



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 **2012**

Contents

Corporate Information	2
Management Discussion and Analysis	4
Other Information	12
Report on Review of Interim Financial Information	17
Condensed Consolidated Statement of Comprehensive Income	19
Condensed Consolidated Statement of Financial Position	20
Condensed Consolidated Statement of Changes in Equity	22
Condensed Consolidated Statement of Cash Flows	24
Notes to the Condensed Consolidated Financial Information	25

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. Ho Gilbert Chi Hang

Mr. Poon Yick Pang Philip

AUDIT COMMITTEE

Mr. Poon Yick Pang Philip (Chairman)

Mr. Chan Wing Yau George

Mr. Ho Gilbert Chi Hang

REMUNERATION COMMITTEE

Mr. Chan Wing Yau George (Chairman)

Mr. Poon Yick Pang Philip

Mr. Ho Gilbert Chi Hang

Mr. Ip Ka Lun

NOMINATION COMMITTEE

Mr. Ho Gilbert Chi Hang (Chairman)

Mr. Chan Wing Yau George

Mr. Poon Yick Pang Philip

Mr. Ip Ka Lun

COMPANY SECRETARY

Mr. Tong Yiu On

AUTHORISED REPRESENTATIVES

Mr. Ip Chin Wing

Mr. Tong Yiu On

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19/F, Prosperity Tower
No. 39 Queen's Road Central
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

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Banco Tai Fung, S.A.R.L., Macau
Banco Nacional Ultramarino, S.A., Macau
The Bank of East Asia, Ltd, Macau
Banco Delta Asia, S.A.R.L., Macau
The Hongkong and Shanghai Banking
Corporation Limited, Macau
Citibank, N.A., Hong Kong
DBS Bank (Hong Kong) Limited

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 2012 (the "Period") was approximately HK\$188,236,000 (2011: HK\$159,759,000), representing an increase of 17.8% over the corresponding period last year. Profit attributable to the owners of the Company amounted to approximately HK\$6,001,000, representing an increase of approximately 44.7% as compared to the corresponding period last year. During the Period, as the sales growth in most of the regions and the increase in sales price of products, the overall gross profit margin therefore showed improvement. The higher product prices were also reflected in the sales of various types of products.

During the Period, the Group recorded a gross profit of approximately HK\$43,375,000 (2011: HK\$34,581,000) and profit before taxation of approximately HK\$7,117,000 (2011: HK\$4,506,000).

During the Period, the expenses which increased mainly comprised selling and distribution costs and administrative expenses totalling HK\$5,626,000, of which the costs of transportation, accounting costs and wages and related expenses have increased by approximately HK\$4,200,000.

During the Period, profit for the period attributable to the owners of the Company amounted to approximately HK\$6,001,000 (2011: HK\$4,147,000) and basic earnings per share was HK1.20 cents (2011: HK0.83cent).

BUSINESS REVIEW AND PROSPECTS

Businesses

The Group is principally engaged in the manufacturing and sales of adhesives, primers, hardeners and vulcanized shoes adhesive related products used by the footwear manufacturers. These products are key production materials used in the different phases during the footwear manufacturing process. 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 promote the curing action of adhesives.

Segment Information

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

Products

1. *Adhesives*

During the Period, the sales revenue generated from this product category was approximately HK\$97,218,000 (2011: HK\$90,888,000), representing approximately 51.6% of the Group's total turnover.

2. *Primers*

During the Period, the sales revenue generated from this product category was approximately HK\$43,293,000 (2011: HK\$32,042,000), representing approximately 23.0% of the Group's total turnover.

3. *Hardeners*

During the Period, the sales revenue generated from this product category was approximately HK\$22,159,000 (2011: HK\$22,694,000), representing approximately 11.8% of the Group's total turnover.

4. *Vulcanized shoes adhesive related products*

During the Period, the sales revenue generated from this product category was approximately HK\$24,018,000 (2011: HK\$13,370,000), representing approximately 12.8% of the Group's total turnover.

Regional Information

1. *The PRC market*

During the Period, by region, the turnover in the PRC market increased by 20.2% over the corresponding period last year to approximately HK\$96,930,000 (2011: HK\$80,650,000), representing approximately 51.5% of the Group's total turnover. The management expected that the relevant market would continue to maintain a steady growth in the future.

2. *The Vietnamese market*

During the Period, by region, the turnover in the Vietnamese market was approximately HK\$67,147,000 (2011: HK\$67,199,000), representing approximately 35.7% of the Group's total turnover.

During the Period, the impact of European debt crisis reduced the orders from customers. Accordingly, the sales in the Vietnamese market were basically the same as compared to the corresponding period last year. The management expected that the relevant market would continue to maintain a rapid growth in the future.

Management Discussion and Analysis

3. *The Indonesian market*

During the Period, by region, the turnover in the Indonesian market increased by 110.8% over the corresponding period last year to approximately HK\$20,136,000 (2011: HK\$9,550,000), representing approximately 10.7% of the Group's total turnover. The management expected that the relevant market would continue to maintain a rapid growth in the future.

4. *The Bangladeshi market*

During the Period, by region, the turnover in the Bangladeshi market increased by 70.5% over the corresponding period last year to approximately HK\$4,023,000 (2011: HK\$2,360,000), representing approximately 2.1% of the Group's total turnover.

During the Period, the turnover in the Bangladeshi market soared 70.5%, mainly due to the relatively low turnover base for the corresponding period last year. The management expected that the relevant market would continue to maintain a steady growth in the future.

Production Facilities

1. *The Nansha Plant in Guangzhou:*

The foundation of the Nansha Plant in Guangzhou, the PRC is now completed. Given the trend that the footwear manufacturing industry is shifting to the Southeast Asia and other regions in an orderly manner, the management will slow its pace in the new Nansha Plant project in Guangzhou which has not yet commenced production, pending further corresponding adjustment subject to the changing market environment in the future.

2. *The Zhuhai Plant:*

As the Group's sales in the PRC market still remained upward, the management decided to execute the second phase expansion project on the land reserved for development in the existing Zhuhai Plant. The management believed that executing the second phase expansion project in the existing Zhuhai Plant was more cost-efficient than the current investment in the Nansha Plant in Guangzhou based on the changes in the PRC market. It is now entering into the preparation stage (including construction of plants, production facilities and warehouses) according to the plan.

3. *The Zhongshan Plant:*

During the Period, in order to alleviate the production capacity pressure of the Zhuhai Plant, the Group invested a further portion of production facilities in the Zhongshan Plant to enhance its production capacity.

4. *The Vietnamese Plant:*

Given the orderly shift of the footwear manufacturing industry to the Southeast Asia as well as the necessity to satisfy market development in the future, the management decided to expand the existing scale of the Vietnamese Plant in the future. Currently, the investment in the old plant has added some equipment for production to enhance its production capacity. The new plant is now entering into the preparation stage (including selection of appropriate industrial land, commencement of plant design and warehouses) according to the plan.

5. *The Bangladeshi Plant:*

Due to the sluggish progress of the local construction, the project fell behind the expected timetable. The current products available in Bangladesh remain to be directly exported from the Zhuhai Plant in China to the local customers. The Group expected the construction and operation of the Bangladeshi Plant will be completed and commenced by the year end of 2012.

6. *The Indonesian Plant: Trial Production*

The Indonesian Plant is now installing equipment and the trial production has commenced. It is expected that the plant will duly commence mass production by the end of June according to the plan.

Management Discussion and Analysis

Cost Control

In the PRC market, due to factors causing the high level of operating costs, such as the appreciation of Renminbi, the minimum wage standard improved by the PRC government, the shortage of labor force, and inflation, the Group will carefully review and extensively investigate into the current situation in relation with costs and resource allocation. The Group will also improve its internal management in a proactive manner for the purposes of effective control and lowering of operating costs.

Research and Development

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

Prospects

While 2012 will remain a year of extreme uncertainties and challenges rife in the market environment due to the outbreak of European debt crisis, the Directors remain conservative but optimistic towards the results growth of the Group for the coming year. Under a weak market environment where the industry remains at a reshuffling stage as well as the current situations including continued growth in global demand for footwear (especially in emerging markets), more stringent demand for the quality of adhesives on the part of manufacturers, rapid increase in the demand for the use of environment-friendly water-based adhesive products by footwear brands and manufacturers, and ongoing diversion of the footwear manufacturing industry to low-cost countries or regions, the Group has prepared itself for the swift changes in the market, and completed the relevant deployments and regional placements. The management believes that the abovementioned market changes will positively help the sale performance of the Group, and 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 Group will continue to commit more resources to expedite/enhance marketing efforts for its range of vulcanized shoes adhesive related products, which are currently market leaders. The Group will also continue to expand its current sales and distribution network in the PRC, with a view to increasing its domestic sales to capture additional market shares.

Leveraging on solid experience accumulated over years by the Group, premium products recognized by the market and its competence in research and development/improvement of products, the Group will commit itself on a continuous and 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 identification and exploration of synergic investment opportunities through resources allocation in order to broaden revenue sources, improve its competence in response to changes and development in the future market, and maximize the returns for its shareholders and employees.

Liquidity and Financial Resources and Capital Structure

For the six months ended 31 March 2012, the Group's working capital requirement was principally financed by its internal resources and banking facilities.

As at 31 March 2012, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately HK\$41,739,000 (30 September 2011: HK\$39,433,000), approximately HK\$106,208,000 (30 September 2011: HK\$104,820,000) and approximately HK\$190,947,000 (30 September 2011: HK\$190,149,000) respectively.

As at 31 March 2012, the Group had total bank borrowings, on floating interest rates basis, of approximately HK\$46,807,000 (30 September 2011: HK\$55,216,000). All these utilised bank borrowings was short term and were secured by 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 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 2012 increased by approximately HK\$382,000 to approximately HK\$186,793,000. The gearing ratio (calculated as the ratio of total borrowings: total assets) of the Group as at 31 March 2012 was approximately 0.16 (30 September 2011: 0.18).

Significant Investments

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

Acquisition and Disposal of Subsidiaries and Associated Companies

The Group had no material acquisition and disposal of subsidiaries and affiliated companies during the period.

Management Discussion and Analysis

Employee Information

As at 31 March 2012, the Group employed a total of 317 (2011: 319) 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 cost (including Directors' emoluments) amounted to approximately HK\$14,139,000 (2011: HK\$11,211,000).

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

Charges on Group Assets

As at 31 March 2012, certain interests in land use rights, land and buildings and investment properties held under medium-term leases of approximately HK\$36,167,000 (30 September 2011: HK\$36,575,000) and bank deposits of HK\$23,801,000 (30 September 2011: HK\$16,725,000) were pledged to banks for bank borrowings totalling approximately HK\$46,807,000 (30 September 2011: HK\$55,216,000) granted to the Group.

Future Plans for Material Investments and Expected Sources of Funding

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

The management, however, will remain 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 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 2012, the Group had capital commitments of approximately HK\$35,453,000 (30 September 2011: HK\$36,291,000) 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 2012.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (2011: Nil) for the six months ended 31 March 2012.

On behalf of the Board

Tong Yiu On

Director

Hong Kong, 30 May 2012

Other Information

SUBSTANTIAL SHAREHOLDERS

Directors' and Chief Executive' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 31 March 2012 and the date of this interim report, 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	337,500,000	Long	67.50%

Note: These 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 the entire 337,500,000 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 the date of this interim report, none of the Directors and Chief Executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders

So far as is known to the Company, as at the date of this interim report, 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 (note 1)	Beneficial owner	337,500,000	Long	67.5%
Ms. Chan Sut Kuan (note 2)	Interest of spouse	338,396,000	Long	67.68%
Raffles Partners Asset Management (Hong Kong) Limited (“Raffles Partners”)	Beneficial owner	37,500,000	Long	7.5%
Mr. Tang Tsz Kit (note 3)	Interest in controlled corporation	37,500,000	Long	7.5%
Bofanti Limited (note 4)	Beneficial owner	25,000,000	Long	5.0%
Pyrope Assets Limited (note 4)	Interest in controlled corporation	25,000,000	Long	5.0%
CK Life Sciences Int’l., (Holdings) Inc. (notes 4 & 5)	Interest in controlled corporation	25,000,000	Long	5.0%
Gold Rainbow Int’l Limited (notes 4 & 5)	Interest in controlled corporation	25,000,000	Long	5.0%
Gotak Limited (notes 4 & 5)	Interest in controlled corporation	25,000,000	Long	5.0%
Cheung Kong (Holdings) Limited (notes 4 & 5)	Interest in controlled corporation	25,000,000	Long	5.0%
Li Ka-Shing Unity Trustee Company Limited (note 6)	Trustee	25,000,000	Long	5.0%
Li Ka-Shing Unity Trustee Corporation Limited (note 6)	Trustee and beneficiary of a trust	25,000,000	Long	5.0%
Li Ka-Shing Trustcorp Limited (note 6)	Trustee and beneficiary of a trust	25,000,000	Long	5.0%
Mr. Li Ka-Shing (note 7)	Interest of controlled corporation and founder of discretionary trust	25,000,000	Long	5.0%

Other Information

Notes:

1. The entire issued share capital of All Reach is wholly and beneficially owned by Mr. Jeong Un. By virtue of the SFO, Mr. Jeong, an executive Director, is deemed to be interested in the entire 337,500,000 Shares held by All Reach.
2. Ms. Chan Sut Kuan, the spouse of Mr. Jeong, is deemed to be interested in the 337,500,000 Shares owned by All Reach under the SFO, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Jeong.
3. The entire issued share capital of Raffles Partners is wholly and beneficially owned by Mr. Tang Tsz Kit. By virtue of the SFO, Mr. Tang Tsz Kit is deemed to be interested in the entire 37,500,000 Shares held by Raffles Partners.
4. Bofanti Limited is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Pyrope Assets Limited. Accordingly, Pyrope Assets Limited is deemed to be interested in the 25,000,000 Shares held by Bofanti under the SFO.
5. Pyrope Assets Limited is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by CK Life Sciences Int'l., (Holdings) Inc., a company incorporated in Cayman Islands and 45.31% of its entire issued share capital is owned by Gold Rainbow Int'l Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is owned by Gotak Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is owned by Cheung Kong (Holdings) Limited. Each of CK Life Sciences Int'l., (Holdings) Inc., Gold Rainbow Int'l Limited, Gotak Limited and Cheung Kong (Holdings) Limited is deemed to be interested in the 25,000,000 Shares held by Bofanti Limited under the SFO.
6. Li Ka-Shing Unity Trustee Company Limited ("TUT") as trustee of The Li Ka-Shing Unity Trust (the "LKS Unity Trust") and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited. Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2") hold all issued and outstanding units in the LKS Unity Trust but are not entitled to any interest or share in any particular property comprising the trust assets of the LKS Unity Trust. Under the SFO, each of TUT as trustee of the LKS Unity Trust, TDT1 as trustee of DT1 and TDT2 as trustee of DT2 is deemed to be interested in the same block of shares as Cheung Kong (Holdings) Limited is deemed to be interested as disclosed in Note 5 above.
7. As Mr. Li Ka-Shing owns one-third of the issued share capital of Li Ka-Shing Unity Holdings Limited which in turn holds the entire issued share capital of TUT, TDT1 and TDT2 and is the settlor and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, Mr. Li Ka-Shing is deemed to be interested in the same number of shares in which Cheung Kong (Holdings) Limited is deemed to be interested as mentioned above under the SFO.

MATERIAL LITIGATION

As at 31 March 2012, the Group had no material litigation or arbitration pending (as at 31 March 2011: 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 2012.

USE OF PROCEEDS

Following the listing of the Shares of the Company on the Stock Exchange on 12 August 2010, the net proceeds raised from the initial public offering of the Company were approximately HK\$49.0 million, of which approximately HK\$14.4 million had been utilised up to the date of this report. The proceeds have been changed and disclosed in the annual results announcement of the Company dated 20 December 2011. A summary of the proposed use of proceeds (after deducting the shortfall of HK\$5 million between the proposed net proceeds as disclosed in the Company's prospectus dated 29 July 2010 and the announcement of allotment results of the Company dated 11 August 2010) and the actual use of proceeds was set out below:

The proposed use of proceeds as disclosed in the announcement dated 20 December 2011 (after deducting the shortfall of HK\$5 million financed by bank loan or internal resources)	The actual use of proceeds as at the date of this report
<ul style="list-style-type: none"> • Approximately HK\$24.2 million for the expansion of the production capacity in PRC 	<ul style="list-style-type: none"> • Approximately HK\$7.3 million was used
<ul style="list-style-type: none"> • Approximately HK\$16.3 million for the expansion of the production capacity in Vietnam 	<ul style="list-style-type: none"> • Approximately HK\$0.2 million was used
<ul style="list-style-type: none"> • Approximately HK\$5.3 million for the expansion of the production capacity in Bangladesh 	<ul style="list-style-type: none"> • Approximately HK\$3.7 million was used
<ul style="list-style-type: none"> • Approximately HK\$1.3 million for the investment in research and development team 	<ul style="list-style-type: none"> • Approximately HK\$1.3 million was used
<ul style="list-style-type: none"> • Approximately HK\$1.9 million for the expansion of the marketing and technical service team 	<ul style="list-style-type: none"> • Approximately HK\$1.9 million was used

The proceeds actually used as at the date of this report for the expansion of the production capacity in PRC, Vietnam and Bangladesh are lower than proposed due to the Company's strategy to adjust the expansion plan in response to the uncertain and challenging market environment. Shareholders may refer to the sections headed "Production facilities" and "Prospects" in the "Management Discussion and Analysis" section of this report for more details.

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 2012 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 2012.

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.

Report on Review of Interim Financial Information



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 19 to 34, which comprises the condensed consolidated statement of financial position of Infinity Chemical Holdings Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 31 March 2012 and the related condensed consolidated statement of 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.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 May 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 March 2012

	NOTES	Six months ended 31 March	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Turnover	3	188,236	159,759
Cost of goods sold		(144,861)	(125,178)
Gross profit		43,375	34,581
Other income		1,617	1,833
Other losses	4	(1,477)	(1,711)
Research and development costs		(991)	(959)
Selling and distribution costs		(8,264)	(6,811)
Administrative expenses		(25,947)	(21,774)
Interest on bank borrowings wholly repayable within five years		(1,196)	(653)
Profit before taxation	5	7,117	4,506
Taxation	6	(1,116)	(359)
Profit for the period		6,001	4,147
Other comprehensive income — exchange differences arising on translation of foreign operations		381	1,490
Total comprehensive income for the period		6,382	5,637
Earnings per share — Basic	8	HK1.20 cents	HK0.83 cent

Condensed Consolidated Statement of Financial Position

At 31 March 2012

	NOTES	At 31 March 2012 HK\$'000 (unaudited)	At 30 September 2011 HK\$'000 (audited)
Non-current assets			
Investment properties	9	20,750	20,750
Property, plant and equipment	10	43,534	44,043
Land use rights		18,719	18,804
Deposits made on acquisition of property, plant and equipment		656	652
Club debentures		1,080	1,080
		84,739	85,329
Current assets			
Inventories		63,258	80,220
Trade, bills and other receivables	11	99,453	108,041
Pledged/restricted bank deposits		23,801	16,725
Bank balances and cash		17,938	22,708
		204,450	227,694
Current liabilities			
Trade, bills and other payables	12	50,049	66,605
Taxation		1,386	1,053
Current portion of secured long-term bank loans	13	8,953	10,704
Secured short-term bank loans	13	27,226	26,448
Bank overdrafts — secured	13	10,628	18,064
		98,242	122,874
Net current assets		106,208	104,820
Total assets less current liabilities		190,947	190,149

Condensed Consolidated Statement of Financial Position

At 31 March 2012

	NOTES	At 31 March 2012 HK\$'000 (unaudited)	At 30 September 2011 HK\$'000 (audited)
Non-current liabilities			
Deferred taxation		4,154	3,738
Net assets		186,793	186,411
Capital and reserves			
Share capital		5,000	5,000
Reserves		181,793	181,411
Total equity		186,793	186,411

The condensed consolidated financial information on pages 19 to 34 was approved and authorised for issue by the Board of Directors on 30 May 2012 and is signed on its behalf by:

IP CHIN WING
EXECUTIVE DIRECTOR

IP KA LUN
EXECUTIVE DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2012

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Legal reserve HK\$'000	Statutory surplus reserve fund HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 October 2011	5,000	63,546	884	10,308	459	1,814	104,400	186,411
Profit for the period	—	—	—	—	—	—	6,001	6,001
Exchange differences arising on translation of foreign operations	—	—	—	381	—	—	—	381
Total comprehensive income for the period	—	—	—	381	—	—	6,001	6,382
Dividends recognised as distribution	—	—	—	—	—	—	(6,000)	(6,000)
At 31 March 2012 (unaudited)	5,000	63,546	884	10,689	459	1,814	104,401	186,793
At 1 October 2010	5,000	63,546	884	5,985	459	1,814	89,546	167,234
Profit for the period	—	—	—	—	—	—	4,147	4,147
Exchange differences arising on translation of foreign operations	—	—	—	1,490	—	—	—	1,490
Total comprehensive income for the period	—	—	—	1,490	—	—	4,147	5,637
Dividends recognised as distribution	—	—	—	—	—	—	(9,000)	(9,000)
At 31 March 2011 (unaudited)	5,000	63,546	884	7,475	459	1,814	84,693	163,871

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2012

The special reserve represents 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.

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 to dividend until the legal reserve reaches 50% of the respective subsidiaries' registered capital. The legal reserve is not distributable to shareholders.

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 2012

	Six months ended 31 March	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Net cash from operating activities	19,990	7,438
Investing activities		
Interest received	44	81
Purchase of property, plant and equipment	(1,348)	(5,385)
Deposits paid on acquisition of property, plant and equipment	(652)	(897)
Purchase of club debentures	—	(1,444)
(Increase) decrease of pledged/restricted bank deposits	(7,068)	1,837
Net cash used in investing activities	(9,024)	(5,808)
Financing activities		
Interest paid	(1,196)	(653)
Dividends paid	(6,000)	(9,000)
Bank loans raised	25,908	11,466
Repayment of bank loans	(26,973)	(7,104)
Net cash used in financing activities	(8,261)	(5,291)
Net increase (decrease) in cash and cash equivalents	2,705	(3,661)
Cash and cash equivalents at 1 October	4,644	23,827
Effect of foreign exchange rate changes	(39)	(148)
Cash and cash equivalents at 31 March	7,310	20,018
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	17,938	26,128
Bank overdrafts	(10,628)	(6,110)
	7,310	20,018

Notes to the Condensed Consolidated Financial Information

For the six months ended 31 March 2012

1. BASIS OF PREPARATION

The condensed consolidated financial information 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 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.

The accounting policies used in the condensed consolidated financial information for the six months ended 31 March 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 September 2011.

In the current interim period, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 October 2011.

The adoption of these new and revised HKFRSs has had no material effect on the amounts reported in this condensed consolidated financial information and/or disclosures set out in this condensed consolidated financial information.

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

The amendments to HKAS 12 “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 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 anticipate that the application of these amendments to HKAS 12 will not have material impact on deferred tax liabilities of the Group.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretation 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 HKFRSs, 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, other adhesives, primers, hardeners and others, and by locations. However, other than revenue analysis, no operating result and other discrete financial information is available for the assessment of performance of the respective products and 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 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 period.

Entity-wide information

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

	Six months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of		
— vulcanized shoes adhesive related products	24,018	13,370
— other adhesives	97,218	90,888
— primers	43,293	32,042
— hardeners	22,159	22,694
— others	1,548	765
	188,236	159,759

3. TURNOVER AND SEGMENT INFORMATION (Continued)**Entity-wide 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	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Turnover		
— Mainland China (the “PRC”)	96,930	80,650
— Vietnam	67,147	67,199
— Indonesia	20,136	9,550
— Bangladesh	4,023	2,360
	188,236	159,759

For the six months ended 31 March 2012, there was a customer (2011: one) contributing revenue of HK\$69,069,000 (six months ended 31 March 2011: HK\$55,366,000) 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:

	At	At
	31 March	30 September
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
PRC	76,000	76,898
Vietnam	3,567	3,445
Bangladesh	5,172	4,986
	84,739	85,329

Notes to the Condensed Consolidated Financial Information

For the six months ended 31 March 2012

4. OTHER LOSSES

	Six months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Exchange loss, net	(1,477)	(1,516)
Allowance for doubtful debts	—	(182)
Write-off of property, plant and equipment	—	(13)
	(1,477)	(1,711)

5. PROFIT BEFORE TAXATION

	Six months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of land use rights	176	179
Depreciation	2,715	2,521
and after crediting:		
Gross property rental income before deduction of outgoings	550	660
Less: Outgoings	(151)	(134)
	399	526
Interest income	44	81

6. TAXATION

	Six months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
PRC Enterprise Income Tax (“EIT”)	(637)	(252)
Macau complementary tax	(61)	—
Taxation in other overseas jurisdictions	(14)	—
	(712)	(252)
Deferred taxation	(404)	(107)
	(1,116)	(359)

The PRC EIT and overseas taxation 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 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.

7. DIVIDENDS

During the six months ended 31 March 2012, a final dividend of HK1.2 cents per share in respect of the year ended 30 September 2011 (six months ended 31 March 2011: HK1.8 cents per share in respect of the year ended 30 September 2010), totalling HK\$6,000,000 (six months ended 31 March 2011: HK\$9,000,000) 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

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 500,000,000 (six months ended 31 March 2011: 500,000,000) shares in issue during the period.

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

9. INVESTMENT PROPERTIES

The directors of the Company consider that the carrying value and the fair value of investment properties at 31 March 2012 do not differ significantly from that which would be determined using fair value at the reporting date.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK\$2,000,000 (six months ended 31 March 2011: HK\$6,401,000) on the acquisition of property, plant and equipment to expand and upgrade its facilities.

11. TRADE, BILLS AND OTHER RECEIVABLES

Payment terms with customers are mainly on credit. Invoices are normally payable 15 to 90 days (six months ended 31 March 2011: 30 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 2012 HK\$'000 (unaudited)	At 30 September 2011 HK\$'000 (audited)
Age		
0 to 30 days	40,574	40,303
31 to 60 days	39,534	40,940
61 to 90 days	4,992	8,508
91 to 180 days	2,048	6,243
	87,148	95,994

12. TRADE, BILLS 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 payables based on the invoice date at the end of the reporting period:

	At 31 March 2012 HK\$'000 (unaudited)	At 30 September 2011 HK\$'000 (audited)
Age		
0 to 30 days	24,169	36,795
31 to 60 days	13,966	17,170
61 to 90 days	1,988	2,132
91 to 180 days	2,598	1,234
	42,721	57,331

13. BANK LOANS/BANK OVERDRAFTS

During the period, the Group obtained new bank loans of HK\$25,908,000 (six months ended 31 March 2011: HK\$11,466,000).

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

At 31 March 2012, bank overdrafts carried interest at prevailing market rate ranged from 4.75% to 5.75% (six months ended 31 March 2011: 4.75% – 5.75%) per annum.

14. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31 March 2012, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Rented premises	
	At 31 March 2012 HK\$'000 (unaudited)	At 30 September 2011 HK\$'000 (audited)
Within one year	2,267	2,322
In the second to fifth year inclusive	3,708	4,295
After five years	2,587	2,974
	8,562	9,591
	Motor vehicles	
	At 31 March 2012 HK\$'000 (unaudited)	At 30 September 2011 HK\$'000 (audited)
Within one year	386	437
In the second to fifth year inclusive	276	—
	662	437

Leases are negotiated and rentals are fixed originally for lease terms of one to thirty years.

14. OPERATING LEASE ARRANGEMENTS (Continued)**The Group as lessee (Continued)**

At 31 March 2012, commitment for operating lease rentals for rented premises in the above included commitment with Mr. Jeong Un, the ultimate controlling shareholder and a director of the Company, as follows:

	At 31 March 2012 HK\$'000	At 30 September 2011 HK\$'000
Within one year	740	720
In the second to fifth year inclusive	—	240
	740	960

The Group as lessor

	At 31 March 2012 HK\$'000 (unaudited)	At 30 September 2011 HK\$'000 (audited)
Within one year	482	1,421
In the second to fifth year inclusive	21	316
	503	1,737

The respective investment properties have committed tenants for lease terms principally ranged from one to two years.

At 31 March 2012, commitment for operating lease rental income in the above included commitment with companies which are wholly-owned and controlled by the ultimate controlling shareholder and certain directors of the Company, Messrs. Jeong Un, Ip Chin Wing and Ip Ka Lun, as follows:

	At 31 March 2012 HK\$'000	At 30 September 2011 HK\$'000
Within one year	59	70
In the second to fifth year inclusive	—	30
	59	100

15. CAPITAL COMMITMENTS

	At 31 March 2012 HK\$'000 (unaudited)	At 30 September 2011 HK\$'000 (audited)
Capital expenditure authorised but not contracted for in respect of the acquisition of property, plant and equipment	32,409	31,081
Capital expenditure contracted for but not provided in the financial information in respect of the acquisition of property, plant and equipment	3,044	5,210

16. RELATED PARTY TRANSACTIONS

During the period and save as disclosed in note 14, the Group has the following significant related party transactions with related parties:

	Six months ended 31 March	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Property rental expenses paid to Mr. Jeong Un	443	562
Property rental income received from related companies, which are wholly-owned and controlled by the ultimate controlling shareholder and certain directors of the Company, Messrs. Jeong Un, Ip Chin Wing and Ip Ka Lun	35	28

Compensation of key management personnel

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

	Six months ended 31 March	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Salaries and other benefits	4,357	2,916
Retirement benefits scheme contributions	303	243
	4,660	3,159