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## INFINITY DEVELOPMENT HOLDINGS COMPANY LIMITED

### 星謙發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 640)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Infinity Development 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 2020, together with the comparative figures for the corresponding year ended 30 September 2019, as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 September 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>	4	543,968	691,750
Cost of goods sold		(353,315)	(463,490)
<b>Gross profit</b>		190,653	228,260
Other income		4,778	4,421
Changes in fair value of investment properties		(5,100)	1,000
Other gains and losses		(1,471)	1,770
Selling and distribution costs		(47,193)	(62,248)
Administrative expenses		(78,186)	(102,886)
<b>Profit from operations</b>		63,481	70,317
Finance costs		(703)	(722)
Share of (loss)/profit of an associate		(1,391)	311
Impairment loss of investment in an associate		(1,500)	—
Gain on disposal of subsidiaries		—	4,213
<b>Profit before tax</b>		59,887	74,119
Income tax expense	5	(3,869)	(8,084)
<b>Profit for the year</b>	6	56,018	66,035
<b>Earnings per share</b>	8		
— Basic		HK9.79 cents	HK10.92 cents
— Diluted		Not applicable	Not applicable

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 30 September 2020*

	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the year</b>	<b>56,018</b>	66,035
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<b>2,599</b>	(2,379)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	—	322
	<u>2,599</u>	<u>(2,057)</u>
<b>Other comprehensive income for the year, net of tax</b>	<b>2,599</b>	(2,057)
	<u>2,599</u>	<u>(2,057)</u>
<b>Total comprehensive income for the year</b>	<b>58,617</b>	63,978
	<u><u>58,617</u></u>	<u><u>63,978</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 September 2020*

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		<b>69,100</b>	74,200
Property, plant and equipment		<b>104,960</b>	111,992
Prepaid land lease payments		—	11,350
Right-of-use assets		<b>16,188</b>	—
Intangible assets		<b>1,888</b>	1,934
Investment in associates		<b>4,252</b>	7,143
Club debentures		<b>1,080</b>	1,080
Deposits for acquisition of property, plant and equipment		<b>152</b>	32
<b>Total non-current assets</b>		<b>197,620</b>	207,731
<b>Current assets</b>			
Inventories		<b>38,564</b>	66,386
Trade, bills and other receivables	<i>9</i>	<b>169,819</b>	170,461
Prepaid land lease payments		—	400
Restricted bank deposits		<b>6,725</b>	13,101
Bank and cash balances		<b>179,080</b>	75,485
<b>Total current assets</b>		<b>394,188</b>	325,833
<b>Current liabilities</b>			
Trade, bills and other payables	<i>10</i>	<b>101,409</b>	93,428
Amount due to a related company		—	4,898
Lease liabilities		<b>1,652</b>	—
Bank loans		<b>33,880</b>	—
Current tax liabilities		<b>16,945</b>	12,430
<b>Total current liabilities</b>		<b>153,886</b>	110,756
<b>Net current assets</b>		<b>240,302</b>	215,077
<b>Total assets less current liabilities</b>		<b>437,922</b>	422,808
<b>Non-current liabilities</b>			
Lease liabilities		<b>3,216</b>	—
Deferred tax liabilities		<b>12,327</b>	13,827
<b>Total non-current liabilities</b>		<b>15,543</b>	13,827
<b>Net assets</b>		<b>422,379</b>	408,981
<b>Capital and reserves</b>			
Share capital		<b>5,634</b>	5,808
Reserves		<b>416,745</b>	403,173
<b>Total equity</b>		<b>422,379</b>	408,981

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 September 2020*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman KY1-1103, Cayman Islands. The addresses of its principal place of business in Hong Kong Special Administrative Region (“**Hong Kong**”) and Macau Special Administrative Region (“**Macau**”), the People’s Republic of China (the “**PRC**”) are Units 2201–2202, 22/F., Alliance Building, 133 Connaught Road Central, Hong Kong and 16 Andar A–D, Macau Finance Centre, No. 202A–246 Rua de Pequim, Macau, respectively. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company. The Group is principally engaged in the manufacturing and selling of adhesives, primers, hardeners and vulcanized shoes adhesive related products used by the footwear manufacturers.

In the opinion of the Directors, All Reach Investments Limited, a company incorporated in the British Virgin Islands, is the immediate and the ultimate parent and Mr. Jeong Un is the ultimate controlling party of the Company.

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a new HKFRS, HKFRS 16 “Leases”, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## HKFRS 16 “Leases”

HKFRS 16 supersedes HKAS 17 “Leases”, and the related interpretations, HK(IFRIC) — Int 4 “Determining whether an Arrangement contains a Lease”, HK(SIC) — Int 15 “Operating Leases — Incentives” and HK(SIC) — Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating leases or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have impact on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as at 1 October 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 October 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

### **(a) *New definition of a lease***

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into on or after 1 October 2019. For contracts entered into before 1 October 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

### **(b) *Lessee accounting and transitional impact***

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The average incremental borrowing rates applied by the relevant group entities range from approximately 0.78% to 3.29%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 30 September 2020;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (iii) relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as at 30 September 2019 to the opening balance for lease liabilities recognised as at 1 October 2019:

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 30 September 2019	8,256
Less: commitments relating to leases exempted from capitalisation:	
— short-term leases and other leases	
with remaining lease term ends on or before 30 September 2020	(243)
— effect of value-added tax	(497)
	7,516
Less: total future interest expenses	(398)
	7,118
Present value of remaining lease payments, discounted using the incremental borrowing rates as at 1 October 2019	7,118
Of which are:	
Current lease liabilities	1,727
Non-current lease liabilities	5,391
	7,118

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 30 September 2019.

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group’s consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Effects of adoption of HKFRS 16				
		Carrying amount as at 30 September 2019	Reclassification	Recognition of leases	Carrying amount as at 1 October 2019
	Note	HK\$’000	HK\$’000	HK\$’000	HK\$’000
<b>Assets</b>					
Right-of-use assets		—	12,224	7,118	19,342
Prepaid land lease payments	(i)	11,750	(11,750)	—	—
Trade, bills and other receivables	(ii)	474	(474)	—	—
<b>Liabilities</b>					
Lease liabilities		—	—	7,118	7,118

Note:

- (i) Upfront payments for leasehold lands in the PRC and the Socialist Republic of Vietnam (“**Vietnam**”) were classified as prepaid land lease payments as at 30 September 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid land lease payments amounting to approximately HK\$400,000 and HK\$11,350,000 respectively were classified to right-of-use assets.
- (ii) Upfront payments for leased properties in the Republic of Indonesia (“**Indonesia**”) were included in trade, bills and other receivables as at 30 September 2019. Upon application of HKFRS 16, the trade, bills and other receivables amounting to approximately HK\$474,000 was classified to right-of-use assets.

**(c) Impact of the financial results and cash flows of the Group**

After the initial recognition of right-of-use assets and lease liabilities as at 1 October 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This resulted in no material impact on the reported profit from operations in the Group’s consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as cash flows from financing activities and cash flows from operating activities respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

**(d) Leasehold investment property**

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation. The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40 "Investment Property" to account for all of its leasehold properties that were held for investment purposes as at 30 September 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

**4. REVENUE AND SEGMENT INFORMATION**

**Operating segment information**

The Group has only one operating and reportable segment. Management determines the operating segment based on the information reported to the Group's chief operating decision makers ("CODMs") (i.e. the executive Directors). The CODMs assess the operating performance and allocate the resources of the Group as a whole as the Group is principally engaged in the manufacturing and selling of adhesives, primers, hardeners and vulcanized shoes adhesive related products used by the footwear manufacturers. Accordingly, there is only one operating and reportable segment.

No analysis of segment assets and liabilities is presented because the CODMs do not base on such analysis for resource allocation and performance assessment.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines		
— sales of goods	<u>543,968</u>	<u>691,750</u>

The Group derives revenue from the transfer of goods at a point in time in the following geographical locations:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
— PRC	79,050	182,004
— Vietnam	369,392	403,379
— Indonesia	39,345	46,190
— Bangladesh	<u>56,181</u>	<u>60,177</u>
	<u>543,968</u>	<u>691,750</u>

During the year, there was a customer contributing revenue of approximately HK\$145,481,000 (2019: HK\$216,784,000) which accounted for approximately 27% (2019: 31%) of the Group's total revenue.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PRC	42,675	33,495
Macau	75,855	89,413
Vietnam	75,865	82,412
Indonesia	2,053	2,336
Others	1,172	75
	<u>197,620</u>	<u>207,731</u>

## 5. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Provision for the year		
— PRC Enterprise Income Tax (“ <b>PRC EIT</b> ”)	180	2,378
— Macau Complementary Tax	4,800	3,050
— Vietnam Enterprise Income Tax (“ <b>Vietnam EIT</b> ”)	389	711
— Indonesian Corporate Income Tax (“ <b>Indonesian CIT</b> ”)	—	116
Under-provision in prior years	—	144
	<u>5,369</u>	<u>6,399</u>
Deferred tax	<u>(1,500)</u>	<u>1,685</u>
	<u>3,869</u>	<u>8,084</u>

PRC EIT, Macau Complementary Tax, Vietnam EIT and Indonesian CIT are calculated at the applicable rates in accordance with the relevant laws and regulations in the respective jurisdictions.

PRC EIT has been provided at a rate of 25% (2019: 25%) during the year ended 30 September 2020.

Pursuant to the relevant laws and regulations in Macau, subsidiaries in Macau are subject to Macau Complementary Tax at a maximum rate of 12% (2019: 12%) during the year ended 30 September 2020.

Pursuant to the relevant laws and regulations in the PRC, a subsidiary in the PRC, 珠海市澤濤黏合製品有限公司 (Zhuhai Centresin Chemical Product Company Limited) (“**Zhuhai Centresin**”), is recognised as a High and New Technology Enterprise by the relevant PRC government authorities and Zhuhai Centresin was therefore entitled to enjoy a concessionary PRC EIT rate of 15% (2019: 15%) during the year ended 30 September 2020.

Pursuant to the relevant laws and regulations in Vietnam, entities in Vietnam engaged in qualified expansion investment projects are eligible for Vietnam EIT exemption for the first year to the second year, and a 50% reduction for the third year to sixth year starting from the year in which the entities first generate income from the expansion investment projects, on the assessable profits from such expansion investment projects. Zhong Bu Adhesive (Vietnam) Co., Ltd. was entitled to the tax incentive for its expansion investment project from 2017 to 2022. The remaining assessable profits that are not generated from these expansion investment projects, is subject to Vietnam EIT at a standard tax rate of 20%.

Pursuant to the relevant laws and regulations in Indonesia, PT. Zhong Bu Adhesive Indonesia, is subject to Indonesian CIT at 25% (2019: 25%) during the year ended 30 September 2020.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

## 6. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditor's remuneration		
— audit service	1,250	1,250
— non-audit services	599	598
Amortisation		
— intangible assets	43	43
— prepaid lease payments on land use rights	—	399
Depreciation		
— property, plant and equipment	12,883	12,057
— right-of-use assets	2,414	—
Operating lease rentals		
— motor vehicles	—	2,804
— rented premises and leasehold land	—	3,363
Royalty fees included in cost of goods sold	2,245	3,292
Research and development expenses	5,964	4,907
Allowances for trade, bills and other receivables	2,192	4,000
Allowances for inventories	3,130	3,553
And after crediting:		
Gross property rental income before deduction of outgoings	1,890	2,080
Less: Outgoings	(380)	(380)
	<u>1,510</u>	<u>1,700</u>

Cost of goods sold includes staff costs, depreciation and operating lease rentals of approximately HK\$16,659,000 (2019: HK\$14,418,000) which are included in the amounts disclosed separately.

## 7. DIVIDENDS

During the year ended 30 September 2020, the final dividend for the year ended 30 September 2019 of HK5.2 cents (2019: final dividend for the year ended 30 September 2018 of HK2.6 cents) per ordinary share, totalling approximately HK\$30,200,000 (2019: HK\$15,605,000) was declared and paid to the shareholders of the Company.

The final dividend for the year ended 30 September 2020 of HK5.2 cents per ordinary share has been proposed by the Directors and is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. The proposed final dividend of approximately HK\$29,294,000 is calculated on the basis of 563,351,076 ordinary shares in issue at the date of this annual results announcement.

## 8. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of the basic earnings per share is based on the following:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Earnings</b>		
Profit for the purpose of calculating basic earnings per share	<u>56,018</u>	<u>66,035</u>
	2020 <i>'000</i>	2019 <i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>572,015</u>	<u>604,556</u>

### (b) Diluted earnings per share

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the years ended 30 September 2020 and 2019.

## 9. TRADE, BILLS AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	151,588	153,254
Bills receivables	7,587	7,155
Allowances for doubtful debts	<u>(9,241)</u>	<u>(6,097)</u>
	<b>149,934</b>	154,312
Value-added tax recoverable	14,300	9,384
Other receivables	1,914	3,245
Prepayments	<u>3,671</u>	<u>3,520</u>
	<b><u>169,819</u></b>	<b><u>170,461</u></b>

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 15 to 120 days.

The ageing analysis of trade and bills receivables, based on the invoice date, and net of allowances, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 90 days	121,218	132,998
91 to 180 days	28,666	20,425
181 to 365 days	<u>50</u>	<u>889</u>
	<b><u>149,934</u></b>	<b><u>154,312</u></b>

As at 30 September 2020, allowances were made for estimated irrecoverable trade and bills receivables of approximately HK\$9,241,000 (2019: HK\$6,097,000).

## 10. TRADE, BILLS AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	39,297	34,142
Bills payables — secured	<u>4,496</u>	<u>5,829</u>
	43,793	39,971
Customers' deposits received	23	159
Accruals	<u>57,593</u>	<u>53,298</u>
	<u><u>101,409</u></u>	<u><u>93,428</u></u>

The Group normally receives credit terms of 30 to 90 days from its suppliers. The ageing analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 90 days	42,144	39,819
91 to 180 days	1,630	—
181 to 365 days	—	99
Over 1 year	<u>19</u>	<u>53</u>
	<u><u>43,793</u></u>	<u><u>39,971</u></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Revenue**

The revenue of the Group for the year ended 30 September 2020 and 2019 was approximately HK\$543,968,000 and approximately HK\$691,750,000 respectively, representing a decrease of approximately 21.4%.

The decrease in revenue was mainly attributable to (i) the impact of unprecedented Coronavirus Disease 2019 (the “**COVID-19**”) since early 2020; and (ii) the disposal of subsidiaries during the year ended 30 September 2019 as detailed below.

#### **Gross profit**

The gross profit of the Group for the year ended 30 September 2020 and 2019 was approximately HK\$190,653,000 and approximately HK\$228,260,000 respectively, representing a decrease of approximately 16.5%.

The decrease in gross profit was due to the decrease in revenue during the year ended 30 September 2020 as mentioned above.

#### **Changes in fair value of investment properties**

The changes in fair value of investment properties during the year ended 30 September 2020 were mainly attributable to the investment properties located in Macau which were based on the valuation as at 30 September 2020 assessed by an independent valuer.

#### **Selling and distribution costs**

The selling and distribution costs of the Group for the year ended 30 September 2020 and 2019 was approximately HK\$47,193,000 and approximately HK\$62,248,000 respectively, representing a decrease of approximately 24.2%.

The decrease in selling and distribution costs was mainly attributable to the decrease in sales related costs as a result of the decrease in revenue during the year ended 30 September 2020 as mentioned above.

#### **Administrative expenses**

The administrative expenses of the Group for the year ended 30 September 2020 and 2019 was approximately HK\$78,186,000 and approximately HK\$102,886,000 respectively, representing a decrease of approximately 24.0%.

The decrease in administrative expenses was mainly attributable to the tightened cost control after the outbreak of the COVID-19.

### **Impairment loss of investment in an associate**

The impairment loss of investment in an associate, which is principally engaged in the provision of management service to the government car parks in Macau, was made during the year ended 30 September 2020 as a result of the current epidemic effect on the utilisation rate of the government car parks in Macau.

### **Gain on disposal of subsidiaries**

The gain on disposal of subsidiaries during the year ended 30 September 2019 was arising from the disposal (the “**Disposal**”) of a disposal group which was principally engaged in the trading and acting as the sales agent for adhesive used in the production of electronic products. The Disposal was completed on 8 March 2019 and was a one-off and non-recurring item without affecting the core business of the Group. Please refer to the announcements of the Company dated 28 February 2019 and 8 March 2019 for details of the Disposal.

### **Profit for the year**

As a result of the abovementioned, during the year ended 30 September 2020, the Group reported a net profit of approximately HK\$56,018,000 (year ended 30 September 2019: approximately HK\$66,035,000).

## **BUSINESS REVIEW AND PROSPECTS**

### **Business**

During the year ended 30 September 2020, the Group is principally engaged in the manufacturing and selling of adhesives, primers, hardeners and vulcanized shoes adhesive related products used by the footwear manufacturers.

As at 30 September 2020, the Group had 3 manufacturing plants in the PRC, Vietnam and Indonesia. If necessary, the Group will consider to further expand its existing manufacturing facilities and set up new manufacturing plant to satisfy its prestige customers’ needs.

### **Cost control**

The Group will continue to carefully review and extensively investigate into the current situation in relation to costs and resources deployment. Facing the uncertainties of the current epidemic effect, the Group will consider to tighten its control over the operating costs in the short term proactively and effectively.

## **Research and development**

The Group has continuously dedicated to develop premium and quality products on an environmental friendly basis to satisfy the market needs, and closely observe the development trend in the future to research and develop products continuously in order to satisfy the future development needs in the industry. In addition to its own research and development team, the Group also cooperated with some international well-known chemical corporations (including Germany and Japan) to develop new products and 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, through the above measures, it will enhance the research and development capabilities of the Group so as to maintain the leading position of its technologies in the industry.

## **Prospects**

Short to medium term outlook: In view of the current epidemic effect across the globe, it is difficult to predict how long it will last. The market currently adopts a wait and see approach to the epidemic effect. As such, it is more difficult for the Board to predict the sales performance of the Group in 2021.

Medium to long term outlook: Due to the global demand for footwear still growing continually, more stringent requirement from the manufacturers for the quality of adhesives which would gradually eliminate industry players with less competitiveness, the demand for the use of environmental water-based adhesive products by footwear brands and manufacturers still growing, the effect of the previous regional deployments of the Group has become prominent under the changes in the market. The Group has been maintaining partnerships with prestige customers for a number of years. As such, the Board expects that the growth of the Group's sales in the medium to long term will remain stable. The Group will continue to devote necessary resources to further increase its market share if appropriate.

Leveraging on the Group's solid experience accumulated over the years, its premium and quality products recognised by the market and its competence in research and development capabilities, the Group will continue to commit to its core business. The Group will also consider to invest and develop its OEM business in a proactive manner in order to broaden its revenue base.

Looking ahead, the Board remains prudent and optimistic about the prospects of our core business in the long term. The Group will follow a very cautious approach to ensure corporate sustainability in 2021. In 2021, the Group will monitor its working capital management closely. The Group will also closely and carefully monitor the latest development of the footwear manufacturing industry and our core business; and the latest development of the epidemic effect and adjust its business strategies from time to time if required.

## **DEBTS AND CHARGE ON ASSETS**

As at 30 September 2020, the Group had interest-bearing bank borrowings of approximately HK\$33,880,000 (30 September 2019: nil). As at 30 September 2020, the Group's banking facilities were secured by (i) the Group's restricted bank deposits of approximately HK\$6,725,000 (30 September 2019: approximately HK\$13,101,000); (ii) the Group's certain property, plant and equipment with carrying amount of approximately HK\$3,466,000 (30 September 2019: approximately HK\$3,572,000); (iii) the Group's investment properties with carrying amount of approximately HK\$64,400,000 (30 September 2019: approximately HK\$69,900,000); and (iv) corporate guarantee executed by the Company.

The Group currently does not have any interest rate hedging policy while the Group pays vigilant attention to and monitors interest rate risks continuously and cautiously.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group has normally funded the liquidity and capital requirements primarily through net cash generated from its operating activities.

As at 30 September 2020, the Group had restricted bank deposits of approximately HK\$6,725,000 (30 September 2019: approximately HK\$13,101,000). As at 30 September 2020, the Group had interest-bearing bank borrowings of approximately HK\$33,880,000 (30 September 2019: nil) and lease liabilities of approximately HK\$4,868,000 (30 September 2019: nil). Therefore, as at 30 September 2020, the gearing ratio (defined as the total of bank borrowings and lease liabilities divided by total equity) of the Group was approximately 9.2% (30 September 2019: nil). As at 30 September 2020, the current ratio of the Group was approximately 2.6 (30 September 2019: approximately 2.9).

## **FOREIGN EXCHANGE EXPOSURE**

The Group has certain exposure to foreign currency risks as (i) most of the Group's business transactions are denominated in United States dollars; and (ii) the Group's assets and liabilities are principally derived from our overseas operations and mainly denominated in United States dollars, Renminbi and Vietnam Dong. The Group expects that Hong Kong dollars will continue to be pegged to United States dollars. As such, the Group expects that Hong Kong dollars will not have material fluctuation against foreign currencies which might materially affect the Group's operations. During the year ended 30 September 2020, the Group did not employ any financial instruments for hedging purpose. The Group monitors its foreign currency exposure closely and will consider adopting hedging policy should the need arise.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS**

Saved as disclosed elsewhere in this annual results announcement, during the year ended 30 September 2020, the Group did not have any significant investments, material acquisitions or disposals.

There was no formal plan authorised by the Board for any significant investments, material acquisitions or disposals as at 30 September 2020 and up to the date of this annual results announcement.

## **CAPITAL COMMITMENTS**

As at 30 September 2020, the Group had capital commitments of approximately HK\$889,000 (30 September 2019: approximately HK\$836,000) in respect of acquisitions of property, plant and equipment.

## **CONTINGENT LIABILITIES**

As at 30 September 2020, the Group did not have any significant contingent liabilities.

## **EVENTS AFTER THE REPORTING PERIOD**

There have been no other material events occurring after the reporting period and up to the date of this annual results announcement.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 30 September 2020, the Group employed a total of 333 (30 September 2019: 354) employees. It is the policy of the Group to provide a regular review on its employees' pay levels, performance bonus system and other fringe benefits (including social insurance coverage and training sponsorship) to ensure that the remuneration policy is competitive within the relevant industry. During the year ended 30 September 2020, the staff costs (including Directors' emoluments) amounted to approximately HK\$74,718,000 (year ended 30 September 2019: approximately HK\$86,377,000).

The remuneration policy for the Directors is based on their experience, level of responsibilities, lengths of services and general market conditions. Any discretionary bonus and other merit payments are linked to the financial results of the Group and the individual performance of the Directors.

## **INVESTMENTS OF THE GROUP**

### **Warrant Parking Management Limited**

The Group has held 40% equity interest in Warrant Parking Management Limited (“**Warrant Parking**”) since 2017. The principal activity of Warrant Parking is mainly engaged in the provision of management service to the government car parks in Macau.

## **Hunan Changsha cooperation**

On 12 October 2015, the Group entered into a non-legally binding memorandum of understanding with 株洲變流技術國家工程研究中心有限公司 (transliterated as Zhuzhou National Engineering Research Centre of Converters Co., Ltd.#) (“ZNERCC”) and entered into a non-legally binding cooperation agreement with ZNERCC and 湖南城石智能科技有限公司 (transliterated as Hunan Changsha Intelligent Technology Co. Ltd.#) in respect of the possible cooperation in photovoltaics system project(s). Details thereof were disclosed in the Company’s announcement dated 12 October 2015. The Group will closely monitor and review the status of the possible cooperation and will consider if any further or binding cooperation shall be pursued. The Company will make further announcement(s) in relation thereto if and when appropriate.

Save as disclosed elsewhere in this annual results announcement, the Group had no other investments as at 30 September 2020.

## **CORPORATE GOVERNANCE**

Saved as disclosed below, during the year ended 30 September 2020 and up to the date of this annual results announcement, the Company complied with the code provisions, as set out in the Corporate Governance Code (the “CG Code”) in Appendix 14 to the Listing Rules.

In respect of code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual for a balance of power and authority. Mr. Jeong Un is the chairman of the Board and chief executive officer of the Company. He is the founder of the Group and the substantial shareholder of the Company and has considerable experience in the adhesive related industry. The Board considers that this situation will not impair the balance of power and authority between the Board and the management of the Company because the balance of power and authority is governed by the operations of the Board which comprises experienced and high caliber individuals with demonstrated integrity. Furthermore, decisions of the Board are made by way of majority votes. The Board believes that this structure is conducive to a more precise and more promptly response to the fast changing business environment and a more efficient management and implementation of business process. The Board also considers 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 English translation of Chinese names or words in this annual results announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

## **DIVIDENDS**

The Board has resolved to recommend the payment of a final dividend of HK5.2 cents (2019: HK5.2 cents) per ordinary share to the shareholders (the “**Shareholders**”) of the Company (subject to approval by the Shareholders at the forthcoming annual general meeting) for the year ended 30 September 2020.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

In March 2020, the Company repurchased and cancelled a total of 17,424,000 ordinary shares of the Company.

Save as aforesaid, during the year ended 30 September 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any other listed securities of the Company.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. All the Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code throughout the year ended 30 September 2020.

## **SHARE OPTIONS**

### **Share option scheme**

The Company adopted a share option scheme on 22 July 2010 which was expired on 22 July 2020.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely, Mr. Tong Hing Wah, Mr. Chan Wing Yau George and Mr. Simon Luk. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the year ended 30 September 2020 as well as the risk management and internal control and financial reporting matters.

## **ANNUAL GENERAL MEETING**

It is proposed that the annual general meeting (the “**2020 AGM**”) of the Company for the year ended 30 September 2020 will be held on a date to be fixed by the Board, and a notice convening the 2020 AGM will be published and despatched to the Shareholders in due course.

## **SCOPE OF WORK OF INDEPENDENT AUDITOR**

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 30 September 2020 as set out in this annual results announcement have been agreed by the Group's independent auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 September 2020. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by RSM Hong Kong on this annual results announcement.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.infinitydevelopment.com.hk](http://www.infinitydevelopment.com.hk). The annual report of the Company for the year ended 30 September 2020 will be despatched to the Shareholders and published on the above websites in due course.

## **APPRECIATION**

On behalf of the Board, I would like to extend sincere gratitude to all patrons, suppliers, business partners and the Shareholders for their support and patience during the past year. May I also salute our managers at all levels and dedicated staff for their invaluable contributions and diligent efforts during the past year.

By Order of the Board  
**Infinity Development Holdings Company Limited**  
**Ieong Un**  
*Chairman and Chief Executive Officer*

Hong Kong, 23 December 2020

*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. Simon Luk and Mr. Tong Hing Wah.*