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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2010

The board (the "Board") of directors (the "Directors") of Infinity Chemical Holdings Company Limited (the "Company") is pleased to announce its audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 September 2010 together with the comparative figures for the corresponding year in 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2010

	Notes	**2010** *HK$'000*	2009 *HK$'000*
Turnover	*5*	**296,040**	267,579
Cost of goods sold		**(220,040)**	(202,505)
Gross profit		**76,000**	65,074
Other income		**1,424**	3,880
Changes in fair value of investment properties		**1,440**	(3,970)
Selling and distribution costs		**(11,349)**	(10,318)
Administrative expenses		**(29,221)**	(20,601)
Listing expenses		**(19,863)**	—
Interest on bank borrowings wholly repayable within five years		**(2,115)**	(1,988)
Profit before taxation	*6*	**16,316**	32,077
Taxation	*7*	**(251)**	(1,380)
Profit for the year		**16,065**	30,697
Other comprehensive income			
— exchange differences arising on translation of foreign operations		**985**	(332)
Total comprehensive income for the year		**17,050**	30,365
Earnings per share — Basic	*8*	**HK4.1 cents**	HK8.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Investment properties		**12,320**	10,880
Property, plant and equipment		**31,924**	29,926
Land use rights		**18,670**	2,686
Deposits made on acquisition of property, plant and equipment		**3,688**	—
		66,602	43,492
Current assets			
Inventories		**42,616**	37,559
Trade and other receivables	*9*	**81,439**	56,993
Pledged/restricted bank deposits		**19,511**	34,476
Bank balances and cash		**23,829**	6,087
		167,395	135,115
Current liabilities			
Trade and other payables	*10*	**47,045**	34,961
Taxation		**511**	419
Current portion of secured long-term bank loans		**5,037**	3,150
Secured short-term bank loans		**11,878**	16,353
Bank overdrafts — secured		**2**	3,495
		64,473	58,378
Net current assets		**102,922**	76,737
Total assets less current liabilities		**169,524**	120,229
Non-current liabilities			
Secured long-term bank loans		**—**	1,483
Deferred taxation		**2,290**	2,108
		2,290	3,591
Net assets		**167,234**	116,638
Capital and reserves			
Share capital		**5,000**	16
Reserves		**162,234**	116,622
Total equity		**167,234**	116,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2010

1. GENERAL

The Company was incorporated in the Cayman Islands on 15 December 2009 and registered as an exempted company under the Companies Law of the Cayman Islands. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 August 2010 (the "Listing Date"). Its immediate and ultimate holding company is All Reach Investments Limited, a company incorporated in the British Virgin Islands.

The Company acts as an investment holding company while its subsidiaries are principally engaged in the manufacture and sales of adhesives and related products used in footwear manufacturing. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of principal place of business in Hong Kong and Macau Special Administrative Region, Mainland China ("Macau") are Unit 6, 11/F, Wayson Commercial Building, 28 Connaught Road West, Hong Kong; and Rua De Pequim, Nos. 202A–246, Macau Finance Centre, 16 andar A-D, Macau, respectively.

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

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparation for the listing of the shares of the Company on the Stock Exchange, the Company and its subsidiaries (hereinafter collectively referred to as the "Group") underwent a group reorganisation (the "Group Reorganisation") which include the following steps:

(a) Prior to 10 June 2009, the business of the Group carried out by Iao Son Hong Tinta e Vernizes, Limitada ("ISH"), Benino Corporation ("Benino"), Bracrop Consulting Inc. ("Bracorp") and Great Oasis International Limited ("Great Oasis") were under common control by the controlling shareholder, Mr. Ieong Un jointly with his wife, Ms. Chan Sut Kuan (the "Controlling Shareholder"). On 2 July 2008, Keen Castle Limited ("Keen Castle") was incorporated in the British Virgin Islands and controlled by the Controlling Shareholder.

(b) Pursuant to share transfer agreements dated 10 June 2009 and supplementary agreement dated 30 December 2009, Keen Castle acquired the entire beneficial interests in ISH, Benino, Bracorp and Great Oasis from the Controlling Shareholder by means of a share exchange where an aggregate of 1,000 shares of Keen Castle were issued to the Controlling Shareholder at par for US$1.00 each.

(c) Pursuant to a sales and purchase agreement dated 26 March 2010, the Company acquired the entire equity interests of Keen Castle by issuing and allotting a total of 1,999 shares of HK$0.01 each to the then existing shareholders of Keen Castle or its nominee. Thereafter, the Company has become the holding company of the Group since 26 March 2010.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated statements of comprehensive income and cash flows for each of the two years ended 30 September 2010 include the results and cash flows of the companies now comprising the Group which have been prepared by applying the principles of merger accounting, as if the group structure upon the completion of the Group Reorganisation had been in existence throughout each of the two years ended 30 September 2010, or since their respective dates of incorporation/establishment where this is a shorter period.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants issued a number of new and revised Hong Kong Accounting Standards ("HKASs") and HKFRSs, Amendments and Interpretations ("INTs") (hereinafter collectively referred to as the "new and revised HKFRSs") which are effective for the Group's accounting periods beginning on 1 October 2009. For the purposes of preparing and presenting the financial statements for each of the two years ended 30 September 2010, the Group has adopted all these new and revised HKFRSs consistently throughout each of the two years ended 30 September 2010.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[7]
HKAS 24 (Revised)	Related party disclosures[4]
HKAS 32 (Amendment)	Classification of rights issues[3]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[2]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first time adopters[6]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[2]
HKFRS 7 (Amendment)	Disclosures — Transfers of financial assets[8]
HKFRS 9	Financial instruments[5]
HK(IFRIC*) — INT 14	Prepayments of a minimum funding requirement[4]
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instruments[6]

* IFRIC represents the International Financial Reporting Interpretations Committee.

1 Amendments that are effective for annual periods beginning on or after 1 January 2010.
2 Effective for annual periods beginning on or after 1 January 2010.
3 Effective for annual periods beginning on or after 1 February 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 January 2013.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
8 Effective for annual periods beginning on or after 1 July 2011.

The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties which are measured at fair values, and in accordance with the following accounting policies which conform with HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

5. TURNOVER AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on manufacture and sales of adhesives and related products used in footwear manufacturing. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the management of the Company. The management of the Company regularly reviews revenue analysis by products, including vulcanized shoes adhesive related products, other adhesives, primers, hardeners and others, and by locations. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective products and locations. The management of the Company reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.

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

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

	2010	2009
	HK$'000	*HK$'000*
Sales of		
— vulcanized shoes adhesive related products	**13,868**	—
— other adhesives	**170,995**	150,973
— primers	**63,927**	68,741
— hardeners	**44,579**	44,862
— others	**2,671**	3,003
	296,040	267,579

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

	2010	2009
	HK$'000	*HK$'000*
Turnover		
— PRC	**172,586**	172,012
— Vietnam	**117,039**	95,567
— Indonesia	**4,927**	—
— Bangladesh	**1,488**	—
	296,040	267,579

For the year ended 30 September 2010, there was one (2009: one) customer with revenues of HK$89,379,000 (2009: HK$79,486,000) which accounted for more than 10% of the Group's total revenue.

An analysis of the Group's non-current assets by geographical location is as follows:

	2010	2009
	HK$'000	*HK$'000*
PRC	**61,942**	41,057
Vietnam	**2,183**	2,435
Bangladesh	**2,477**	—
	66,602	43,492

6. PROFIT BEFORE TAXATION

	2010	2009
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**3,922**	2,825
Other staff's retirement benefits scheme contributions	**1,404**	1,159
Other staff costs	**19,600**	12,300
	24,926	16,284
Less: Staff costs included in research and development costs	**(862)**	(487)
	24,064	15,797
Auditor's remuneration	**1,535**	1,500
Cost of inventories recognised as expenses	**214,958**	197,748
Depreciation	**4,155**	3,613
Exchange loss	**958**	—
Loss on disposal of property, plant and equipment	**—**	4
Operating lease rentals in respect of		
— land use rights	**135**	27
— motor vehicles	**1,390**	1,758
— rented premises	**1,773**	988
Research and development cost included in administrative expenses	**862**	487
Royalty fees included in cost of goods sold*	**2,815**	3,309
and after crediting:		
Gross property rental income before deduction of outgoings	**1,200**	1,207
Less: Outgoings	**(265)**	(289)
	935	918
Exchange gain	**—**	1,353
Interest income	**123**	135

* In 2005, the Group entered into an agreement with an independent Japanese company, No-Tape Industrial Co. Ltd., which provided technical assistance in producing or developing certain products of the Group (the "Agreement"). According to the Agreement, the Japanese company would charge the Group for royalty fees based on the volume sold by the Group for certain products. The Agreement was renewed in 2009 with a term of 3 years.

7. TAXATION

	2010	2009
	HK$'000	*HK$'000*
The charge comprises:		
PRC Enterprise Income Tax ("EIT")	**(71)**	(132)
Macau complementary tax	**(28)**	(234)
	(99)	(366)
Deferred taxation	**(152)**	(1,014)
	(251)	(1,380)

The PRC EIT and Macau complementary tax are calculated at the applicable rates in accordance with the relevant laws and regulations in the respective jurisdictions.

On 16 March 2007, the Law of the PRC on Enterprise Income Tax (the "new EIT Law") was passed by the National People's Congress of the PRC, the income tax rate for both domestic and foreign-investment enterprise was unified at 25% effective from 1 January 2008. Certain PRC subsidiaries of the Group which were entitled to the preferential tax treatments, including exemption and reduction from the standard income tax rate, could continue to enjoy such treatments until they expire.

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) was entitled to exemption 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.

During the year, certain subsidiaries of the Group were principally engaged in the provision of marketing services and technical assistance services to other group companies. Though these subsidiaries were incorporated outside the PRC, the gross amounts of their income were captured under PRC Business Tax at 5%. The local PRC authorities in charge of taxation of these non-PRC subsidiaries, after examining their business activities in the PRC during the year, agreed that the relevant business activities did not constitute as a taxable presence for the PRC Income Tax purpose.

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.) 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 new EIT Law 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. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the consolidated profit attributable to the owners of the Company and on the weighted average number of 392,123,288 (2009: 375,000,000) shares in issue during the year on the assumption that the Group Reorganisation and the capitalisation issue have been effective on 1 October 2008.

No dilutive earnings per share is presented as there was no potential dilutive shares during the year.

9. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**71,524**	50,600
Value-added tax recoverable	**4,578**	3,008
Other receivables	**2,552**	2,298
Prepayments	**2,785**	1,087
	81,439	56,993

Payment terms with customers are mainly on credit. Invoices are normally payable 30 to 90 days by the customers from date of issuance. The following is an aged analysis of trade receivables based on the invoice date at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
Age		
0 to 30 days	**30,910**	36,277
31 to 60 days	**31,983**	8,534
61 to 90 days	**7,760**	4,066
91 to 180 days	**871**	1,498
181 to 365 days	**—**	225
	71,524	50,600

At 30 September 2010, included in the Group's trade receivables balances are trade receivables with aggregate carrying amount of HK$12,908,000 (2009: HK$3,024,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as 100% of these past due debts were subsequently collected as of the date of these financial statements. The Group does not hold any collateral over these balances.

10. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**32,496**	20,400
Bills payable — secured	**5,594**	7,923
	38,090	28,323
Customers' deposits received	**159**	305
PRC business tax payable	**1,700**	4,146
Accruals	**5,001**	2,068
Others	**2,095**	119
	47,045	34,961

The Group normally receives credit terms of 30 to 60 days from its suppliers. The following is an aged analysis of trade and bills payable based on the invoice date at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
Age		
0 to 30 days	**20,922**	10,676
31 to 60 days	**14,567**	9,751
61 to 90 days	**2,535**	7,296
91 to 180 days	**66**	600
	38,090	28,323

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. **The PRC market**

   The Company reported growth in market share as it secured several new customers during the 2010 financial year. To the best of the Directors' knowledge and understanding, many workers of the Group's major customers from inland areas had chosen to stay behind in their homelands after the Chinese New Year holidays in 2010, which resulted in an acute shortage of labour of the Group's major customers. Meanwhile, production had yet to commence at the newly built plants of the Group's major customers customers pending completion of all construction works necessary for production. Consequently, the Group's major customers were not able to fulfill orders on hand, let alone taking on new orders. As a result of the combined effect of the aforesaid factors, the Company's sales in the PRC market remained largely unchanged as compared to the previous year.

2. **The Vietnamese market**

   The Company reported a stronger market share in Vietnam in the 2010 financial year, coupled with a 22% growth in sales as compared to the previous financial year.

3. **The Bangladeshi market**

   The Company's manufacturing plants in Bangladesh are under construction and a local marketing and technical service team has been established. Supply of shoe adhesives to local customers through direct imports from China has now commenced.

4. **The Indonesian market**

   The Company has been engaged by an internationally reputed brandname to supply products and services for their Indonesian plant starting from 2010. The Company has also established a local marketing and technical service team and shoe adhesives have been supplied to local customers through our bonded warehouses.

5. **Vulcanized shoes adhesives related products**

   Sales of vulcanized shoes adhesives related products, our new product, amounted to HK$13,868,000 (previous financial year: HK$230,000) for the 2010 financial year. This new product has generated additional revenue and profit for the Company.

6. **Progress of new plant construction**

   New plant at Nansha, Guangzhou: Relevant architectural plans are ready and confirmed, including the "Construction Land Use Planning Permit" and the "Construction Land Use Approval". However, the construction work of phrase one has been affected by restrictions imposed in connection with the Guangzhou Asian Games, and completion has been rescheduled to a later date. The Directors expect trial production of phrase one to begin in August 2011 upon work completion. The Company will obtain all relevant operating permits and licenses for operation prior to the commencement of trial production. The timing of the construction of phase-two production facilities will be subject to market demand for the products and the utilisation rate of phase-one production facilities.

New plant in Bangladesh: Construction work was behind schedule owing to the delay in the approval procedures of local government. Construction is currently near topping-out, and we are enhancing supervision to expedite the work. The Directors expect completion of construction and commencement of production, after obtaining relevant permits and licenses, in August 2011.

New plant in Vietnam: In line with the original plan, construction will commence following the completion of new plants in Nansha and Bangladesh.

7. Honours and awards

The Company received the following awards during 2010:

1. Hong Kong Outstanding Enterprises 2010 — awarded by Economic Digest

2. Top 100 PRC Enterprises in Proprietary Innovations — awarded by Chinese Association of Productivity Science

3. Rainforest Security Interest — awarded by Rainforest Forever Organization

FINANCIAL REVIEW

Results

The Group's turnover for the year ended 30 September 2010 was HK$296,040,000, representing an increase of approximately 10.6% over the last year. Profit attributable to equity holders of the Company decreased by approximately 47.7% from HK$30,697,000 in 2009 to HK$16,065,000 in 2010. The Company's basic earnings per share was HK4.1 cents per share (2009: HK8.2 cents per share) based on the weighted average number of 392,123,288 (2009: 375,000,000) shares in issue during the year on the assumption that the Group Reorganisation and the capitalisation issue have been effective on 1 October 2008.

The decrease in financial results in 2010 was mainly attributable to the inclusion of non-recurring listing related expenses amounted to HK$19,863,000 recognised in the profit and loss during the year ended 30 September 2010. If excluding non-recurring listing related expenses of HK$19,863,000, profit for the year would be increased by approximately 17% from HK$30,697,000 for the year ended 30 September 2009 to HK$35,928,000 for the year under review.

Turnover

The turnover of the Group increased by 10.6% from HK$267,579,000 in 2009 to HK$296,040,000 in 2010. The increase was principally due to the increase in the sales of adhesives by 23% from HK$150,973,000 in 2009 to HK$184,863,000 in 2010 which mainly came from (i) the increase in sales amounting to HK$21,472,000 in Vietnam region in 2010; and (ii) the additional sales of vulcanized shoes adhesives related products amounting to HK$13,868,000 in 2010.

Gross Profit

The Group's gross profit increased from HK$65,074,000 in 2009 to HK$76,000,000 in 2010. The Group's average gross profit margin increased from 24.3% in 2009 to 25.7% in 2010. Such increase in gross profit margin was mainly due to the increase in gross profit margin of adhesives as a result of launching new product, vulcanized shoes adhesive related products, which has a higher profit margin during the year under review.

Changes in fair value of investment properties

The investment properties of the Group were revalued at the end of the reporting period by an independent professional valuer, LCH (Asia-Pacific) Surveyors Limited. The Group incurred a net gain of HK$1,440,000 in fair value changes of investment properties for the year ended 30 September 2010 due to appreciation of market values of properties located in Macau.

Selling and distribution costs

The Group's selling and distribution costs increased to HK$11,349,000 for the year ended 30 September 2010 (2009: HK$10,318,000), representing an increase of HK$1,031,000 or 10% as compared with same period of last year. This increase was mainly due to the increase in salaries of marketing staff and export custom fees.

Administrative expenses

The Group's administrative expenses increased by 41.8% from HK$20,601,000 in 2009 to HK$29,221,000 in 2010, representing 7.7% in 2009 and 9.9% in 2010 of the Group's turnover. Such increase was mainly due to the increases in (i) salaries and benefits of administrative staff of approximately HK$3,990,000; (ii) rental expenses of HK$976,000; and (iii) professional advisory fees of HK$2,184,000.

Listing expenses

The Group has incurred non-recurring listing related expenses of HK$19,863,000 for the year ended 30 September 2010 which was an one-off expenses and not expected to be incurred in the coming year.

Interest on bank borrowings wholly repayable within five years

The Group's interest expenses on bank borrowings was increased slightly by 6.4% from HK$1,988,000 in 2009 to HK$2,115,000 in 2010, which was mainly due to the increase in short-term bank loans raised for the acquisition of land use rights of a parcel of land in Nansha, PRC for the expansion of production facilities during the year.

Profit attributable to equity holders of the Company

As a result of the foregoing, the Group's profit for the year decreased from HK$30,697,000 in 2009 to HK$16,065,000 in 2010. This was mainly attributable to the inclusion of non-recurring listing related expenses of HK$19,863,000 which was incurred during the year ended 30 September 2010.

If excluding non-recurring listing expenses of HK$19,863,000, profit for the year would be increased by 17% from HK$30,697,000 for the year ended 30 September 2009 to HK$35,928,000 for the year under review.

Major Financial Ratios

	2010	2009
Trade receivable turnover *(days)*	**88**	69
Trade and bills payable turnover *(days)*	**63**	51
Inventory turnover *(days)*	**71**	68
Gearing ratio	**7.2%**	13.7%

Trade receivable turnover

The trade receivable turnover is calculated by dividing the trade receivables as of the end of the respective years by sales for the year and multiplied by 365 days. The trade receivables turnover days increased from 69 days as of 30 September 2009 to 88 days as of 30 September 2010, primarily due to the increase in sales in the fourth quarter of 2010, the payment for which were not yet due as at the year end date.

Trade and bills payable turnover

The trade and bills payable turnover is calculated by dividing the trade and bills payables as of the end of respective years by cost of sales for the year and multiplied by 365 days. The trade and bills payable turnover days increased from 51 days as of 30 September 2009 to 63 days as of 30 September 2010.

Inventory turnover

The inventory turnover is calculated by dividing the inventories as of the end of respective years by cost of sales for the year and multiplied by 365 days. The inventory turnover days increased slightly from 68 days in 2009 to 71 days in 2010 which enable the Group to keep the minimum inventory level to meet the demand of our customers.

Gearing ratio

The gearing ratio is calculated by dividing the total borrowings by total assets at the end of the respective years. With the net funds of approximately HK$49,000,000 raised from the initial public offerings of the Company's shares upon successful listing on 12 August 2010, the gearing ratio was improved and dropped from 13.7% as at 30 September 2009 to 7.2% as at 30 September 2010.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

The Group had pledged bank deposits, cash and bank balances amounted to HK$43,340,000 (2009: HK$40,563,000). The net cash position of the Group as at 30 September 2010 was approximately HK$26,423,000, increased by HK$10,341,000 from HK$16,082,000 as at 30 September 2009. Net cash generated from operating activities and financing activities were HK$4,371,000 and HK$27,129,000 respectively, while HK$10,329,000 was used on investing activities. Net cash outflows from investing activities of HK$16,142,000 was mainly spent for the payment of the land use rights for a parcel of lands in Nansha, PRC, which was planned for the expansion of the Group's production facility.

Borrowings

Bank borrowings were mainly in Hong Kong dollars while borrowings in RMB amounted to RMB8,500,000. As at 30 September 2010, total bank borrowings of the Group amounted to HK$16,917,000 (2009: HK$24,481,000) and are mostly short term and repayable within one year and on floating interest rates basis.

Other capital resources

As at 30 September 2010, the Group had currents assets amounted to HK$167,395,000 (2009: HK$135,115,000) and current liabilities amounted to HK$64,473,000 (2009: HK$58,378,000). The Group's current ratio improved slightly from 2.3 times as at 30 September 2009 to 2.6 times as at 30 September 2010.

As at 30 September 2010, the Group's total net assets amounted to HK$167,234,000 (2009: HK$116,638,000), an increase of HK$50,596,000 or 43% when compared with 30 September 2009.

The Group has bank balances, bank borrowings, pledged bank deposits, sales and purchases denominated in foreign currencies which expose the Group to foreign currency risk. The currency risk for those subsidiaries with functional currency in HK Dollars were mainly attributable to the pledged bank deposits, bank balances, bank borrowings, trade receivables, trade payables denominated in US Dollars and Renminbi as at the end of the reporting period. As the exchange rate of HKD is pegged against USD, the Directors were of the opinion that the currency risk of USD was insignificant to the Group. As the appreciation of Renminbi is expected to slow down, the currency risk exposure to RMB was minimal and did not have any material effect to the Group.

The Group currently does not have a foreign currency hedging policy. However, the Directors will constantly monitor the Group's foreign exchange exposure and will consider to implement foreign currency hedging measures should the need arises.

Pledge of assets

As at 30 September 2010, the Group had pledged certain of its land and buildings with an aggregate carrying value of HK$28,363,000 to certain banks in Macau and PRC to secure the credit facilities granted to the Group.

Capital expenditures

During the year under review, the Group had invested RMB14,080,000 for acquisition of land use rights of a parcel of lands in Nansha, PRC for the expansion of production facilities.

Capital commitment

As at 30 September 2010, the Group had capital commitments of approximately HK$40,673,000 (2009: HK$382,000), all of which were related to acquisition of property, plant and equipment.

INITIAL PUBLIC OFFERING (THE "IPO") AND USE OF NET PROCEEDS

On 12 August 2010, the shares of the Company were successfully listed on Main Board of the Stock Exchange. The IPO was well received by both the international offering and the public offering in Hong Kong. The Hong Kong public offering was oversubscribed by approximately 721 times. The net proceeds from the Listing amounted to HK$49,000,000 which are intended to be applied in accordance with the proposed application are set out in the section headed "Use of proceeds" in the prospectus dated 29 July 2010 issued by the Company (the "Prospectus"). Up to the financial year ended 30 September 2010, there was no significant amount of usage out of the net proceeds from the IPO.

DIVIDENDS

The Board of Directors recommend the payment of a final dividend of HK1.8 cents per share for the year ended 30 September 2010 subject to the approval of the shareholders at the forthcoming annual general meeting. The final dividend will be payable on or about 10 March 2011 to shareholders whose names appear on the register of members on 11 February 2011.

EMPLOYEES AND REMUNERATION POLICY

The Company offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees of the Group including social insurance coverage, provident funds, bonus, share option schemes and company sponsored training.

As at 30 September 2010, the Group had a total of 314 full-time employees and the total salaries and related staff costs in 2010 amounted to HK$21,004,000 (2009:HK$13,459,000).

SHARE OPTION SCHEME

On 22 July 2010, the Company has adopted a share option scheme (the "Scheme") in order to attract, motivate and retain high calibre personnel. Eligible participants include employees, directors and any other eligible persons of the Group. Up to 30 September 2010, no share option has been granted to any person under the Scheme.

PROSPECTS

While 2011 will remain a year full of challenges and opportunities, the Company is optimistic about growth of the financial results for the coming year. Although profit in the short term might be affected by the recent hike in raw material prices, such negative impact should have a reshuffling effect on the industry as a whole. The Company's efforts to improve its business results will be boosted by factors such as continued growth in global demand for footwear (especially in emerging markets), more stringent demand for the quality of adhesion 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, as well as ongoing diversion of the footwear manufacturing industry to low-cost countries or regions. In fact, the Company's sales in the first two months of the new financial year are already more than 40% higher than the previous financial year. The directors believe that the Company is now well-positioned to fully capitalise on these opportunities.

The Company anticipates 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 Company will also commit more resources to expedite/enhance marketing efforts for its range of vulcanized shoes adhesive related products, which are currently a market leader. Since its market launch in 2010, the new vulcanized shoes adhesive related products have been well received by customers and significant sales growth for the new product is anticipated for the current financial year. Meanwhile, the Company will also continue to expand its current sales and distribution network in China, with a view to increasing its domestic sales to capture additional market shares. We will also seek opportunities with enterprises with proven strengths which would generate synergy effects with our Company.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Monday, 14 February 2011 to Friday, 18 February 2011, both days inclusive, during which no transfer of share will be registered. In order to qualify for entitlement of the final dividend, and be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer of shares accompanied by the relevant share certificates and transfer form must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by not later than 4:30 p.m. on Friday, 11 February 2011.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules. Since the Listing Date, the Company was in compliance with all the applicable code provisions as set out in the CG Code, except for the deviation of the provision A.2.1. of the Code as mentioned 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 on 26 March 2010 which currently comprises three independent non-executive Directors, namely, Mr. Chan Wing Yau George, Mr. Ho Gilbert Chi Hang and Mr. Poon Yick Pang Philip.

The Audit Committee is primarily responsible for the review and supervision of the Group's financial reporting process and internal control system. It has reviewed the accounting principles and practices adopted by the Company and the audited annual financial statements of the Group for the year ended 30 September 2010.

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

In accordance with the requirements under the Listing Rules, the 2010 Annual Report containing all the Company's information set out in this announcement including the audited financial results for the year ended 30 September 2010 will be posted on the Company's website (www.infinitychemical.com) and the website of the Stock Exchange (www.hkex.com.hk) in due course.

By order of the Board
Infinity Chemical Holdings Company Limited
Ieong Un
Chairman

Hong Kong, 29 December 2010

As at the date of this announcement, the Board of Directors comprises four executive Directors, namely, Mr. Ieong Un, Mr. Ip Chin Wing, Mr. Ip Ka Lun and Mr. Stephen Graham Prince, and three independent non-executive Directors, namely Mr. Chan Wing Yau George, Mr. Ho Gilbert Chi Hang and Mr. Poon Yick Pang Philip.