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MANFIELD

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 AUDITED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

The board of directors (“**Board**” or “**Directors**”) of Manfield Chemical Holdings Limited (“**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as “**Group**”) for the year ended 31 December 2017 together with the comparative figures for the year ended 31 December 2016 are as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	4	374,161	396,172
Cost of sales and services		(308,784)	(308,036)
Gross profit		65,377	88,136
Other income	5	17,162	18,382
Other gains and losses	5	(2,119)	3,756
Distribution and selling expenses		(33,608)	(31,201)
Administrative expenses		(55,274)	(53,321)
Other expenses		(1,959)	(1,728)
Finance costs		(2)	(4)
Share of results of associates		13,585	23,817
Profit before taxation	6	3,162	47,837
Taxation	7	29	(5,830)
Profit for the year		3,191	42,007
Earnings per share			
— Basic	9	HK1.0 cents	HK6.9 cents

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit for the year	<u>3,191</u>	<u>42,007</u>
Other comprehensive income (expense) which may be subsequently reclassified to profit or loss:		
Share of exchange differences of associates	11,506	(10,741)
Exchange differences arising on translation of foreign operations	<u>18,395</u>	<u>(20,824)</u>
Other comprehensive income (expense) for the year	<u>29,901</u>	<u>(31,565)</u>
Total comprehensive income for the year	<u><u>33,092</u></u>	<u><u>10,442</u></u>
Profit (loss) for the year attributable to:		
Owners of the Company	6,105	41,603
Non-controlling interests	<u>(2,914)</u>	<u>404</u>
	<u><u>3,191</u></u>	<u><u>42,007</u></u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	34,995	11,121
Non-controlling interests	<u>(1,903)</u>	<u>(679)</u>
	<u><u>33,092</u></u>	<u><u>10,442</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		95,104	103,890
Prepaid lease payments		23,631	26,961
Interests in associates	<i>10</i>	191,889	180,298
Deferred tax assets		–	162
Derivative financial instruments		–	1,702
Deposits to purchase of property, plant and equipment and prepaid lease payments		806	2,946
		311,430	315,959
Current assets			
Prepaid lease payments		705	766
Inventories		41,568	54,132
Trade and other receivables	<i>11</i>	110,960	110,720
Derivative financial instruments		433	–
Tax recoverable		725	823
Bank balances and cash		204,613	204,625
		359,004	371,066
Assets classified as held for sale	<i>13</i>	40,177	–
		399,181	371,066
Current liabilities			
Trade and other payables	<i>12</i>	43,615	48,728
Tax payable		374	1,027
		43,989	49,755
Liabilities associated with assets classified as held for sale	<i>13</i>	11,260	–
		55,249	49,755
Net current assets		343,932	321,311
Total assets less current liabilities		655,362	637,270
Capital and reserves			
Share capital	<i>14</i>	6,000	6,000
Reserves		635,229	615,234
Equity attributable to owners of the Company		641,229	621,234
Non-controlling interests		14,133	16,036
Total equity		655,362	637,270

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL

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. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company's immediate holding company is Guang Ming Holdings Limited and ultimate holding company is Mezzo International Limited. Both companies were incorporated in the British Virgin Islands ("**BVI**").

The Company is an investment holding company. The Group is principally engaged in manufacturing and trading of liquid coatings and powder coatings (2016: manufacturing and trading of liquid coatings, powder coatings and subcontracting services).

The functional currency of the Company is Hong Kong dollars, which is the same as the presentation currency of the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs**")**

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not yet early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance contracts ⁴
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration ¹
HK(IFRIC)-Int 23	Uncertainty over income tax treatments ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts ¹
Amendments to HKFRS 9	Prepayment features with negative compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKAS 28	Long-term interests in associates and joint ventures ²
Amendments to HKAS 40	Transfers of investment property ¹
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

4. 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 both years.

The Group is principally engaged in manufacturing and trading of liquid coatings, powder coating and subcontracting services. The management of the Group, 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:

Year ended 31 December 2017

	Hong Kong and Others# HK\$'000	The PRC HK\$'000	Consolidated HK\$'000
REVENUE			
External revenue	<u>50,493</u>	<u>323,668</u>	<u>374,161</u>
RESULTS			
Segment profits	<u>6,690</u>	<u>17,429</u>	<u>24,119</u>
Interest income			1,354
Unallocated corporate income			9,961
Unallocated corporate expenses			(41,307)
Unallocated corporate other gains and losses			(4,548)
Finance costs			(2)
Share of results of associates			<u>13,585</u>
Profit before taxation			<u>3,162</u>
TOTAL ASSETS			
Segment assets — trade and bills receivables	9,146	96,306	105,452
Unallocated assets			<u>605,159</u>
			<u>710,611</u>
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit:			
Impairment losses recognised on trade receivables	<u>—</u>	<u>666</u>	<u>666</u>

Year ended 31 December 2016

	Hong Kong and Others [#] <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External revenue	<u>60,356</u>	<u>335,816</u>	<u>396,172</u>
RESULTS			
Segment profits	<u>5,182</u>	<u>47,562</u>	52,744
Interest income			968
Unallocated corporate income			10,694
Unallocated corporate expenses			(40,357)
Unallocated corporate other gains and losses			(25)
Finance costs			(4)
Share of results of associates			<u>23,817</u>
Profit before taxation			<u>47,837</u>
TOTAL ASSETS			
Segment assets — trade and bills receivables	14,130	90,035	104,165
Unallocated assets			<u>582,860</u>
			<u>687,025</u>
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit:			
Impairment losses recognised on trade receivables	<u>—</u>	<u>571</u>	<u>571</u>

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

Notes:

- (i) 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, net 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 results of associates. This is the measure reported to the management of the Group for the purpose of resources allocation and performance assessments.
- (ii) Other than trade and bills receivables, assets are not allocated to operating segments. Inventories could be sold to common customers of the operating segments, which cannot be allocated to respective segments on a reasonable basis. Liabilities are not allocated to operating segments, as the Group's trade payables represented payables to common suppliers of the operating segments, which cannot be allocated to respective segments on a reasonable basis.

Revenue from major products and services

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Sales		
Liquid coatings		
Sales to outsiders	244,679	237,575
Sales to subsidiaries of an associate	105,726	127,156
Powder coatings — sales to outsiders	23,756	24,439
Subcontracting fee income from subsidiaries of an associate	–	7,002
	<u>374,161</u>	<u>396,172</u>

Information about major customers

During the year, the revenue from the subsidiaries of an associate contributed over 10% of total revenue of the Group are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	3,602	4,529
The PRC	102,124	129,629
	<u>105,726</u>	<u>134,158</u>

Geographical information

The Group's operations are located in Hong Kong, the PRC and others. The Group's information about its non-current assets (excluding deferred tax assets and derivative financial instruments) by geographical location of the assets, including property, plant and equipment, prepaid lease payments, deposits to purchase of property, plant and equipment and prepaid lease payments; and by location of incorporation for interests in associates, are detailed below:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong and others (<i>Note</i>)	196,341	185,370
The PRC	115,089	128,725
	<u>311,430</u>	<u>314,095</u>

Note: Non-current assets of others are less than 10% of the Group's total non-current assets at the end of the reporting period.

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Other income		
Royalty fee income from subsidiaries of an associate	3,708	4,166
Management fee income from subsidiaries of an associate	8,304	9,027
Rental income from subsidiaries of an associate	1,657	1,668
Transportation fee income from a subsidiary of an associate	1,446	1,727
Rental income	693	826
Interest income	1,354	968
	<u>17,162</u>	<u>18,382</u>
Other gains and losses		
Impairment losses recognised on trade receivables	(666)	(571)
Impairment loss recognised on other receivable	(609)	(621)
Net loss on disposal of property, plant and equipment	(3,279)	(89)
Net exchange gain	994	1,404
Change in fair value of derivative financial instruments	(1,269)	64
Government grants (<i>Note</i>)	2,123	2,164
Others	587	1,405
	<u>(2,119)</u>	<u>3,756</u>

Note: Mainly subsidies received from government authority for the support of the development of the Group's subsidiary as new and high technology enterprise. There is no specified condition attached to these subsidies.

6. PROFIT BEFORE TAXATION

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	1,180	1,020
Directors' emoluments		
Fee	960	960
Other emoluments	3,812	3,982
Retirement benefit scheme contributions	369	357
	<u>5,141</u>	<u>5,299</u>
Other staff costs:		
Salaries and other allowances	93,060	93,967
Retirement benefit scheme contributions	7,826	7,467
	<u>106,027</u>	<u>106,733</u>
Release of prepaid lease payments	788	803
Depreciation of property, plant and equipment	13,234	14,162
Cost of inventories recognised as an expense (included in cost of sales and services)	308,784	308,036
Donation	1,959	1,728
Minimum operating lease rentals in respect of rented premises	1,409	592
	<u>1,409</u>	<u>592</u>

7. TAXATION

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current year	737	3,256
Overprovision in prior years	<u>(16)</u>	<u>(9)</u>
	<u>721</u>	<u>3,247</u>
PRC Enterprise Income Tax:		
Current year	–	4,154
Overprovision in prior years	<u>(912)</u>	<u>(1,571)</u>
	<u>(912)</u>	<u>2,583</u>
Deferred tax	<u>162</u>	–
	<u>(29)</u>	<u>5,830</u>

8. DIVIDEND

During the year ended 31 December 2017, a dividend of HK\$15,000,000 or HK\$0.025 per share (2016: HK\$15,000,000) was distributed to its shareholders.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK\$0.025 per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

9. EARNINGS PER SHARE

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	<u>6,105</u>	<u>41,603</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>600,000</u>	<u>600,000</u>

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

10. INTERESTS IN ASSOCIATES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Unlisted investments, at cost	513	513
Share of post-acquisition translation reserve	11,451	(55)
Share of post-acquisition profits, net of dividends received	179,925	179,840
	<u>191,889</u>	<u>180,298</u>

The following list contains only the particulars of associates, which are unlisted corporate, in the opinion of the management of the Group, which principally affected the results or assets of the Group:

List of associate	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group as at		Principal activity
				2017	2016	
CMW Holding Limited ("CMW Holding")	Limited liability company	Hong Kong	HK\$500,000	45%	45%	Investment holding
福州艾薩卡爾汽車維修服務有限公司 Fuzhou Aisa Car Auto Service Company Limited ("Fuzhou Aisa") (note)	Limited liability company	PRC	RMB1,000,000 Paid-up registered capital	30%	30%	Not yet commenced business
List of subsidiaries of CMW Holding	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest to CMW Holding as at		Principal activity
				2017	2016	
廣州卡秀堡輝塗料科技有限公司 CMW Coatings (Guangzhou) Technology Company Limited	Wholly owned foreign enterprise	PRC	HK\$10,000,000 Paid-up registered capital	100%	100%	Manufacturing of coatings
無錫卡秀堡輝塗料有限公司 CMW Coatings (Wuxi) Limited (note)	Wholly owned foreign enterprise	PRC	HK\$25,000,000 Paid-up registered capital	100%	100%	Manufacturing of coatings
CMW Coatings (Hong Kong) Limited	Limited liability company	Hong Kong	HK\$1	100%	100%	Trading of coatings
天津卡秀堡輝塗料有限公司 CMW Coatings (Tianjin) Limited (note)	Wholly owned foreign enterprise	PRC	US\$4,000,000 Paid-up registered capital	100%	100%	Not yet commenced business

Note: English translated name is for identification only

11. TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	107,143	100,302
Bills receivables	2,351	8,412
Less: Impairment losses on trade receivables	(4,042)	(4,549)
Total trade and bills receivables	105,452	104,165
Other receivables, deposits and prepayments	5,508	6,555
Total trade and other receivables	110,960	110,720

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 aging 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	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0-30 days	43,295	37,673	771	1,885
31-60 days	25,073	20,141	72	1,093
61-90 days	13,687	12,636	201	3,260
Over 90 days	21,046	25,303	1,307	2,174
	103,101	95,753	2,351	8,412

Movement in the impairment losses on trade receivables is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Balance at the beginning of the year	4,549	3,978
Impairment loss	666	571
Amounts written off as uncollectible	(422)	–
Reclassified as assets held for sale	(751)	–
Balance at the end of the year	4,042	4,549

As at 31 December 2017, included in the impairment losses on trade receivables are individually impaired trade receivables with an aggregate balance of HK\$4,042,000 (2016: HK\$4,549,000), that are considered irrecoverable by management after consideration on the credit quality of those individual customers, the ongoing relationship with the Group and the aging of these receivables. The Group does not hold any collateral over these balances.

12. TRADE AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	26,340	32,468
Accrued staff cost	10,601	12,160
Other payables and accruals	6,674	4,100
	<u>43,615</u>	<u>48,728</u>

As at 31 December 2017, included in trade payables, there were trade payables due to a subsidiary of an associate of HK\$816,000 (2016: HK\$65,000).

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	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0–30 days	20,662	25,288
31–60 days	4,022	5,107
61–90 days	381	344
Over 90 days	1,275	1,729
	<u>26,340</u>	<u>32,468</u>

13. DISPOSAL GROUP HELD FOR SALE

As at 31 December 2017, the Group has the right to dispose of its 40% equity interest in Manfield Teknos (Changzhou) Chemical Company Limited (“Manfield Changzhou”) (“Put Option”) within twelve months to 3 December 2018. If this disposal proceeds, the Group’s shareholding in Manfield Changzhou will decrease from 60% to 20%. The Group has been reviewing and considering the exercise of the Put Option provided such exercise could bring benefit to the shareholders of the Company. The assets and liabilities attributable to Manfield Changzhou have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position. The net proceeds of a possible disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

14. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 2017	<u>10,000,000,000</u>	<u>100,000</u>
Issued:		
At 1 January 2016, 31 December 2016 and 2017	<u>600,000,000</u>	<u>6,000</u>

RESULTS AND FINANCIAL OVERVIEW

For the year ended 31 December 2017, revenue of the Group decreased by approximately 5.6% to HK\$ 374,161,000 (2016: HK\$396,172,000) and its profit attributable to shareholders of the Company substantially decreased by approximately 85.3% to HK\$6,105,000 (2016: HK\$41,603,000) mainly attributable to (i) the decrease in gross profit to HK\$65,377,000 (2016: HK\$88,136,000) as a result of the combined effect of decrease in sale and continued increases in the unit price of raw materials and other production costs amid challenging operating environment of the coating industry in the People's Republic of China (“**PRC**”); (ii) the loss on demolishing an office building for expanding storage capacity of the Group's coating plant in Changzhou; and (iii) the substantial decrease in share of profit of associates of the Company to HK\$13,585,000 (2016: HK\$23,817,000).

Earnings per share for the year ended 31 December 2017 decreased to HK1.0 cents (2016: HK6.9 cents).

The Group's net asset value per share as at 31 December 2017 maintained at HK\$1.07 (2016: HK\$1.04).

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.025 per share for the year ended 31 December 2017 (2016: HK\$0.025 per share) amounting to HK\$15,000,000 payable to the shareholders of the Company whose names appear on the Register of Members of the Company on Thursday, 14 June 2018.

CLOSURE OF REGISTER OF MEMBERS

- (i) For determining the eligibility of the shareholders of the Company to attend and vote at the annual general meeting or any adjournment of such meeting:

The annual general meeting of the Company (the “**Annual General Meeting**”) is scheduled to be held on Wednesday, 6 June 2018. For determining the eligibility to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from Friday, 1 June 2018 to Wednesday, 6 June 2018, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, no later than 4:30 p.m. on Thursday, 31 May 2018.

- (ii) For determining the entitlement of shareholders of the Company to the proposed final dividend:

The Register of Members of the Company will be closed from Tuesday, 12 June 2018 to Thursday, 14 June 2018, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, no later than 4:30 p.m. on Monday, 11 June 2018. The record date for such purpose is Thursday, 14 June 2018.

Upon approval by the shareholders of the Company at the Annual General Meeting, the relevant dividend warrants of the proposed final dividend are expected to be despatched on or about 5 July 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2017, revenue of the Group decreased by approximately 5.6% to HK\$ 374,161,000 (2016: HK\$396,172,000) among which sales of liquid coatings to outsiders increased by approximately 3.0% to HK\$244,679,000 (2016: HK\$237,575, 000), sales of powder coatings to outsiders decreased by approximately 2.8% to HK\$23,756,000 (2016: HK\$24,439,000), sales of liquid coatings to subsidiaries of an associate, CMW Holdings Limited ("CMW") decreased by approximately 16.9% to HK\$105,726,000 (2016: HK\$127,156,000) and subcontracting fee income from subsidiaries of associate was nil (2016: HK\$7,002,000).

In 2017, the Group's royalty fee income, management fee income, rental income and transportation fee income from the subsidiaries of CMW decreased to HK\$3,708,000 (2016: HK\$4,166,000), HK\$8,304,000 (2016: HK\$9,027,000), HK\$1,657,000 (2016: HK\$1,668,000) and HK\$1,446,000 (2016: HK\$1,727,000) respectively.

The operating environment of the Group remained difficult in 2017 as a result of the continued increases in the unit price of raw materials and other production costs coupled with the decrease in sale in coating products due to the weak consumer sentiment.

Continuing the upward trend in 2016, crude oil prices rose gradually in the second half of 2017. Prices of resin and solvent, two petroleum-based raw materials and principal components in coatings, increased sharply and prices of other raw materials used by the Group rose considerably as well. The situation was further adversely affected by the persistent raise of labour cost due to the increase of minimum wage adjustments in the PRC. In 2017, 11 provinces in the PRC (including Shenzhen) have increased the minimum wage levels by an average of 9% and as a result the overall salary and wage level of the Group increased.

Currently, the Group operates two coating plants in Southern China. Stringent policies and regulations have been introduced by the local municipal government, in particular, in the area of environmental conservation with complicated inspection procedures and certification requirements imposing great burden on the operations of the Group's coating plant in Shenzhen. During the year under review, in order to mitigate such adverse effects, small scale restructuring and streamline program had been taken as well as strategic cost reductions in the Group's Shenzhen plant. Part of the production in Shenzhen plant have also been shifted to the Group's coating plant in Guangzhou.

The Company's Taiwan branch, which was established to accommodate the Group's Taiwan-based customers for the retail of coatings and international trading, had been scale-down at the end of December 2017.

Above all, the Group's gross profit for the year ended 31 December 2017 substantially decreased to HK\$65,377,000 (2016: HK\$ HK\$88,136,000) with an overall gross margin of 17.5% (2016: 22.2%). For the year ended 31 December 2017, costs of raw materials and labour accounted for the major part of the Group's cost of sales and services. Given the fierce competition within the coatings industry, such cost increases could not be fully passed on to the Group's customers by price adjustments.

In addition, during the year under review, an office building had been demolished to further expand the storage capacity of one of the Group's coating plant in Changzhou resulted in the increase in the net loss on disposal of property, plant and equipment to HK\$3,279,000 (2016: HK\$89,000).

OTHER

In order to support the Group's growing operations, the Group has further expanded its existing production facilities in Guangzhou plant by commencing the phase two of construction of Guangzhou plant's production facilities. The production facilities consisting of two warehouses, a workshop and a technical development building are expected to be completed by the end of 2018. As at 31 December 2017, the Group had invested approximately HK\$7.1 million for phase two of construction of Guangzhou plant's production facilities.

On the other hand, in view of the fact that additional time is required for compliance with various registration and approval procedures required for the acquisition of the land use rights of a property (the "**Land Acquisition**") by Springfield Chemical (Guangzhou) Company Limited from Zengcheng Ltd. (a connected person of the Company) (as disclosed in the section headed "Connected Transactions" in the prospectus dated 17 November 2015 ("**Prospectus**") and the announcement dated 12 December 2017 issued by the Company), the parties thereto have agreed to further extend the completion date of the Land Acquisition to a date on or before 31 December 2018. The Group considers that the delay in completion of the Land Acquisition will not have any material adverse impact on the operations or financial position of the Company. The Company will make a further announcement as to the development of the Land Acquisition as and when appropriate.

Of the Group's option to dispose of a 40% equity interests in Manfield Teknos (Changzhou) Chemical Company Limited, a sino-foreign equity joint venture established in the PRC and an indirectly 60% subsidiary of the Company (as disclosed in the section headed "History, Reorganization and Group Structure" of the Prospectus), during the year under review, the Company has been reviewing and considering the exercise of the option provided such exercise could bring benefit to the shareholders of the Company. Currently no resolution had been made as to whether or not to exercise this option. The Company will make a further announcement as and when appropriate.

PRINCIPAL ASSOCIATED COMPANY

Of the Group 45% equity interest in CMW, which primarily engaged in the importing, distributing, manufacturing and marketing of coatings for mobile phones and non-stick and high temperature decorative coatings, during the year under review, revenue of CMW decreased by approximately 13.3% to HK\$597,211,000 (2016: HK\$688,703,000) and the Group's share of profit derived from CMW decreased approximately by 43.1% to HK\$13,587,000 (2016: HK\$23,898,000). Sales of coatings for mobile phones by CMW was far from satisfactory as both sales to international and consumer electronics markets dropped. Although sales of railway coatings recorded a mild increase, sales of non-stick and high temperature decorative coatings dropped.

USE OF NET PROCEEDS FROM LISTING

Following the listing of its shares, the Company 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 GZ production facilities	i. Approximately HK\$7.1 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\$5.6 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 for the Group

The Directors consider that the unused proceeds of approximately HK\$84.3 million are to be applied in accordance with the proposed applications as set out in the section headed "Use of proceeds" in the Prospectus. 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 31 December 2017, the Group's non-current assets of HK\$311,430,000 (2016: HK\$315,959,000) consisted of property, plant and equipment of HK\$95,104,000 (2016: HK\$103,890,000), prepaid lease payments of HK\$23,631,000 (2016: HK\$26,961,000), interest in an associate of HK\$191,889,000 (2016: HK\$180,298,000), deferred tax assets of HK\$nil (2016: HK\$162,000), derivative financial instruments of HK\$nil (2016: HK\$1,702,000) and deposits to purchase of property, plant and equipment and prepaid lease payments of HK\$806,000 (2016: HK\$2,946,000). These non-current assets are principally financed by the Group's shareholders' funds. As at 31 December 2017, the Group's net current assets increased to HK\$343,932,000 (2016: HK\$321,311,000).

As at 31 December 2017, the Group has no bank borrowing (2016: nil).

As at 31 December 2017, the Group's leasehold land and buildings situated in Hong Kong amounting to HK\$1,585,000 (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 31 December 2017, the Group had capital commitment contracted for but not provided — acquisition of property, plant and equipment of HK\$2,357,000 (2016: HK\$1,263,000) and other commitment contracted for but not provided — proposed purchase of land of HK\$8,747,000 (2016: HK\$8,174,000).

As at 31 December 2017, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 682 employees as at 31 December 2017 (2016: 714). 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

In view of the challenging market conditions of the coating industry in 2018, the Group will remain conservative and prudent. The Group expects that the competition in the coatings industry will continue to be severe with weak customer demand coupled with the continuing surge in prices of raw materials and other production costs, and compliance costs due to increased public and governmental awareness of environmental protection issues. The Group believes that it will face more challenges ahead and its profit margin will continue to be under pressure.

With a number of toy industry customers relocating their production base from the Pearl River Delta to other overseas region recently, the Group will seek such investment opportunities by exploring suitable place for setting up a new manufacturing plant outside the PRC. In response to the severe market situation, the Company will continue to focus on strict control of operating costs and maintain normal production and operation. At the same time, the Company will explore new business opportunities, bringing new growth and momentum to the Group. The Group will continue to strengthen its business portfolio by leveraging on its stable and experienced management team, providing diversified products mix and integrating with quality control and international certification. The Group will continue to identify suitable projects and monitor the external environment carefully in order to enhance value for the shareholders.

The Group will strive to contribute to the scientific and technological innovation capabilities of the coatings industry and to practically protect the ecological environment and promote the sustainable development of the coatings industry.

PURCHASE, SALE AND 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 throughout the year ended 31 December 2017.

NON-COMPETITION UNDERTAKING

Mr. Yuen Shu Wah and Mr. Ko Jack Lum (each being a member of the senior management of the Company) and Guang Ming Holdings Limited, Mezzo International Limited and Mr. Lee Seng Hui (each being a controlling shareholder of the Company), as covenants (collectively, the "**Covenants**"), have entered into a deed of non-competition in favour of the Company on 6 November 2015 (the "**Non-competition Deed**"), pursuant to which each of the Covenants has irrevocably and unconditionally undertaken to and covenant with the Company (for itself and for the benefit of the members of the Group) that during the continuation of the Non-competition Deed that each of the Covenants shall not carry on, engage in, invest or be interested or otherwise involved in any business that is similar to or in competition with or is likely to be in competition with any business carried on by any member of the Group from time to time or in which any member of the Group is engaged or has invested or is otherwise involved in any territory that the Group carries on its business from time to time.

The controlling shareholders of the Company have provided a confirmation to the Company confirming of their compliance with the Non-competition Deed for the year ended 31 December 2017.

The Independent Non-executive Directors of the Company have also reviewed and were satisfied that each of the controlling shareholders of the Company had complied with the Non-Competition Deed.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2017, the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct regarding director’s securities transactions. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the year ended 31 December 2017.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2017.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

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

Hong Kong, 20 March 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.