INFINITY CHEMICAL HOLDINGS COMPANY LIMITED

星謙化工控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 640)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 MARCH 2011

The board of directors (the "Board") of Infinity Chemical Holdings Company Limited (the "Company") is pleased to announce its unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 March 2011 together with the comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 31 March 2011 31 March HK$'000 (unaudited)	2010 31 March HK$'000 (unaudited)
Turnover	*3*	**159,759**	122,484
Cost of goods sold		**(125,178)**	(92,029)
Gross profit		**34,581**	30,455
Other income		**1,833**	643
Changes in fair value of investment properties		—	320
Selling and distribution costs		**(7,770)**	(4,779)
Administrative expenses		**(21,969)**	(11,723)
Exchange (loss) gain		**(1,516)**	173
Listing expenses		—	(10,507)
Interest on bank borrowings wholly repayable within five years		**(653)**	(807)
Profit before taxation	*4*	**4,506**	3,775
Taxation	*5*	**(359)**	(248)
Profit for the period		**4,147**	3,527
Other comprehensive income			
— exchange differences arising on translation of foreign operations		**1,490**	982
Total comprehensive income for the period		**5,637**	4,509
Earnings per share — Basic	*7*	**HK0.83 cent**	HK0.94 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
Non-current assets			
Investment properties		**12,320**	12,320
Property, plant and equipment		**36,474**	31,924
Land use rights		**18,793**	18,670
Deposits made on acquisition of property, plant and equipment		**3,586**	3,688
Club debenture		**1,444**	—
		72,617	66,602
Current assets			
Inventories		**64,991**	42,616
Trade and other receivables	*8*	**65,726**	81,439
Pledged/restricted bank deposits		**17,672**	19,511
Bank balances and cash		**26,128**	23,829
		174,517	167,395
Current liabilities			
Trade and other payables	*9*	**52,510**	47,045
Taxation		**579**	511
Current portion of secured long-term bank loans		**4,063**	5,037
Secured short-term bank loans		**17,565**	11,878
Bank overdrafts — secured		**6,110**	2
		80,827	64,473
Net current assets		**93,690**	102,922
Total assets less current liabilities		**166,307**	169,524
Non-current liabilities			
Deferred taxation		**2,436**	2,290
Net assets		**163,871**	167,234
Capital and reserves			
Share capital		**5,000**	5,000
Reserves		**158,871**	162,234
Total equity		**163,871**	167,234

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 31 March 2011

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL INFORMATION

In preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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 ("Mr. Ieong") jointly with his wife, Ms. Chan Sut Kuan (the "Controlling Shareholder").

(b) Pursuant to a share transfer agreements dated 10 June 2009 and supplementary agreement dated 30 December 2009, Keen Castle Limited ("Keen Castle"), also controlled by the Controlling Shareholder, 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 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 condensed consolidated statement of comprehensive income and cash flows for the six months ended 31 March 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 the six months ended 31 March 2010, or since their respective dates of incorporation/establishment where this is a shorter period.

The condensed consolidated financial information have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 September 2010.

In the current interim period, the Group has applied, for the first time, a number of new amendments issued by the HKICPA. The application of these new amendments has no material impact on the results and the financial position of the Group.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The amendments to HKAS 12 titled "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. 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 Hong Kong Financial Reporting Standards, 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 his single operating segment is presented.

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

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

	Six months ended 31 March					
	2011		2010		**Increase/Decrease**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
	(unaudited)		(unaudited)			
Vulcanized shoes adhesive related products	**13,370**	**8.4**	2,947	2.4	10,423	353.7
Other adhesives	**90,888**	**56.9**	66,668	54.4	24,220	36.3
Primers	**32,042**	**20.0**	33,486	27.3	(1,444)	(4.3)
Hardeners	**22,694**	**14.2**	18,822	15.4	3,872	20.6
Others	**765**	**0.5**	561	0.5	204	36.4
	159,759	**100.0**	122,484	100.0	37,275	30.4

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

	Six months ended 31 March					
	2011		2010		**Increase/Decrease**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
	(unaudited)		(unaudited)			
Mainland China (the "PRC")	**80,650**	**50.5**	71,911	58.7	8,739	12.2
Vietnam	**67,199**	**42.0**	50,573	41.3	16,626	32.9
Indonesia	**9,550**	**6.0**	—	—	9,550	100.0
Bangladesh	**2,360**	**1.5**	—	—	2,360	100.0
	159,759	**100.0**	122,484	100.0	37,275	30.4

For the six months ended 31 March 2011, there was a customer with revenue of HK$55,366,000 (six months ended 31 March 2010: HK$38,265,000) 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:

	At 31 March 2011	At 30 September 2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
PRC	**65,961**	61,942
Vietnam	**2,163**	2,183
Bangladesh	**4,461**	2,477
Indonesia	**32**	—
	72,617	66,602

4. PROFIT BEFORE TAXATION

	Six months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Allowance for doubtful debts	**182**	—
Amortisation of land use rights	**179**	40
Depreciation	**2,521**	1,847
Write-off of property, plant and equipment	**13**	—
and after crediting:		
Gross property rental income before deduction of outgoings	**660**	598
Less: Outgoings	**(134)**	(133)
	526	465
Interest income	**81**	32

5. TAXATION

	Six months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The charge comprises:		
PRC Enterprise Income Tax ("EIT")	**(252)**	—
Deferred taxation	**(107)**	(248)
	(359)	(248)

The PRC EIT for the current period is 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 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 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.

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 PRC 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.

No provision for Macau complementary tax has been made as the Group had no assessable profits for both periods.

6. DIVIDENDS

During the six months ended 31 March 2011, a final dividend of HK1.8 cent per share, totalling HK$9,000,000 was declared and paid to the shareholders.

On 19 March 2010, Benino and Bracorp declared a special dividend of HK$35 million in aggregate to their then shareholder, Mr. Ieong, whose name appeared on the registers of members of the respective company on 9 June 2009. This special dividend was paid in full prior to the listing of the shares of the Company on the Stock Exchange.

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

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the condensed consolidated profit attributable to the owners of the Company and on the weighted average number of 500,000,000 shares in issue during the period (six months ended 31 March 2010: 375,000,000 shares in issue during the period on the assumption that the Group Reorganisation and the capitalisation issue had been effective on 1 October 2009).

No diluted earnings per share is presented as there were no potential dilutive shares during both periods.

8. TRADE AND OTHER RECEIVABLES

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:

	At 31 March 2011 *HK$'000* **(unaudited)**	At 30 September 2010 *HK$'000* (audited)
Age		
0 to 30 days	**28,856**	30,910
31 to 60 days	**21,549**	31,983
61 to 90 days	**4,280**	7,760
91 to 180 days	**2,128**	871
	56,813	71,524

9. TRADE AND OTHER PAYABLES

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:

	At 31 March 2011 *HK$'000* **(unaudited)**	At 30 September 2010 *HK$'000* (audited)
Age		
0 to 30 days	**29,894**	20,922
31 to 60 days	**11,311**	14,567
61 to 90 days	**4,541**	2,535
91 to 180 days	**1,365**	66
	47,111	38,090

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Strategy and Future Prospects

Launched in 2010, the vulcanized shoes adhesive related products have been favourably received by customers, accounting for approximately HK$13,370,000 or 8.4% of the total turnover of the Group for the six month ended 31 March 2011.

Driven by the international oil prices and buoyant prices of major raw materials, the Group was forced to shift the rising cost burden to our customers by raising selling prices. As a result, the impact of higher product prices in the current period was gradually reflected in the sales of various types of products.

In view of the emerging bases of shoe-making adhesive industry in Asia, we established distribution channels through bonded warehouses in Indonesia last year with robust sales in the current period. Having formed a foreign-owned limited liability company in January 2011, the Group will set up workshops and warehouses to facilitate the expansion in shoe industry and sales as soon as possible. For Bangladesh, the construction of manufacturing plants is close to completion. Both countries will serve as growth engines for the Group's business.

To alleviate pressure of price increases in the short term and temporarily shortage of certain raw materials subsequent to the Japan tsunami, the Group stocked up more raw materials at the end of this period. The Group confirmed that, as of this date, the current radiation crisis has no material effect on its operation. On the contrary, the Japan tsunami brings new business opportunities to the Group. As some of the Japanese chemical plants close down after the earthquakes, there is a lack of chemical raw materials in the country. The variety of the Group's adhesive exports and their amounts to Japan have been broadened and increased accordingly. We expect the export business to Japan will contribute growth in the Group's revenue and profit.

Having completed the foundations, the new plant construction at Nansha, Guangzhou is awaiting relevant approvals and licenses for erecting workshops, warehouses and office facilities thereon and installing pipelines between raw material storage tanks and production facilities. Trial production is expected to commence at the end of the year.

Despite the higher fixed costs and operating expenses in the current period, the Group's results were significantly enlightened by the absence of any listing expenses during this period.

Faced with the oncoming challenges of unfavourable operating costs arising from rising raw material prices, interest rates and RMB exchange rates, the Group will adopt measures to bolster its research and development capabilities, procure low-cost substitutes of raw materials, expand production capabilities, enhance quality of sales services to sustain customer relationships and strive to enlarge its customer base. The Group is full of confidence to bring fruitful returns for its shareholders.

Financial Review

Turnover

During the period, turnover amounted to HK$159,759,000, an increase of approximately HK$37,275,000 or 30.4% over the corresponding period in 2010.

Gross profit

Gross profit amounted to HK$34,581,000, an increase of approximately HK$4,126,000 or 13.5% over the corresponding period in 2010. Overall margin declined from 24.9% for the six months ended 31 March 2010 to 21.6% for the six months ended 31 March 2011. The decline in gross margin was attributable to the continuous rise in raw material costs, having regard to the difficulties in shifting cost increases to customers in the current circumstances.

Other income

Other income increased by approximately HK$1,190,000 or 185.1% to HK$1,833,000 for the six months ended 31 March 2011 over the corresponding period in 2010. The increase was mainly due to the HK$700,000 subsidy from the Science and Technology Development Fund of the Macao Special Administrative Region and rental income from subletting of additional floor areas of the Guangzhou office.

Selling and distribution costs

Selling and distribution costs increased to HK$7,770,000 for the six months ended 31 March 2011, an increase of approximately 62.6% over the corresponding period in 2010, which was attributable to the marketing and promotion expenses incurred on our newly launched vulcanized shoes adhesives related products, new sales teams in the emerging shoe production bases of Indonesia and Bangladesh and marketing activities with new customers outside the Guangdong Province. Besides, goods exported from the PRC to Vietnam accounted for the increase in customs and freight by HK$905,000 or 114.50% over the corresponding period of last year. Domestic transport costs also increased because of higher sales.

Administrative expenses

Administrative expenses increased by approximately 87.4% to HK$21,969,000 for the six months ended 31 March 2011 over the corresponding period in 2010, which was due to higher salaries and administrative expenses in recruiting new staff for the new plant in Nansha, Guangzhou as well as additional employees in Indonesia and Bangladesh.

Moreover, we engaged additional consultants for research and development in new products and technical improvements. Facing cutting edge materials for shoes, we also continuously search for new alternatives to lower production costs and boost gross profits. In addition, new professional expenses in advisory, audit, tax, legal and consultancy were incurred subsequent to the listing.

Interest on bank borrowings wholly repayable within five years ("financial costs")

Financial costs decreased by approximately 19.1% to HK$653,000 for the six months ended 31 March 2011 over the corresponding period in 2010, which was attributable to lower bank loans and overdrafts as a result of higher liquidity.

Profit for the period

Profit for the period amounted to HK$4,147,000, an increase of HK$620,000 or 17.6% over the corresponding period in 2010.

Cash flow and financial resources

During the period, the Group's financial resources are funds generated from operating activities and cash derived from the listing in August 2010. The Group's working capital continued to remain stable.

	As at 31 March 2011 (unaudited) *HK$'000*	As at 30 September 2010 (audited) *HK$'000*
Cash and cash equivalents	**26,128**	23,829
Net current assets	**93,690**	102,922
Current ratio	**2.2**	2.6
Quick ratio	**1.4**	1.9
Gearing ratio (total borrowings/equity)	**16.9%**	10.1%

Financial management and treasury policy

As at 31 March 2011, the Group had bank borrowings of approximately HK$21,628,000 (of which, approximately HK$4,066,000 was denominated in HK dollars, approximately HK$5,937,000 in Renminbi and approximately HK$11,625,000 in US Dollars) bearing interest at rates ranging from approximately 3.5% to 6.6% per annum.

The Group adopts a conservative approach for cash management and investments of uncommitted funds. Under-utilised net proceeds from the listing have been placed on short-term deposits with authorized financial institutions in the PRC and Macau to relieve the burden from bank loans and overdrafts. During the period, the Group's receipts were mainly denominated in US dollars and Hong Kong dollars and payments were mainly made in US dollars and RMB.

In respect of the RMB, as the Group's production plants are principally in the PRC, including Zhuhai, Zhongshan and Nansha (under construction), most of our labour costs, manufacturing overheads, selling and administrative expenses were denominated in RMB. Accordingly, the appreciation of RMB will adversely affect the Group's profitability. The Group will closely monitor the trend of RMB and take appropriate measure to deal with the RMB exposure.

Listing expense and use of proceeds

Net proceeds received from the listing were approximately HK$49,000,000. Shortfalls for the planned usages will be funded by bank loans and internal resources.

The usages of net proceeds as at 31 March 2011 are as follows:

Projects	**Planned amount** *HK$'000*	**Utilised amount** *HK$'000*
Plant in Nansha, PRC	35,000	(3,770)
Plant in Vietnam	5,500	—
Plant in Bangladesh	5,500	(3,100)
Investments in research and development team	5,000	(1,449)
Expansion of marketing and technical service team	5,000	(968)
General working capital	6,300	(6,300)
	62,300	(15,587)

Human Resources and Remuneration Policy

As at 31 March 2011, the Group employed a total of 319 full-time staff in Macau, China, Vietnam, Indonesia and Bangladesh. The Group's remuneration policy is set up by the Remuneration Committee on the basis of our employees' merit, qualifications and competence, while the detailed remuneration packages for employees are determined by the management based on their performance.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2011 (six months ended 31 March 2010: Nil).

MATERIAL LITIGATION

As at 31 March 2011, the Group had no material litigation or arbitration pending (as at 31 March 2010: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 31 March 2011.

AUDIT COMMITTEE

The Audit Committee has been established to review and supervise the financial reporting process and internal control system of the Company. The audit committee comprises the three independent non-executive directors of the Company, namely, Mr. Chan Wing Yau George, Mr. Ho Gilbert Chi Hang and Mr. Poon Yick Pang Philip. The unaudited interim results have been reviewed by the Audit Committee.

The Company's external auditor, Deloitte Touche Tohmatsu, has conducted a review of the interim financial information of the Group for the six months ended 31 March 2011 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 HKICPA.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors of the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code during the period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Directors confirmed that the Company had maintained a sufficient public float as required under the Listing Rules throughout the six months ended 31 March 2011.

DISCLOSURE OF INFORMATION

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

By order of the Board
Infinity Chemical Holdings Company Limited
Ieong Un
Chairman and Chief Executive Officer

Hong Kong, 27 May 2011

As at the date of this announcement, the Board 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.