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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the “Board”) of Manfield Chemical Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3	169,673	173,299
Cost of sales and services		(140,552)	(134,173)
Gross profit		29,121	39,126
Other income		8,619	8,820
Other gains and losses		1,019	1,470
Distribution and selling expenses		(16,475)	(16,714)
Administrative expenses		(26,651)	(27,873)
Other expenses		(969)	(864)
Finance costs		(4)	(4)
Share of profit of associates		10,829	5,869
Profit before taxation	4	5,489	9,830
Taxation	5	(161)	521
Profit for the period		5,328	10,351
Earnings per share			
— Basic	6	HK1.05 cents	HK1.72 cents

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

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period	<u>5,328</u>	<u>10,351</u>
Other comprehensive income (expense) which may be subsequently reclassified to profit or loss:		
Share of exchange differences of associates	2,525	(1,721)
Exchange differences arising on translation of foreign operations	<u>4,624</u>	<u>(3,284)</u>
Other comprehensive income (expense) for the period	<u>7,149</u>	<u>(5,005)</u>
Total comprehensive income for the period	<u><u>12,477</u></u>	<u><u>5,346</u></u>
Profit (loss) for the period attributable to:		
Owners of the Company	6,321	10,301
Non-controlling interests	<u>(993)</u>	<u>50</u>
	<u><u>5,328</u></u>	<u><u>10,351</u></u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	13,226	5,446
Non-controlling interests	<u>(749)</u>	<u>(100)</u>
	<u><u>12,477</u></u>	<u><u>5,346</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	<i>NOTES</i>	As at 30 June 2017 <i>HK\$'000</i> (unaudited)	As at 31 December 2016 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		103,253	103,890
Prepaid lease payments		26,991	26,961
Interests in associates	8	189,152	180,298
Deferred tax assets		162	162
Derivative financial instruments		1,070	1,702
Deposits to purchase of property, plant and equipment and prepaid lease payments		2,991	2,946
		<hr/> 323,619 <hr/>	<hr/> 315,959 <hr/>
Current assets			
Prepaid lease payments		778	766
Inventories		50,232	54,132
Trade and other receivables	9	122,246	110,720
Tax recoverable		603	823
Structured deposits	10	4,541	–
Bank balances and cash		200,943	204,625
		<hr/> 379,343 <hr/>	<hr/> 371,066 <hr/>
Current liabilities			
Trade and other payables	11	53,082	48,728
Tax payable		133	1,027
Dividend payable	7	15,000	–
		<hr/> 68,215 <hr/>	<hr/> 49,755 <hr/>
Net current assets		<hr/> 311,128 <hr/>	<hr/> 321,311 <hr/>
Total assets less current liabilities		<hr/> 634,747 <hr/>	<hr/> 637,270 <hr/>
Capital and reserves			
Share capital		6,000	6,000
Reserves		613,460	615,234
Equity attributable to owners of the Company		<hr/> 619,460 <hr/>	<hr/> 621,234 <hr/>
Non-controlling interests		15,287	16,036
Total equity		<hr/> 634,747 <hr/>	<hr/> 637,270 <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

The Company is an investment holding company. The Group is principally engaged in manufacturing and trading of liquid coatings, powder coatings and subcontracting services.

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or on the disclosures set out in the condensed consolidated financial statements.

3. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the amounts received and receivable for services provided and goods sold, net of discounts and sales related taxes, during the both periods.

The Group is principally engaged in manufacturing and trading of liquid coatings, powder coatings and subcontracting services. The executive directors of the Company, being the Group's chief operating decision maker, make the decision on allocation of resources and assessment of performance based on geographical segments determined on the basis of location of customers. Information of the operating and reportable segments of the Group is as follow:

Six months ended 30 June 2017 (unaudited)

	Hong Kong and Others [#] <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External revenue	<u>28,042</u>	<u>141,631</u>	<u>169,673</u>
RESULTS			
Segment profit	<u>2,781</u>	<u>7,640</u>	10,421
Interest income			696
Unallocated corporate income			5,259
Unallocated corporate expenses			(21,018)
Unallocated corporate other gains and losses			(694)
Finance costs			(4)
Share of profit of associates			<u>10,829</u>
Profit before taxation			<u>5,489</u>

Six months ended 30 June 2016 (unaudited)

	Hong Kong and Others [#] <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External revenue	<u>29,519</u>	<u>143,780</u>	<u>173,299</u>
RESULTS			
Segment profit	<u>2,940</u>	<u>14,937</u>	17,877
Interest income			618
Unallocated corporate income			5,539
Unallocated corporate expenses			(20,662)
Unallocated corporate other gains and losses			593
Finance costs			(4)
Share of profit of associates			<u>5,869</u>
Profit before taxation			<u>9,830</u>

[#] Including Indonesia, Malaysia, Taiwan and other jurisdictions

3. REVENUE AND SEGMENTAL INFORMATION — Continued

Segment profits represent the results of each segment without allocation of corporate items, including interest income, management fee income and rental income from subsidiaries of an associate, loss on disposal of property, plant and equipment, central administration cost, depreciation of property, plant and equipment, release of prepaid lease payments, change in fair value of derivative financial instruments, finance costs and share of profit of associates. This is the measure reported to the management of the Group for the purpose of resources allocation and performance assessments.

Revenue from major products and services

The Group's revenue from its major products and services were as follows:

	Six months ended 30 June	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Sales		
Liquid coatings		
Sales to outsiders	106,268	104,868
Sales to subsidiaries of an associate	48,480	40,905
Sales to a subsidiary of a non-controlling shareholder	4,265	8,874
Powder coatings — sales to outsiders	10,660	11,650
Subcontracting fee income from subsidiaries of an associate	—	7,002
	<u>169,673</u>	<u>173,299</u>

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Release of prepaid lease payments	386	413
Depreciation of property, plant and equipment	6,284	6,442
Donation	969	864
Loss on disposal of property, plant and equipment	62	42
Minimum operating lease rentals in respect of rented premises	1,349	1,554
Interest income	(696)	(618)
Net exchange gain	(125)	(457)
Change in fair value of derivative financial instruments	632	(635)
	<u>632</u>	<u>(635)</u>

5. TAXATION

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
Current period	<u>198</u>	<u>454</u>
PRC Enterprise Income Tax:		
Current period	-	1,120
Overprovision in prior years	<u>(37)</u>	<u>(2,095)</u>
	<u>(37)</u>	<u>(975)</u>
Tax charge (credit) for the period	<u><u>161</u></u>	<u><u>(521)</u></u>

6. EARNINGS PER SHARE

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	<u><u>6,321</u></u>	<u><u>10,301</u></u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u><u>600,000</u></u>	<u><u>600,000</u></u>

No diluted earnings per share for both periods were presented as there were no potential ordinary shares in issue for both periods.

7. DIVIDEND

During the six months ended 30 June 2017, a final dividend in respect of the year ended 31 December 2016 of HK\$15,000,000 or HK\$0.025 per share has been proposed by the directors of the Company and approved by the shareholders in the annual general meeting. No other dividends were proposed or declared during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

8. INTERESTS IN ASSOCIATES

	As at 30 June 2017 <i>HK\$'000</i> (unaudited)	As at 31 December 2016 <i>HK\$'000</i> (audited)
Unlisted investment, at cost	513	513
Share of post-acquisition translation reserve	2,470	(55)
Share of post-acquisition profits, net of dividends received	186,169	179,840
	<u>189,152</u>	<u>180,298</u>

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 <i>HK\$'000</i> (unaudited)	As at 31 December 2016 <i>HK\$'000</i> (audited)
Trade receivables	108,397	100,302
Bills receivables	9,790	8,412
Less: Impairment losses on trade receivables	(4,551)	(4,549)
	<u>113,636</u>	<u>104,165</u>
Total trade and bills receivables	113,636	104,165
Other receivables	8,610	6,555
	<u>122,246</u>	<u>110,720</u>

The Group allows credit period of 30 days to 90 days to its trade customers. The following is an aging analysis of trade receivables net of impairment losses presented based on the invoice date at the end of the reporting period. For customers who used bank bills to settle their trade receivables upon the expiry of the initial credit period, the aged analysis of bills receivables at the end of the reporting period was presented based on the date of issuance of the bills. All bills receivables will be matured within a period of 30 days to 180 days.

	Trade receivables		Bills receivables	
	As at 30 June 2017 <i>HK\$'000</i> (unaudited)	As at 31 December 2016 <i>HK\$'000</i> (audited)	As at 30 June 2017 <i>HK\$'000</i> (unaudited)	As at 31 December 2016 <i>HK\$'000</i> (audited)
0–30 days	41,942	37,673	458	1,885
31–60 days	24,983	20,141	963	1,093
61–90 days	16,670	12,636	965	3,260
Over 90 days	20,251	25,303	7,404	2,174
	<u>103,846</u>	<u>95,753</u>	<u>9,790</u>	<u>8,412</u>

As at 30 June 2017, included in trade receivables, there were trade receivables due from subsidiaries of an associate of HK\$10,879,000 (unaudited) (31 December 2016: HK\$16,244,000), and trade receivables due from a subsidiary of a non-controlling shareholder of HK\$7,378,000 (unaudited) (31 December 2016: HK\$7,449,000).

10. STRUCTURED DEPOSITS

The Group entered into two investment contracts of structured investment products with banks. These structured investment products are principal protected notes with maturity less than 3 months. The counterparty banks guarantee 100% of the invested capital and the returns of which are determined by reference to the change in price movement of underlying securities quoted in the relevant stock exchange. These investments have been designated as financial assets at fair value through profit or loss on initial recognition.

The structured deposits are stated at fair values and are determined by reference to the principal and expected returns stated in the investment contracts provided by the counterparty banks using discounted cash flows method.

11. TRADE AND OTHER PAYABLES

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Trade payables	39,777	32,468
Accrued staff cost	8,060	12,160
Other payables and accruals	5,245	4,100
	<u>53,082</u>	<u>48,728</u>

The average credit period on purchases of goods is 90 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	Trade payables	
	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
0–30 days	28,934	25,288
31–60 days	5,370	5,107
61–90 days	2,560	344
Over 90 days	2,913	1,729
	<u>39,777</u>	<u>32,468</u>

As at 30 June 2017, included in trade payables, there were trade payables due to a subsidiary of an associate of HK\$878,000 (unaudited) (31 December 2016: HK\$65,000).

RESULTS AND FINANCIAL OVERVIEW

For the six months ended 30 June 2017, the Group recorded respective decreases in revenue to HK\$169,673,000 (2016: HK\$173,299,000) and profit for the period attributable to shareholders of the Company to HK\$6,321,000 (2016: HK\$10,301,000) mainly due to the decrease in gross profit margin as a result of the increases in prices of raw materials and other production costs amid the challenging operating environment, which was partially offset by the increase in share of profits of an associate of the Company, CMW Holding Limited (“CMW”).

Earnings per share for the six months ended 30 June 2017 was HK1.05 cents (2016: HK1.72 cents).

The Group’s net asset value per share as at 30 June 2017 was HK\$1.03 (2016: HK\$1.03).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As pointed out in the Company’s 2016 annual report, the market conditions in coating industry and hence the operating environment of the Group will continue to be difficult in 2017. Due to weak consumer sentiment in the PRC together with the depreciation in Renminbi, for the six months ended 30 June 2017, based on geographical segments, both sales to domestic market and overseas market dropped to HK\$141,631,000 (2016: HK\$143,780,000) and HK\$28,042,000 (2016: HK\$29,519,000) respectively. For the six months ended 30 June 2017, based on products and services, though sales of liquid coatings remained stable and recorded a small increase to HK\$106,268,000 (2016: HK\$104,868,000), sales of powder coatings slightly dropped to HK\$10,660,000 (2016: HK\$11,650,000) while the sales of protective coatings recorded an unexpected substantial decrease to HK\$4,265,000 (2016: HK\$8,874,000).

In addition, during the period under review, the Group’s sales of raw materials and products to and subcontracting fee income from subsidiaries of CMW recorded an increase to HK\$48,480,000 (2016: HK\$40,905,000) but a drop to nil (2016: HK\$7,002,000) as compared with the same period last year following the change of mode of supply to sale of finished goods (i.e. inclusive of subcontracting fee).

With the cost of raw material, and salaries and wages comprising the largest cost items of the Group, the substantial increases in the prices of solvent and pigment, principal components in coatings, coupled with the persistently rising of labour costs, the Group saw its gross profit and gross profit margin eroded to HK\$29,121,000 (2016: HK\$39,126,000) and 17.2% (2016: 22.6%) respectively during the period under review.

For CMW, a 45% associated company of the Group, share of profit from CMW for the six months ended 30 June 2017 was HK\$10,829,000 (2016: HK\$5,869,000) representing an increase of approximately 84.5% as compared with the same period last year. Such increase was mainly attributable to the increase of the mobile phone products business starting from the second half of last year together with the increase in sales of the non-stick coatings.

USE OF NET PROCEEDS FROM LISTING

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 December 2015 (the "Listing") and received net proceeds of approximately HK\$119.9 million from the placing and public offer of its shares in December 2015 after the deduction of underwriting commissions and all related expenses. The actual use of proceeds were as follows:

Intended use of proceeds	Actual use of proceeds
i. Approximately HK\$81.7 million to partially fund phase two of construction of Springfield Chemical (Guangzhou) Company Limited's ("Springfield GZ") production facilities	i. Approximately HK\$2.8 million was used as funds for phase two of construction of Springfield GZ's production facilities
ii. Approximately HK\$12.0 million for the purchase of additional machinery and equipment	ii. Approximately HK\$2.5 million for the purchase of additional machinery and equipment
iii. Approximately HK\$3.3 million for partial settlement of the purchase price of the land for phase two of construction of Springfield GZ's production facilities	iii. Not yet used
iv. Approximately HK\$20.0 million for repayment of a bank overdraft facility	iv. HK\$20.0 million was used as repayment of a bank overdraft facility
v. Approximately HK\$2.9 million for general working capital of the Group	v. Approximately HK\$2.9 million was used as general working capital of the Group

The Directors consider that the unused proceeds of approximately HK\$91.7 million are to be applied in accordance with the proposed applications as set out in the section headed "Use of proceeds" in the prospectus dated 17 November 2015 issued by the Company. The Directors are not aware of any material change to the planned use of the proceeds as at the date of this announcement.

FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE AND EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

As at 30 June 2017, the Group's non-current assets of HK\$323,619,000 (31 December 2016: HK\$315,959,000) consisted of property, plant and equipment of HK\$103,253,000 (31 December 2016: HK\$103,890,000), prepaid lease payments of HK\$26,991,000 (31 December 2016: HK\$26,961,000), interest in an associate of HK\$189,152,000 (31 December 2016: HK\$180,298,000), deferred tax assets of HK\$162,000 (31 December 2016: HK\$162,000), derivative financial instruments of HK\$1,070,000 (31 December 2016: HK\$1,702,000) and deposits to purchase of property, plant and equipment and prepaid lease payments of HK\$2,991,000 (31 December 2016: HK\$2,946,000). These non-current assets are principally financed by the Group's shareholders' funds. As at 30 June 2017, the Group's net current assets amounted to HK\$311,128,000 (31 December 2016: HK\$321,311,000).

As at 30 June 2017, the Group has no bank borrowing (31 December 2016: Nil). As at 30 June 2017, the Group's leasehold land and buildings situated in Hong Kong amounting to HK\$1,623,000 (31 December 2016: HK\$4,473,000), were pledged to a bank for general banking facilities granted to the Group.

The Group's operations are mainly located in the PRC and its transactions, related working capital and borrowing are primarily denominated in Renminbi and Hong Kong Dollars. The Group will closely monitor its foreign exchange exposure and will consider hedging significant currency exposure should the need arises.

As at 30 June 2017, the Group had capital commitment contracted for but not provided — acquisition of property, plant and equipment of HK\$1,282,000 (31 December 2016: HK\$1,263,000) and other commitment contracted for but not provided — proposed purchase of land of HK\$8,302,000 (31 December 2016: HK\$8,174,000).

As at 30 June 2017, the Group did not have any material contingent liabilities.

EMPLOYEES

The Group had 700 employees as at 30 June 2017 (2016: 706). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

PROSPECTS AND STRATEGIES

The Group will remain conservative and prudent in view of the uncertain market conditions for the second half of 2017. To cope with the downturn in the business environment and to maintain its competitiveness, the Group will improve its product properties by sourcing alternative raw materials in order to reduce the cost impact of raw materials. The management will continue its business initiatives of developing target customers, new products and new technology and providing up-to-date training to its sales staff. The Group will also, from time to time, streamline its overall organizational structure, and operational and departmental processes to improve productivity and cost efficiency.

The Group will work closely with CMW to enhance the efficiency and profitability of CMW. For the second half of 2017, it is expected that the demand for mobile phone coatings would be softened and the sales of non-stick and heat-resistant decorative coatings would be stable while the sales of railway coatings would be improved. In addition, CMW is planning to implement various product mix enrichment and to explore certain new markets.

In view of the prevailing uncertain economic outlook, the Group will from time to time review and adjust its strategies, operations and assets in order to enhance value for shareholders.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with corporate governance code

The Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017.

Compliance with 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 the Company's code of conduct regarding directors' securities transactions. Having made specific enquiries with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the six months ended 30 June 2017.

Audit committee review

The Audit Committee, comprising all the Independent Non-executive Directors of the Company, has reviewed with the Company's external auditor, Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the Directors, including a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2017.

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

Hong Kong, 29 August 2017

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.