



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 **2015**

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Corporate Information

DIRECTORS

Executive Directors

Mr. Jeong 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 2015 (the "Period") was approximately HK\$268,156,000 (2014: HK\$245,281,000), representing an increase of 9.33% over last year. Profit attributable to the owners of the Company amounted to approximately HK\$27,049,000 (2014: HK\$23,126,000), representing an increase of approximately 16.96% as compared to last year. During the Period, the sales of the Group recorded a growth in major regions and the selling prices of our products remained relatively stable.

During the Period, the Group recorded a gross profit of approximately HK\$79,200,000 (2014: HK\$68,171,000) and profit before taxation of approximately HK\$29,521,000 (2014: HK\$27,379,000).

Benefiting from the effective implementation of production cost control, a stable gross profit margin was maintained. The increase in gross profit of approximately HK\$11,029,000 exceeded the increase in the operating costs, including the increase in selling and distribution costs and administrative expenses totalling of approximately HK\$2,107,000.

Excluding the changes in fair value and the recognised deferred taxes of investment properties for the Period of approximately HK\$6,210,000 (2014: HK\$15,484,000) and HK\$720,000 (2014: HK\$1,877,000) respectively and the changes in fair value of other financial asset of approximately HK\$2,347,000 (2014: Nil). The profit for the Period was approximately HK\$23,906,000, representing an increase of approximately 151.14% as compared to the profit for the same period last year of approximately HK\$9,519,000.

During the Period, profit attributable to the owners of the Company amounted to approximately HK\$27,049,000 (2014: HK\$23,126,000). Basic and diluted earnings per share were HK4.54 cents and HK4.53 cents (2014: HK4.06 cents and HK4.06 cents) respectively.

BUSINESS REVIEW AND PROSPECTS

Businesses

The Group is principally engaged in the manufacturing and sales of adhesives, primers, hardeners, vulcanized shoes adhesive related products used by the footwear manufacturers and acting as the sales agent for adhesives used in the production of electronic products and other 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. *Vulcanized shoes adhesive related products and other shoe adhesives*

During the Period, the sales revenue generated from this product category was approximately HK\$178,773,000 (2014: HK\$153,654,000), representing approximately 66.67% of the Group's total turnover.

2. *Primers*

During the Period, the sales revenue generated from this product category was approximately HK\$25,920,000 (2014: HK\$44,157,000), representing approximately 9.67% of the Group's total turnover.

3. *Hardeners*

During the Period, the sales revenue generated from this product category was approximately HK\$28,832,000 (2014: HK\$26,101,000), representing approximately 10.75% of the Group's total turnover.

4. *Electronic adhesives and other products*

During the Period, the sales revenue generated from this product category was approximately HK\$15,629,000 (2014: HK\$16,537,000), representing approximately 5.83% of the Group's total turnover.

Our Group has been 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 since 2014. Such product series are mainly applied to the bonding of relevant components of new energy vehicles.

The Directors expected that the agent business, including the electronic adhesives products, will be a 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 10.59% over last year to approximately HK\$117,216,000 (2014: HK\$105,995,000), representing approximately 43.71% 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 Vietnam market*

During the Period, by region, the turnover in the Vietnam market increased by 8.18% over last year to approximately HK\$122,639,000 (2014: HK\$113,363,000), representing approximately 45.73% 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 Indonesia market*

During the Period, by region, the turnover in the Indonesia market decreased by 14.34% over last year to approximately HK\$15,064,000 (2014: HK\$17,585,000), representing approximately 5.62% 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 Bangladesh market*

During the Period, by region, the turnover in the Bangladesh market increased by 58.76% over last year to approximately HK\$13,237,000 (2014: HK\$8,338,000), representing approximately 4.94% of the Group's total turnover.

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 be well-prepared to meet the production capacity requirement 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 pressure on the production capacity of the Zhuhai Plant, the Group has installed additional production equipment in the Zhongshan Plant to enhance its production capacity.

3. *The Vietnam Plant:*

Given the orderly shift of the footwear manufacturing industry to the Southeast Asia as well as the necessity to satisfy the needs for market development in the future, the management decided to expand the existing scale of the Vietnam 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 additional production equipment to enhance the production capacity of its existing plant. The new Vietnam plant is now entering into the preparation stage as planned, suitable industrial sites has been acquired and design for the plant and warehouses is underway.

4. *The Indonesia Plant:*

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

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 environmental friendly basis to meet the market needs for quality products, and closely observe the development trend in the future to research and develop products pre-emptively in order to meet the future development needs in the industry. In addition to the technology cooperation between the Group and the No-Tape Japan as well as having 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 from the manufacturers for the quality of adhesives, rapid increase in the demand for the use of environmental friendly water-based adhesive products by footwear brands and manufacturers, and ongoing diversion of the footwear manufacturing industry to countries or regions with lower costs, the effect of the previous regional deployments of the Group is becoming prominent under the 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 growth in the new footwear manufacturing bases in Asia in particular. The Group will continue to devote more resources to expedite/enhance marketing in order to increase its 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 to 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, including electronic adhesive related products. In addition, the Group will invest and develop its OEM business in a proactive manner. At present, it has entered into an OEM cooperation agreement with a world renowned enterprise for a term of 6 years. The Group will also explore and identify 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 2015, the Group's working capital requirement was principally financed by its internal resources and banking facilities.

As at 31 March 2015, the Group had cash and bank balances and deposits, net current assets and total assets less current liabilities of approximately HK\$57,687,000 (30 September 2014: HK\$51,470,000), approximately HK\$164,961,000 (30 September 2014: HK\$148,781,000) and approximately HK\$351,033,000 (30 September 2014: HK\$334,597,000) respectively.

As at 31 March 2015, the Group had total bank borrowings except bills payable, on floating interest rates basis, of approximately HK\$45,924,000 (30 September 2014: HK\$54,487,000). 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 2015 increased by approximately HK\$15,716,000 to approximately HK\$338,986,000. The gearing ratio (calculated as the ratio of total borrowings: total assets) of the Group as at 31 March 2015 was approximately 0.10 (30 September 2014: 0.12).

Saved as disclosed elsewhere under the section headed "Management Discussion and Analysis", there were no other changes in the Company's share capital.

Significant Investments

At the end of the Period, the Group has 20% equity interests in Blue Sky Energy Efficiency Co., Ltd. (the "Blue Sky Group") which is principally engaged in (i) provision of application and installment of energy-efficiency system for commercial buildings, hotels and residential premises; and (ii) research and development and sales of environmental chemical coating products.

During the period under review, Blue Sky Group has successfully negotiated one energy-efficiency contract which was related to an application for rooftop solar system in the PRC. This energy-efficiency contract runs for twenty years and its revenue is based on the supply of electricity generated from the rooftop solar system. During the period under review, the Blue Sky Group recorded turnover and result of approximately HK\$3,108,000 and HK\$2,918,000 respectively.

In view of the positive progress of the Blue Sky Group during the period under review, the Group expects it can bring positive contribution in coming future.

Management Discussion and Analysis

For the best interest of the Company's shareholder as a whole, the Blue Sky Group, which was acquired by the Company in May 2014, contained a profit guarantee that the profits of the Blue Sky Group for coming two years after the acquisition would not be less than HK\$30 million. In the case that the profit guarantee is not met, the Group will receive a compensation of maximum of HK\$21,000,000 which is equal to the consideration of the acquisition. As of 31 March 2015, the fair value of the profit guarantee was measured by an independent professional qualified valuer amounted to approximately HK\$10,363,000 and has been recognised as other financial assets.

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 associated companies during the Period.

Employee Information

As at 31 March 2015, the Group employed a total of 367 (2014: 374) 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\$21,066,000 (2014: HK\$25,800,000).

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. As at 31 March 2015, the Group had granted 5,480,000 share options to the directors, employees and other individuals under the 2010 Scheme. During the Period, no options have been exercised and there are 5,480,000 share options outstanding under the 2010 Scheme as at 31 March 2015.

Charges on Group Assets

As at 31 March 2015, certain interests in land use rights, land and buildings and investment properties held under medium-term leases of approximately HK\$83,342,000 (30 September 2014: HK\$77,540,000) and bank deposits of HK\$21,971,000 (30 September 2014: HK\$22,067,000) were pledged to banks for bank borrowings totaling approximately HK\$45,924,000 (30 September 2014: HK\$54,487,000) granted to the Group.

Future Plans for Material Investments and Expected Sources of Funding

On 21 April 2015, a wholly owned subsidiary of the Company entered into a non-legally binding memorandum of understanding with an independent third party, intend to form joint venture(s) to operate the business of energy management contracting for the provision of energy saving solutions for telecommunications infrastructure and systems in the PRC. The target customers are expected to be the provincial level subsidiaries of the telecommunication operators of the PRC. The parties are in the course of negotiating the terms of the joint venture arrangement(s). Details of the transaction were disclosed in the Company's announcement dated 21 April 2015.

Save as discussed elsewhere under the section headed "Management Discussion and Analysis", the Group had no future plans for material investments and expected sources of funding.

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 2015, the Group had capital commitments of approximately HK\$360,000 (30 September 2014: HK\$12,093,000) 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 2015.

Events after the reporting Period

On 24 April 2015, the Company entered into the conditional placing and subscription agreement with a placing agent and Mr. Jeong Un, the chairman of the Group and the controlling shareholder of the Company (the “Subscriber”), for the placing of up to an aggregate of 50,000,000 existing shares of the Subscriber to the places at the placing price of HK\$1.60 per placing share and the top-up subscription of up to 50,000,000 new subscription shares by the Subscriber at the subscription price of HK\$1.60 per subscription share.

The maximum gross proceeds and net proceeds from the subscription are HK\$80 million and approximately HK\$77 million, respectively. The Company intended to use the net proceeds from the subscription for general working capital purposes of the Group. Details of the transaction were disclosed in the Company’s announcement dated 24 April 2015.

The completion of the placing took place and that all the conditions of the subscription have been fulfilled and completion of the subscription took place on 4 May 2015 and 7 May 2015, respectively. Details of the completion were disclosed in the Company’s announcement dated 7 May 2015.

Save as disclosed elsewhere under the section headed “Management Discussion and Analysis”, there is no material subsequent event undertaken by the Group.

Other Information

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

As at 31 March 2015, 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. Jeong Un ("Mr. Jeong") (note)	Interest in controlled corporation	342,500,000	Long	57.47%
	Beneficial owner	70,246,769	Long	11.79%

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. Jeong. By virtue of the SFO, Mr. Jeong 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. Jeong	Beneficial owner	Long	100	100%

Save as disclosed above, as at 31 March 2015, 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.

Other Information

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 31 March 2015, 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	57.47%
Chan Sut Kuan (“Mrs. Jeong”) (notes 1 and 2)	Interest of spouse	412,746,769	Long	69.26%

Notes:

1. All Reach Investments Limited is directly, wholly and beneficially owned by Mr. Jeong. By virtue of the SFO, Mr. Jeong, an executive Director, is deemed to be interested in the entire 342,500,000 Shares held by All Reach Investments Limited. Mr. Jeong is in person beneficially owns 70,246,769 Shares. Mrs. Jeong is the spouse of Mr. Jeong and is therefore deemed to be interested in the 412,746,769 Shares held by Mr. Jeong.
2. According to the laws of Macau, the regime of matrimonial property of Mr. Jeong and Mrs. Jeong is community (共同財產制).

MATERIAL LITIGATION

As at 31 March 2015, the Group had no material litigation or arbitration pending (as at 31 March 2014: 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. Jeong Un has been performing both the roles of Chairman and Chief Executive Officer. Mr. Jeong 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 2015.

The condensed consolidated interim financial information for the six months ended 31 March 2015 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



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 40, 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 2015 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 2015

Franklin Lau Shiu Wai

Practising Certificate Number P01886

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 March 2015

	NOTES	Six months ended 31 March	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Turnover	3	268,156	245,281
Cost of goods sold		(188,956)	(177,110)
Gross profit		79,200	68,171
Other income		3,146	2,033
Changes in fair value of investment properties	9	6,210	15,484
Changes in fair value of other financial asset	14	(2,347)	–
Other losses	4	–	(4,220)
Research and development costs		(656)	(268)
Selling and distribution costs		(21,288)	(13,874)
Administrative expenses		(33,790)	(39,097)
Interest on bank borrowings wholly repayable within five years		(954)	(850)
Profit before taxation	5	29,521	27,379
Share of profit of an associate	13	584	–
Taxation	6	(3,056)	(4,253)
Profit for the period		27,049	23,126
Other comprehensive income			
— exchange differences arising on translation of foreign operations which may be reclassified subsequently to profit or loss		(1,764)	1,260
Total comprehensive income for the period		25,285	24,386
Earnings per share — Basic	8	HK4.54 cents	HK4.06 cents
Earnings per share — Diluted	8	HK4.53 cents	HK4.06 cents

Condensed Consolidated Statement of Financial Position

At 31 March 2015

	NOTES	31 March 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Audited)
Non-current assets			
Investment properties	9	70,690	64,480
Property, plant and equipment	10	44,194	44,800
Land use rights	11	17,532	17,579
Intangible assets	12	32,696	34,871
Interest in an associate	13	7,640	7,056
Other financial asset	14	10,363	12,710
Deposits made on acquisition of property, plant and equipment		1,877	3,240
Club debentures		1,080	1,080
		186,072	185,816
Current assets			
Inventories		71,529	68,956
Trade, bills and other receivables	15	134,989	140,752
Pledged bank deposits		21,971	22,067
Bank balances and cash		35,716	29,403
		264,205	261,178
Current liabilities			
Trade, bills and other payables	16	45,936	46,191
Amount due to a related company	17	1,910	3,659
Tax payable		5,474	8,060
Current portion of secured long-term bank loans	18	32,294	44,047
Secured short-term bank loans	18	11,851	5,982
Bank overdrafts — secured	18	1,779	4,458
		99,244	112,397
Net current assets		164,961	148,781
Total assets less current liabilities		351,033	334,597

Condensed Consolidated Statement of Financial Position
At 31 March 2015

	NOTES	31 March 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Audited)
Non-current liabilities			
Deferred taxation		12,047	11,327
Net assets		338,986	323,270
Capital and reserves			
Share capital	19	5,959	5,959
Reserves		333,027	317,311
Total equity		338,986	323,270

The condensed consolidated financial information on pages 18 to 40 was approved and authorised for issue by the Board of Directors on 29 May 2015 and is signed on its behalf by:

IP KA LUN
EXECUTIVE DIRECTOR

TONG YIU ON
EXECUTIVE DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2015

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 <i>(note (a))</i>	Share option reserve HK\$'000	Translation reserve HK\$'000	Legal reserve HK\$'000 <i>(note (b))</i>	Statutory surplus reserve fund HK\$'000 <i>(note (c))</i>	Retained profits HK\$'000	Total HK\$'000
At 1 October 2014	5,959	120,884	1,097	541	11,947	459	2,123	180,260	323,270
Profit for the period	-	-	-	-	-	-	-	27,049	27,049
Exchange differences arising on translation of foreign operations	-	-	-	-	(1,764)	-	-	-	(1,764)
Total comprehensive income for the period	-	-	-	-	(1,764)	-	-	27,049	25,285
Dividends recognised as distribution	-	-	-	-	-	-	-	(10,130)	(10,130)
Translation of statutory reserve	-	-	-	-	-	-	555	(555)	-
Recognition of share-based payment	-	-	-	561	-	-	-	-	561
At 31 March 2015 (unaudited)	5,959	120,884	1,097	1,102	10,183	459	2,678	196,624	338,986
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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2015

- (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 2015 and 31 March 2014, 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 2015

	Six months ended 31 March	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Net cash from operating activities	29,502	28,717
Investing activities		
Interest received	97	48
Purchase of property, plant and equipment	(2,080)	(5,110)
Withdrawal/(placement) of pledged bank deposits	96	(2,462)
Net cash used in investing activities	(1,887)	(7,524)
Financing activities		
Interest paid	(954)	(850)
Dividends paid	(10,130)	(9,108)
Changes of current account with a related company	(1,749)	(7,778)
Bank loans raised	25,012	47,395
Repayment of bank loans	(30,896)	(50,550)
Net cash used in financing activities	(18,717)	(20,891)
Net increase in cash and cash equivalents	8,898	302
Cash and cash equivalents at 1 October	24,945	4,663
Effect of foreign exchange rate changes	94	(182)
Cash and cash equivalents at 31 March	33,937	4,783
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	35,716	17,889
Bank overdrafts	(1,779)	(13,106)
	33,937	4,783

Notes to the Condensed Consolidated Financial Information

For the six months ended 31 March 2015

1. BASIS OF PREPARATION

The condensed consolidated financial information for the six months ended 31 March 2015 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 2014, 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 2014, 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) (Amendments)	Defined Benefit Plans: Employee Contributions
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HK(IFRIC)-Int 21	Levies
Annual Improvement Projects	Annual Improvements 2010–2012 Cycle
Annual Improvement Projects	Annual Improvements 2011–2013 Cycle

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. 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	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of		
— vulcanized shoes adhesive related products and other adhesives	178,773	153,654
— electronic adhesives and other products	15,629	16,537
— primers	25,920	44,157
— hardeners	28,832	26,101
— others	19,002	4,832
	268,156	245,281

Notes to the Condensed Consolidated Financial Information

For the six months ended 31 March 2015

3. TURNOVER AND SEGMENT INFORMATION (Continued)

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

	Six months ended 31 March	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Turnover		
— PRC	117,216	105,995
— Vietnam	122,639	113,363
— Indonesia	15,064	17,585
— Bangladesh	13,237	8,338
	268,156	245,281

For the six months ended 31 March 2015, there was one customer (2014: one) contributing revenue of HK\$69,938,000 (six months ended 31 March 2014: HK\$64,732,000) 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 and other financial asset are allocated based on the location of the operation of the entity which utilizes the assets.

	At 31 March	At 30 September
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
PRC	72,981	71,337
Macau	105,252	104,788
Vietnam	4,244	5,395
Indonesia	2,736	3,320
Hong Kong	838	947
Bangladesh	21	29
	186,072	185,816

4. OTHER LOSSES

	Six months ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange loss, net	–	(4,220)

5. PROFIT BEFORE TAXATION

	Six months ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of		
— intangible assets	2,176	2,000
— prepaid lease payments on land use rights	213	303
Depreciation	3,956	4,512
and after crediting:		
Gross property rental income before deduction of outgoings	895	792
Less: Outgoings	(77)	(104)
	818	688
Interest income	97	48

6. TAXATION

	Six months ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax (“EIT”)	(2,129)	(1,548)
Macau complementary tax	(99)	(491)
Vietnam income tax	(108)	–
	(2,336)	(2,039)
Deferred taxation	(720)	(2,214)
	(3,056)	(4,253)

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 from 1 January 2008 to 30 September 2014 have been accrued at the tax rate of 10%.

6. TAXATION (Continued)

Deferred taxation has not been provided for in the financial statements in respect of temporary difference attributable to retained profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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.

7. DIVIDENDS

During the six months ended 31 March 2015, a final dividend of HK1.7 cents per share in respect of the year ended 30 September 2014 (six months ended 31 March 2014: HK1.6 cents per share in respect of the year ended 30 September 2013), totalling approximately HK\$10,130,000 (six months ended 31 March 2014: HK\$9,108,000) was declared and paid to the shareholders of the Company.

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

8. EARNINGS PER SHARE

(a) Basic

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 approximately 595,923,076 (six months ended 31 March 2014: 569,230,769) shares in issue during the period.

	Six months ended 31 March	
	2015	2014
Profit attributable to equity holders of the Company (HK\$'000) (Unaudited)	27,049	23,126
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	595,923	569,230
Basic earnings per share	HK 4.54 cents	HK4.06 cents

8. EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted by the Company (collectively forming the denominator for computing diluted earnings per share). No adjustment is made to earnings (numerator).

	Six months ended 31 March	
	2015	2014
Profit attributable to equity holders of the Company (HK\$'000) (Unaudited)	27,049	23,126
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	595,923	569,230
Effect of dilutive potential ordinary shares upon the exercise of share options (thousand shares)	548	–
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	596,471	569,230
Diluted earnings per share	HK 4.53 cents	HK4.06 cents

9. INVESTMENT PROPERTIES

	HK\$'000
Fair value	
At 1 October 2013	37,600
Net increase in fair value recognised in profit or loss during the year	26,880
At 30 September 2014 (audited)	64,480
Net increase in fair value recognised in profit or loss during the period	6,210
At 31 March 2015 (unaudited)	70,690

The fair values of the Group's investment properties at 31 March 2015 and 30 September 2014 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.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 March 2015, the Group recognized additions of property, plant and equipment of approximately HK\$3,443,000 (six months ended 31 March 2014: HK\$6,513,000) to expand and upgrade its production facilities.

Depreciation charge of property, plant and equipment for the six months ended 31 March 2015 was totaling approximately HK\$3,956,000 (six months ended 31 March 2014: HK\$4,512,000).

11. LAND USE RIGHTS

	HK\$'000
Carrying amount	
At 1 October 2013	18,672
Currency realignment	(65)
Charged to profit or loss during the year	(514)
At 30 September 2014 (audited)	18,093
Currency realignment	79
Charged to profit or loss during the period	(213)
At 31 March 2015 (unaudited)	17,959
Analysed for reporting purposes as:	
Current asset (included in trade and other receivables)	427
Non-current asset	17,532
	17,959

12. INTANGIBLE ASSETS

	Club membership HK\$'000	Formula rights HK\$'000	Customers relationship HK\$'000	Total HK\$'000
Cost				
At 1 October 2013	–	–	40,000	40,000
Acquisitions	1,596	1,600	–	3,196
At 30 September 2014 (audited)	1,596	1,600	40,000	43,196
Acquisitions	–	–	–	–
At 31 March 2015 (unaudited)	1,596	1,600	40,000	43,196
Accumulated amortisation				
At 1 October 2013	–	–	4,000	4,000
Amortisation for the year	5	320	4,000	4,325
At 30 September 2014 (audited)	5	320	8,000	8,325
Amortisation for the period	15	160	2,000	2,175
At 31 March 2015 (unaudited)	20	480	10,000	10,500
Net book value at 31 March 2015 (unaudited)				
	1,576	1,120	30,000	32,696
Net book value at 30 September 2014 (audited)				
	1,591	1,280	32,000	34,871

Intangible assets represent (i) the established customers relationship, including current and potential customers network, key men, administrative, operational and sales team, acquired and is estimated to have an useful life of 10 years, (ii) club memberships acquired with both finite and indefinite useful lives, and (iii) Formula and know-how acquired for an estimated useful life of 5 years. The carrying amount as at 31 March 2015 and 30 September 2014 represents the cost less accumulated amortization and impairment, if any.

13. INTEREST IN AN ASSOCIATE

	At 31 March 2015 HK\$'000 (Unaudited)	At 30 September 2014 HK\$'000 (Audited)
Goodwill acquired on acquisition	7,056	7,056
Share of net assets of associate:		
Beginning of the period/year	–	–
Addition	–	64
Share of results, net of tax	584	(64)
End of the period/year	584	–
	7,640	7,056

The Group's interests in its principal associate, which is unlisted, are as follows:

Name	Place of incorporation	Registered capital	Group's interest
Blue Sky Energy Efficiency Company Limited	British Virgin Islands	Shares US\$50,000	20%

14. OTHER FINANCIAL ASSET

	HK\$'000
Fair value	
At 1 October 2013	–
Additions	13,880
Fair value changes charged to profit or loss	(1,170)
At 30 September 2014 (audited)	12,710
Fair value changes charged to profit or loss	(2,347)
At 31 March 2015 (unaudited)	10,363

The fair value of other financial assets represents profit guarantee arising from acquisition of an associate, Blue Sky Energy Efficiency Company Limited and its subsidiaries (the “Blue Sky Group”).

The fair value of profit guarantee of Blue Sky Group as at 31 March 2015 and 30 September 2014 were approximately HK\$10,363,000 and HK\$12,710,000 respectively. The fair values of profit guarantee are based on valuation performed by an independent professional qualified valuer, using a Black-Scholes model.

15. 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 2014: 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 2015 HK\$'000 (Unaudited)	At 30 September 2014 HK\$'000 (Audited)
Age		
0 to 30 days	54,540	116,185
31 to 60 days	26,127	5,073
61 to 90 days	18,561	3,639
91 to 180 days	11,585	1,235
181 to 365 days	925	479
Over 1 year	427	–
	112,165	126,611

16. TRADE, BILLS AND OTHER PAYABLES

The Group normally receives credit terms of 30 to 60 days (six months ended 31 March 2014: 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 2015 HK\$'000 (Unaudited)	At 30 September 2014 HK\$'000 (Audited)
Age		
0 to 30 days	30,568	30,970
31 to 60 days	596	3,647
61 to 90 days	141	130
91 to 180 days	–	47
181 to 365 days	42	–
	31,347	34,794

17. AMOUNT DUE TO A RELATED COMPANY

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

18. SECURED BANK LOANS/BANK OVERDRAFTS

During the six months ended 31 March 2015, the Group obtained new bank loans of approximately HK\$25,012,000 (six months ended 31 March 2014: HK\$47,395,000) and repaid bank loans of approximately HK\$30,896,000 (six months ended 31 March 2014: HK\$50,550,000).

The long-term bank loans carried variable interests at the best lending rate in Macau or Hong Kong Interbank Borrowing Rate (“HIBOR”). At 31 March 2015 and 30 September 2014, the Group had available credit facilities amounting to approximately HK\$72,952,000 and HK\$58,658,000 respectively.

The short-term bank loans carried interests at the best lending rate in Macau, HIBOR, or at rates offered by the People’s Bank of China.

During the six months ended 31 March 2015, bank overdrafts carried interest at prevailing market rate ranged from 2.75% to 5.5% (six months ended 31 March 2014: 4.75% to 5.75%) per annum.

Notes to the Condensed Consolidated Financial Information

For the six months ended 31 March 2015

19. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 October 2013, 30 September 2014 and 31 March 2015	5,000,000,000	50,000
Issued and fully paid:		
At 1 October 2013	569,230,769	5,692
Issue of shares upon conversion of convertible bonds	21,000,000	210
Issue of shares upon exercise of warrants	5,692,307	57
At 30 September 2014 (audited) and 31 March 2015 (unaudited)	595,923,076	5,959

On 22 May 2014, 21,000,000 ordinary shares of HK\$0.8 each were issued upon conversion of convertible bonds. All these shares rank pari passu with the existing shares in all respects.

On 25 September 2014, 5,692,307 ordinary shares of HK\$0.8 each were issued upon exercise of warrants. All these shares rank pari passu with the existing shares in all respects.

20. 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 2015 HK\$'000 (Unaudited)	At 30 September 2014 HK\$'000 (Audited)
Within one year	4,167	3,998
In the second to fifth year inclusive	1,098	2,891
	5,265	6,889

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

	At 31 March 2015 HK\$'000 (Unaudited)	At 30 September 2014 HK\$'000 (Audited)
	Within one year	1,484
In the second to fifth year inclusive	–	672
	1,484	2,253

20. OPERATING LEASE ARRANGEMENTS (Continued)**The Group as lessor**

	Rented premises	
	At 31 March 2015 HK\$'000 (Unaudited)	At 30 September 2014 HK\$'000 (Audited)
Within one year	305	1,074
In the second to fifth year inclusive	–	119
	305	1,193

21. CAPITAL COMMITMENTS

	At 31 March 2015 HK\$'000 (Unaudited)	At 30 September 2014 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	360	12,093

22. RELATED PARTY TRANSACTIONS

Save as disclosed in notes 17 and 20, during the period, the Group has the following significant related party transactions with related parties:

	Six months ended 31 March	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Property rental expenses paid to Mr. Jeong Un	627	600
Property rental income received from related companies, which is controlled by Mr. Jeong Un	17	26

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

	Six months ended 31 March	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Salaries and other benefits	4,614	4,798
Retirement benefits scheme contributions	369	341
	4,983	5,139

23. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

- (i) On 21 April 2015, a subsidiary of the Group entered into a non-legally binding MOU with an independent third party, Sinochem Energy-Saving and Environmental Protection Holding (Beijing) Co. Ltd. (“Sinochem (Beijing)”) pursuant to which the subsidiary and Sinochem (Beijing) intend to form joint venture(s) to operate the business of energy management contracting for the provision of energy saving solutions for telecommunications infrastructure and systems in the People’s Republic of China (the “PRC”).

Pursuant to the MOU, Sinochem (Beijing) will give priority to the subsidiary for the cooperation in developing the energy efficiency market in the telecommunication sector of the PRC. On the other hand, the subsidiary may provide capital of not less than RMB300,000,000 for each joint venture vehicle that may be established pursuant to the joint venture arrangement(s) to be negotiated.

Details were disclosed in the Company’s announcement dated 21 April 2015.

- (ii) On 24 April 2015, the Company entered into a conditional placing and subscription agreement with Oriental Patron Securities Limited (the “Placing Agent”) and Mr. Jeong Un, the Chairman of the Group and a controlling shareholder of the Company (“Mr. Jeong”) for (i) the Placing of up to an aggregate of 50,000,000 existing Placing Shares to the Placees at the Placing Price of HK\$1.60 per Placing Share, and (ii) the Subscription of up to 50,000,000 new Subscription Shares by Mr. Jeong at the Subscription Price of HK\$1.60 per Subscription Share.

The completion of the Placing and the Subscription took place on 4 May and 7 May 2015 respectively. Details regarding the Placing and the Subscription were disclosed in the Company’s announcements dated 24 April 2015 and 7 May 2015 respectively.