road Central
Hong Kong

HEAD OFFICE OF THE GROUP

Rua de Pequim No. 202A–246
Macau Finance Centre
16 Andar A–D, Macau

LEGAL ADVISOR

Michael Li & Co.
19/F, Prosperity Tower
No. 39 Queen's Road Central
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust
Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1–1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Banco Tai Fung, S.A.R.L., Macau
The Bank of East Asia, Ltd, Macau
The Hongkong and Shanghai Banking
Corporation Limited, Macau
Citibank, N.A., Hong Kong
DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
First Commercial Bank, Macau Branch
Bank Sinopac Company Limited,
Macau Branch

CORPORATE WEBSITE

www.infinitychemical.com

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE: 00640

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 report.

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 20 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 report.

INTERIM DIVIDEND

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

On behalf of the Board
Tong Yiu On
Executive Director

Hong Kong, 29 May 2014

DIRECTORS' AND CHIEF EXECUTIVE' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are as follows:

(i) Interests in the Company

Name of Director	Capacity	Number of Shares held	Position	Percentage of shareholding
Mr. Ieong Un ("Mr. Ieong") (note)	Interest in controlled corporation	342,500,000	Long	60.17%
	Beneficial owner	70,126,769	Long	12.32%

Note: The 342,500,000 Shares are held by All Reach Investments Limited ("All Reach"), the entire issued share capital of which is wholly and beneficially owned by Mr. Ieong. By virtue of the SFO, Mr. Ieong is deemed to be interested in 342,500,000 Shares held by All Reach.

(ii) Interests in associated corporation

Number of Associated corporation	Name of Director	Capacity	Position	Number of shares in the associated corporation	Percentage of shareholding in the associated corporation
All Reach	Mr. Ieong	Beneficial owner	Long	100	100%

Save as disclosed above, as at 31 March 2014, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 31 March 2014, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than any Director or the chief executive of the Company, were the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests in the shares and underlying shares of the Company:

Name of shareholder	Capacity	Number of Shares	Position	Percentage of shareholding
All Reach Investments Limited (note 1)	Beneficial owner	342,500,000	Long	60.17%
Chan Sut Kuan ("Mrs. Ieong") (notes 1 and 2)	Interest of spouse	412,626,769	Long	72.49%

Notes:

1. All Reach Investments Limited is directly, wholly and beneficially owned by Mr. Ieong. By virtue of the SFO, Mr. Ieong, an executive Director, is deemed to be interested in the entire 342,500,000 Shares held by All Reach Investments Limited. Mr. Ieong is in person beneficially owns 70,126,769 Shares. Mrs. Ieong is the spouse of Mr. Ieong and is therefore deemed to be interested in the 412,626,769 Shares held by Mr. Ieong.

2. According to the laws of Macau, the regime of matrimonial property of Mr. Ieong and Mrs. Ieong is community (共同財產制).

MATERIAL LITIGATION

As at 31 March 2014, the Group had no material litigation or arbitration pending (as at 31 March 2013: Nil).

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

During the Period and up to the date of this report, 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 report.

DISCLOSURE OF INFORMATION

The interim report of the Group will be duly despatched to shareholders and published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (www.infinitychemical.com) in due course.

Report on Review of Interim Financial Information

LAU AU YEUNG 劉歐陽會計師事務所有限公司 LAU & AU YEUNG C.P.A. LIMITED

LAU & AU YEUNG C.P.A. LIMITED
21/F, Tai Yau Building
181 Johnston Road, Wan Chai
Hong Kong

TO THE BOARD OF DIRECTORS OF
INFINITY CHEMICAL HOLDINGS COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 36, which comprises the condensed consolidated statement of financial position of Infinity Chemical Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") as of 31 March 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Lau & Au Yeung C.P.A. Limited
Certified Public Accountants

Hong Kong, 29 May 2014
Chan Kong Wang
Practising Certificate Number P04083

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 March 2014

	NOTES	Six months ended 31 March 2014 HK$'000 (Unaudited)	2013 HK$'000 (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

At 31 March 2014

	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	11	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	12	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	13	42,622	38,065
Amount due to a related company	14	5,828	13,606
Taxation		4,251	3,971
Current portion of secured long-term bank loans	15	18,048	10,037
Secured short-term bank loans	15	13,175	24,341
Bank overdrafts — secured	15	13,106	12,991
		97,030	103,011
Net current assets		142,699	139,046
Total assets less current liabilities		295,793	278,296

	NOTES	31 March 2014 HK$'000 (Unaudited)	30 September 2013 HK$'000 (Audited)
Non-current liabilities			
Deferred taxation		**9,261**	7,042
Net assets		**286,532**	271,254
Capital and reserves			
Share capital	16	**5,692**	5,692
Reserves		**280,840**	265,562
Total equity		**286,532**	271,254

The condensed consolidated financial information on pages 18 to 36 was approved and authorised for issue by the Board of Directors on 29 May 2014 and is signed on its behalf by:

IP KA LUN	**TONG YIU ON**
EXECUTIVE DIRECTOR	*EXECUTIVE DIRECTOR*

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2014

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 *(note (a))*	Translation reserve HK$'000	Legal reserve HK$'000 *(note (b))*	Statutory surplus reserve fund HK$'000 *(note (c))*	Retained profits HK$'000	Total HK$'000
At 1 October 2013	5,692	98,854	1,097	13,194	459	2,123	149,835	271,254
Profit for the period	–	–	–	–	–	–	23,126	23,126
Exchange differences arising on translation of foreign operations	–	–	–	1,260	–	–	–	1,260
Total comprehensive income for the period	–	–	–	1,260	–	–	23,126	24,386
Dividends recognised as distribution	–	–	–	–	–	–	(9,108)	(9,108)
At 31 March 2014 (unaudited)	5,692	98,854	1,097	14,454	459	2,123	163,853	286,532
At 1 October 2012 (originally stated)	5,000	63,546	884	10,027	459	1,814	123,887	205,617
Merger accounting restatement	–	–	3,211	7	–	–	(947)	2,271
HKAS 12 (amendments) restatement	–	–	–	–	–	–	(403)	(403)
At 1 October 2012 (as restated)	5,000	63,546	4,095	10,034	459	1,814	122,537	207,485
Profit for the period	–	–	–	–	–	–	14,200	14,200
Exchange differences arising on translation of foreign operations	–	–	–	769	–	–	–	769
Total comprehensive income for the period	–	–	–	769	–	–	14,200	14,969
Acquisition of subsidiaries under common control	–	–	(2,998)	–	–	–	–	(2,998)
Acquisition of intangible assets	692	35,308	–	–	–	–	–	36,000
Dividends recognised as distribution	–	–	–	–	–	–	(6,500)	(6,500)
	692	35,308	(2,998)	–	–	–	(6,500)	26,502
At 31 March 2013 (unaudited)	5,692	98,854	1,097	10,803	459	1,814	130,237	248,956

(a) The special reserve represents the aggregate of:

(i) the differences between the nominal amount of the shares issued by the Company and the Group's former holding company and the aggregate amount of paid-in capital of the subsidiaries acquired pursuant to the group reorganisation in June 2009 and March 2010 in preparation for the listing of the Company's shares in 2010; and

(ii) the difference between the consideration paid by Keen Castle Limited, a wholly-owned subsidiary of the Company, for the acquisition of the entire equity interest in Rank Best Investment Limited and its subsidiaries ("Rank Best Group") under common control and the aggregate carrying amount of assets and liabilities acquired in Rank Best Group.

(b) In accordance with the provisions of the Macau Commercial Code issued by the government of Macau Special Administrative Region, Mainland China ("Macau"), the Macau subsidiaries of the Company are required to transfer from their annual net profit at a minimum rate of 25% to a legal reserve before the appropriation of profits until the legal reserve reaches 50% of the respective subsidiaries' registered capital. For the six months ended 31 March 2014 and 31 March 2013, no amount was transferred from annual net profits as the minimum legal reserve requirement was met. The legal reserve is not distributable to equity holders.

(c) As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries in accordance with relevant laws and regulations applicable to PRC enterprises. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 March 2014

	Six months ended 31 March	
	2014	2013
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	**28,717**	43,634
Investing activities		
Interest received	**48**	26
Purchase of property, plant and equipment	**(5,110)**	(2,004)
Acquisition of intangible assets	**–**	(4,000)
(Placement)/withdrawal of pledged bank deposits	**(2,462)**	4,699
Net cash used in investing activities	**(7,524)**	(1,279)
Financing activities		
Interest paid	**(850)**	(506)
Dividends paid	**(9,108)**	(6,500)
Changes of current account with a related company	**(7,778)**	12,000
Bank loans raised	**47,395**	29,785
Repayment of bank loans	**(50,550)**	(40,632)
Deemed distribution for acquiring subsidiaries under common control	**–**	(2,998)
Net cash used in financing activities	**(20,891)**	(8,851)
Net increase in cash and cash equivalents	**302**	33,504
Cash and cash equivalents at 1 October	**4,663**	(6,752)
Effect of foreign exchange rate changes	**(182)**	254
Cash and cash equivalents at 31 March	**4,783**	27,006
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**17,889**	29,978
Bank overdrafts	**(13,106)**	(2,972)
	4,783	27,006

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 new and revised standards and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the 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.

4. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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.

4. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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 HK$'000 (Unaudited)	At 30 September 2013 HK$'000 (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 HK$'000 (Unaudited)	2013 HK$'000 (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)
	(2,039)	(1,058)
Deferred taxation	**(2,214)**	(1,051)
	(4,253)	(2,109)

7. TAXATION *(Continued)*

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 dilutive potential 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. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK$6,513,000 (six months ended 31 March 2013: HK$2,004,000) on the acquisition of property, plant and equipment to expand and upgrade its production facilities.

12. 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	**–**	27
	112,332	116,267

13. 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

14. AMOUNT DUE TO A RELATED COMPANY

The amount due to Easy Ray Holdings Limited, a company which is controlled by Mr. Ieong Un, is unsecured, interest-free and repayable on demand.

15. SECURED BANK LOANS/BANK OVERDRAFTS

During the period, the Group obtained new bank loans of HK$47,395,000 (six months ended 31 March 2013: HK$29,785,000) and repaid bank loans of HK$50,550,000 (six months ended 31 March 2013: HK$40,632,000).

The bank loans carried variable interests at the best lending rate in Macau, Hong Kong Interbank Borrowing Rate, or at rates offered by the People's Bank of China.

At 31 March 2014, bank overdrafts carried interest at prevailing market rate ranged from 4.75% to 5.75% (six months ended 31 March 2013: 4.75% to 5.75%) per annum.

16. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 October 2012, 30 September 2013 and 31 March 2014	5,000,000,000	50,000
Issued and fully paid:		
At 1 October 2012	500,000,000	5,000
Issue of shares for the acquisition of intangible assets	69,230,769	692
At 30 September 2013 and 31 March 2014	569,230,769	5,692

On 22 March 2013, 69,230,769 ordinary shares of HK$0.52 each were issued for the acquisition of intangible assets. All these shares rank pari passu with the existing shares in all respects.

17. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Rented premises and leasehold land	
	At 31 March 2014 HK$'000 (Unaudited)	At 30 September 2013 HK$'000 (Audited)
Within one year	**4,356**	3,908
In the second to fifth year inclusive	**4,548**	5,344
	8,904	9,252

Commitment for operating lease rentals for rented premises in the above included commitment with Mr. Ieong Un as follows:

	At 31 March 2014 HK$'000 (Unaudited)	At 30 September 2013 HK$'000 (Audited)
Within one year	**1,223**	1,511
In the second to fifth year inclusive	**1,176**	2,261
	2,399	3,772

17. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessor

	Rented premises	
	At 31 March 2014 HK$'000 (Unaudited)	At 30 September 2013 HK$'000 (Audited)
Within one year	**675**	1,067
In the second to fifth year inclusive	**39**	173
	714	1,240

18. CAPITAL COMMITMENTS

	At 31 March 2014 HK$'000 (Unaudited)	At 30 September 2013 HK$'000 (Audited)
Capital expenditure authorised but not contracted for in respect of the acquisition of property, plant and equipment	**20,679**	22,269
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	**2,489**	3,268

19. RELATED PARTY TRANSACTIONS

Save as disclosed in notes 14 and 17, during the period, the Group has the following significant related party transactions with related parties:

	Six months ended 31 March	
	2014	2013
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Property rental expenses paid to Mr. Ieong Un	**600**	488
Property rental income received from related companies, which is controlled by Mr. Ieong Un	**26**	29

During the period, the remuneration of directors and other members of key management personnel was as follows:

	Six months ended 31 March	
	2014	2013
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	**4,798**	4,265
Retirement benefits scheme contributions	**341**	318
	5,139	4,583

20. 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 2014 and 2 May 2014 respectively.