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Manfield Chemical Holdings Limited

萬輝化工控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1561)

(1) POSSIBLE DISPOSAL OF 40% EQUITY INTEREST IN A NON WHOLLY-OWNED SUBSIDIARY

(2) ARBITRATION INVOLVING A SUBSIDIARY

Reference is made to the disclosures in the Company's prospectus dated 17 November 2015 and each subsequent published annual report of the Company in relation to the Shareholders Agreement, pursuant to which the Group has been granted a Put Option which, when exercised, requires the Purchaser to purchase from the Seller (an indirect wholly-owned subsidiary of the Company) the 40% Equity Interest in Manfield Changzhou (an indirect 60%-owned subsidiary of the Company) at the Agreed Price.

POSSIBLE DISPOSAL OF 40% EQUITY INTEREST IN A NON WHOLLY-OWNED SUBSIDIARY AND ARBITRATION INVOLVING A SUBSIDIARY

Since 2017, the Group has been in discussion with the Purchaser regarding exercise of the Put Option. On 9 April 2018, it was agreed by representatives of the Group and the Purchaser that the Purchaser will proceed to purchase the 40% Equity Interest and that the parties will enter into relevant equity transfer documents on 5 May 2018. However, the Purchaser has failed to proceed with the said purchase. On 30 May 2018, the Seller issued a demand to the Purchaser for the exercise of the Put Option, but no positive response has been received from the Purchaser.

In the circumstances, on 29 September 2018, the Seller submitted an arbitration application to Shanghai International Economic and Trade Arbitration Commission, requesting that:

1. the Purchaser shall pay to the Seller the Agreed Price;
2. the Purchaser shall compensate the Seller for its legal and consulting service expenses for the arbitration in the sum of HK\$1,080,000; and
3. the Purchaser shall bear all the fees incurred for the arbitration.

If the Possible Disposal completes, the equity interest of the Group in Manfield Changzhou will reduce from 60% to 20% and Manfield Changzhou will cease to be a subsidiary of the Company and its financial results will no longer be consolidated with the financial results of the Company.

As at the date of this announcement, the Possible Disposal has not been completed.

LISTING RULES IMPLICATIONS

The Purchaser is a substantial shareholder of Manfield Changzhou and hence is a connected person of the Company at the subsidiary level. The Possible Disposal therefore constitutes a connected transaction for the Company. As the Board has approved the Possible Disposal and the transactions contemplated thereunder and the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Possible Disposal are fair and reasonable and on normal commercial terms and are in the interest of the Company and the Shareholders as a whole, the Possible Disposal is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Shareholders and potential investors should note that the Possible Disposal may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

Reference is made to the disclosures in the Company's prospectus dated 17 November 2015 and each subsequent published annual report of the Company in relation to the Shareholders Agreement, pursuant to which the Group has been granted a Put Option which, when exercised, requires the Purchaser to purchase from the Seller (an indirect wholly-owned subsidiary of the Company) the 40% Equity Interest in Manfield Changzhou (an indirect 60%-owned subsidiary of the Company) at the Agreed Price.

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The Group has instructed its PRC lawyers to handle the arbitration. The arbitration process is in its preliminary stage and the Group is actively following up the arbitration and evaluating the potential impact. Currently, the operation conditions of the Group's businesses remain normal, and the aforesaid arbitration has no material impact on the Group's operation, financial position and solvency. The Company will make further announcement(s) to inform its shareholders and potential investors of any material development of the arbitration as and when appropriate.

The total consideration for the Possible Disposal is the Agreed Price, payable by the Purchaser to the Seller, consisting of the sum of:

- (i) HK\$32,830,324; and
- (ii) agreed interests as prescribed in the Shareholders Agreement until full payment of the amount in (i) above.

The terms of the Possible Disposal pursuant to the Put Option under the Shareholders Agreement were determined after arm's length negotiations between the Purchaser and the Seller at the time of entering of the Shareholder Agreement and are on normal commercial terms taking into accounts, amongst other things, the value of the assets, the amount of earnings and capital contribution of Manfield Changzhou.

As at the date of this announcement, the Possible Disposal has not been completed.

REASONS FOR THE POSSIBLE DISPOSAL

As disclosed in the Company's prospectus dated 17 November 2015 and annual report for the year ended 31 December 2017, the Group had been reviewing and considering the exercise of its right to dispose the 40% Equity Interest. The Board considered that, in view of the challenging market conditions and uncertainties due to ongoing trade wars and geopolitical tensions, the Possible Disposal will enable the Company to focus on its production facilities in Guangzhou, reduce business risks and achieve a return on its investment.

The Board expect that the proceeds from the Possible Disposal will be used by the Group as general working capital.

The Directors (including the independent non-executive Directors) are of the view that the terms of the transactions contemplated under the Possible Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the independent non-executive Directors have confirmed that the transactions contemplated under the Possible Disposal are on normal commercial terms.

No Director has any material interest in connection with the Possible Disposal which prohibits him from voting on the resolution of the Board to approve the Possible Disposal and no Director has abstained from approving such Board resolution.

INFORMATION ON MANFIELD CHANGZHOU

Manfield Changzhou is a wholly foreign-owned enterprise established under the laws of PRC. It is principally engaged in manufacturing and trading of coating products.

Set out below is the financial information of Manfield Changzhou for the financial years ended 31 December 2016 and 2017 which were prepared in accordance with PRC accounting standards:

	For the year ended 31 December 2016 <i>RMB'000</i> (Audited)	For the year ended 31 December 2017 <i>RMB'000</i> (Audited)
Loss before tax	125	6,175
Loss after tax	125	6,175
Net assets	36,833	30,659

FINANCIAL IMPACT OF THE POSSIBLE DISPOSAL

It is expected that the Company will record an estimated book gain of approximately HK\$18,850,000 as a result of the Possible Disposal, which represents the difference between the Agreed Price and the attributable audited net asset values of Manfield Changzhou as at 31 December 2017. The actual gain or loss in connection with the Possible Disposal will be assessed after completion and is subject to audit.

If the Possible Disposal completes, the equity interest of the Group in Manfield Changzhou will decrease from 60% to 20% and Manfield Changzhou will cease to be a subsidiary of the Company and its financial results will no longer be consolidated with the financial results of the Company.

As at the date of this announcement, completion of the Possible Disposal has not yet taken place.

INFORMATION ON THE COMPANY AND THE PARTIES

The Company

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the manufacturing and trading of coating products.

The Seller

The Seller is an investment holding company and an indirect wholly-owned subsidiary of the Company. The Seller holds 60% equity interest in Manfield Changzhou.

The Purchaser

The Purchaser is a company incorporated under the laws of Finland. It is principally engaged in manufacturing and trading of coating products. The Purchaser holds 40% equity interest in Manfield Changzhou. Therefore, the Purchaser is a substantial shareholder of Manfield Changzhou and a connected person of the Company at the subsidiary level under the Listing Rules.

LISTING RULES IMPLICATIONS

The Purchaser is a substantial shareholder of Manfield Changzhou and hence is a connected person of the Company at the subsidiary level. The Possible Disposal therefore constitutes a connected transaction for the Company. As the Board has approved the Possible Disposal and the transactions contemplated thereunder and the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Possible Disposal are fair and reasonable and on normal commercial terms and are in the interest of the Company and the Shareholders as a whole, the Possible Disposal is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Shareholders and potential investors should note that the Possible Disposal may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“40% Equity Interest”	the 40% equity interest in Manfield Changzhou legally and beneficially owned by the Seller
“Agreed Price”	the sum of (i) HK\$32,830,324; and (ii) agreed interests as prescribed in the Shareholders Agreement until full payment of the amount in (i), payable by the Purchaser to the Seller
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Company”	Manfield Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manfield Changzhou”	Manfield Teknos (Changzhou) Chemical Company Limited* (萬輝泰克諾斯(常州)化工有限公司), a wholly foreign-owned enterprise established under the laws of PRC and owned as to 60% by the Seller and 40% by the Purchaser prior to the completion of the Proposed Disposal
“Possible Disposal”	the possible disposal of the 40% Equity Interest by the Seller to the Purchaser pursuant to the Put Option
“PRC”	the People’s Republic of China
“Purchaser”	Teknos Group Oy, a company incorporated under the laws of Finland
“Put Option”	the option granted to the Seller under the Shareholders Agreement pursuant to which the Seller has the right to require the Purchaser to purchase the 40% Equity Interest with a prior 6-month written notice to the Purchaser within 5 years from the effective date of the Shareholders Agreement, namely, on or before 12 December 2018
“RMB”	Renminbi, the lawful currency of PRC
“Seller”	Manfield Chemical Limited, an indirect wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholders”	holders of the Shares
“Shareholders Agreement”	the shareholders’ agreement entered into between the Purchaser and the Seller on 3 December 2013 (as supplemented by supplemental agreements dated 21 October 2014 and 14 April 2015)

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

* *for identification only*

By Order of the Board
Manfield Chemical Holdings Limited
Yuen Shu Wah
Chairman

Hong Kong, 29 September 2018

As at the date of this announcement, the Board comprises Mr. Yuen Shu Wah (Chairman), Mr. Ko Jack Lum and Mr. Ng Kai On as Executive Directors; Dato’ Wong Peng Chong and Mr. Kong Muk Yin as Non-Executive Directors; and Dr. Chui Hong Sheung, JP, Mr. Cheung Chi Wai Vidy and Mr. Yue Kwai Wa Ken as Independent Non-Executive Directors.