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 2018

The board of directors ("**Board**" or "**Directors**") of Manfield Chemical Holdings Limited ("**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as "**Group**") for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*4*	**426,346**	374,161
Cost of sales		**(341,005)**	(308,784)
Gross profit		**85,341**	65,377
Other income	*5*	**19,235**	17,162
Other gains and losses	*5*	**(76)**	(844)
Impairment losses		**(1,541)**	(1,275)
Distribution and selling expenses		**(38,591)**	(33,608)
Administrative expenses		**(61,320)**	(55,274)
Other expenses		**(1,980)**	(1,959)
Finance costs		**(5)**	(2)
Share of results of associates		**8,397**	13,585
Profit before taxation	*6*	**9,460**	3,162
Taxation	*7*	**(2,092)**	29
Profit for the year		**7,368**	3,191
Earnings per share			
— Basic	*9*	**HK1.4 cents**	HK1.0 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**7,368**	3,191
Other comprehensive (expense) income which may be subsequently reclassified to profit or loss:		
Share of exchange differences of associates	**(7,623)**	11,506
Exchange differences arising on translation of foreign operations	**(13,051)**	18,395
Other comprehensive (expense) income for the year	**(20,674)**	29,901
Total comprehensive (expense) income for the year	**(13,306)**	33,092
Profit (loss) for the year attributable to:		
Owners of the Company	**8,563**	6,105
Non-controlling interests	**(1,195)**	(2,914)
	7,368	3,191
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(11,503)**	34,995
Non-controlling interests	**(1,803)**	(1,903)
	(13,306)	33,092

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**98,029**	95,104
Prepaid lease payments		**25,960**	23,631
Interests in associates	*10*	**182,587**	191,889
Deposits to purchase of property, plant and equipment and prepaid lease payments		**3,095**	806
		309,671	311,430
Current assets			
Prepaid lease payments		**782**	705
Inventories		**45,277**	41,568
Trade and other receivables	*11*	**133,881**	110,960
Derivative financial instruments		**–**	433
Tax recoverable		**377**	725
Bank balances and cash		**180,246**	204,613
		360,563	359,004
Assets classified as held for sale		**–**	40,177
		360,563	399,181
Current liabilities			
Trade and other payables	*12*	**54,426**	43,615
Contract liabilities		**139**	–
Tax payable		**1,689**	374
		56,254	43,989
Liabilities associated with assets classified as held for sale		**–**	11,260
		56,254	55,249
Net current assets		**304,309**	343,932
Total assets less current liabilities		**613,980**	655,362
Capital and reserves			
Share capital	*13*	**6,000**	6,000
Reserves		**595,650**	635,229
Equity attributable to owners of the Company		**601,650**	641,229
Non-controlling interests		**12,330**	14,133
Total equity		**613,980**	655,362

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs and the interpretation have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon the application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$7,217,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid and refundable rental deposits received as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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 (Chapter 622).

4. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the amounts received and receivable for goods sold, net of discounts and sales related taxes, which is recognised in a point in time during both years.

The Group is principally engaged in manufacturing and trading of liquid coatings and powder coatings. The management of the Group, being the Group's chief operating decision maker, makes 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 follows:

Year ended 31 December 2018

	Hong Kong and Others# *HK$'000*	**The PRC** *HK$'000*	**Consolidated** *HK$'000*
REVENUE			
External revenue	**33,035**	**393,311**	**426,346**
RESULTS			
Segment profits	**1,032**	**35,610**	**36,642**
Interest income			**1,482**
Unallocated corporate income			**9,226**
Unallocated corporate expenses			**(45,353)**
Unallocated corporate other gains and losses			**(929)**
Finance costs			**(5)**
Share of results of associates			**8,397**
Profit before taxation			**9,460**
TOTAL ASSETS			
Segment assets — trade and bills receivables	**10,768**	**116,420**	**127,188**
Unallocated assets			**543,046**
			670,234
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit:			
Impairment losses recognised on trade receivables	**105**	**1,436**	**1,541**

Year ended 31 December 2017

	Hong Kong and Others# *HK$'000*	The PRC *HK$'000*	Consolidated *HK$'000*
REVENUE			
External revenue	50,493	323,668	374,161
RESULTS			
Segment profits	6,690	17,429	24,119
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			13,585
Profit before taxation			3,162
TOTAL ASSETS			
Segment assets — trade and bills receivables	9,146	96,306	105,452
Unallocated assets			605,159
			710,611
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit:			
Impairment losses recognised on trade receivables	–	666	666

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

The Group's revenue from its major products is as follows:

	2018	2017
	HK$'000	*HK$'000*
Sales		
Liquid coatings		
Sales to outsiders	**286,017**	244,679
Sales to subsidiaries of an associate	**117,189**	105,726
Powder coatings — sales to outsiders	**23,140**	23,756
	426,346	374,161

Information about major customers

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**1,294**	3,602
The PRC	**115,895**	102,124
	117,189	105,726

Geographical information

The Group's operations are located in Hong Kong, the PRC and others. The Group's information about its non-current assets 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, is detailed below:

	2018	2017
	HK$'000	*HK$'000*
Hong Kong and others *(Note)*	**186,757**	196,341
The PRC	**122,914**	115,089
	309,671	311,430

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

	2018	2017
	HK$'000	*HK$'000*
Other income		
Royalty fee income from subsidiaries of an associate	**6,230**	3,708
Management fee income from subsidiaries of an associate	**7,517**	8,304
Rental income from subsidiaries of an associate	**1,709**	1,657
Transportation fee income from a subsidiary of an associate	**1,582**	1,446
Rental income	**715**	693
Interest income	**1,482**	1,354
	19,235	17,162
Other gains and losses		
Net loss on disposal of property, plant and equipment	**(496)**	(3,279)
Net exchange (loss) gain	**(1,069)**	994
Change in fair value of derivative financial instruments	**(433)**	(1,269)
Government grants	**1,518**	2,123
Others	**404**	587
	(76)	(844)

6. PROFIT BEFORE TAXATION

	2018	2017
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	**1,380**	1,180
Directors' emoluments		
Fee	**960**	960
Other emoluments		
Salaries and other benefits	**3,793**	3,812
Retirement benefits scheme contributions	**375**	369
	5,128	5,141
Other staff costs:		
Salaries and other allowances	**97,110**	93,060
Retirement benefits scheme contributions	**7,911**	7,826
Total staff costs	**110,149**	106,027
Release of prepaid lease payments	**813**	788
Depreciation of property, plant and equipment	**14,436**	13,234
Cost of inventories recognised as an expense (included in cost of sales)	**341,005**	308,784
Donation	**1,980**	1,959
Minimum operating lease rentals in respect of rented premises	**2,430**	1,409

7. TAXATION

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong Profits Tax:		
Current year	**742**	737
Overprovision in prior years	**(250)**	(16)
	492	721
PRC Enterprise Income Tax:		
Current year	**1,642**	–
Overprovision in prior years	**(42)**	(912)
	1,600	(912)
Deferred tax	**–**	162
	2,092	(29)

8. DIVIDEND

During the year ended 31 December 2018, a final dividend in respect of the year ended 31 December 2017 of HK$15,000,000 or HK$0.025 per share and an interim dividend in respect of the period ended 30 June 2018 of HK$12,000,000 or HK$0.02 per share (2017: HK$15,000,000) were distributed to its shareholders.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: HK$0.025 per share).

9. EARNINGS PER SHARE

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

	2018 *HK$'000*	2017 *HK$'000*
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**8,563**	6,105
	'000	*'000*
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share	**600,000**	600,000

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

	2018	2017
	HK$'000	*HK$'000*
Unlisted investments, at cost	**513**	513
Share of post-acquisition translation reserve	**3,828**	11,451
Share of post-acquisition profits, net of dividends received	**178,246**	179,925
	182,587	191,889

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**124,869**	107,143
Bills receivables	**5,878**	2,351
Less: Impairment losses on trade receivables	**(3,559)**	(4,042)
Total trade and bills receivables	**127,188**	105,452
Other receivables, deposits and prepayments	**6,693**	5,508
Total trade and other receivables	**133,881**	110,960

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**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
0–30 days	**44,267**	43,295	**251**	771
31–60 days	**26,351**	25,073	**–**	72
61–90 days	**25,368**	13,687	**34**	201
Over 90 days	**25,324**	21,046	**5,593**	1,307
	121,310	103,101	**5,878**	2,351

12. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**28,366**	26,340
Accrued staff cost	**12,656**	10,601
Other payables and accruals	**13,404**	6,674
	54,426	43,615

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	
	2018	2017
	HK$'000	*HK$'000*
0–30 days	**22,237**	20,662
31–60 days	**3,962**	4,022
61–90 days	**848**	381
Over 90 days	**1,319**	1,275
	28,366	26,340

13. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 2018	10,000,000,000	100,000
Issued:		
At 1 January 2017, 31 December 2017 and 2018	600,000,000	6,000

RESULTS AND FINANCIAL OVERVIEW

The Group had a consolidated turnover of HK$426,346,000 (2017: HK$374,161,000) for the year ended 31 December 2018. This represented an increase of approximately 13.95% compared with that for the previous year.

Profit attributable to shareholders of the Company for the year ended 31 December 2018 increased by approximately 40.26% to HK$8,563,000 (2017: HK$6,105,000). This is mainly attributable to (i) the increase in gross profit following the new products launched into the market; (ii) improved sales of the customers; and (iii) the increase in the goods sold to associates of the Company.

Earnings per share for the year ended 31 December 2018 amounted to HK1.4 cents (2017: HK1.0 cents).

The Group's net asset value per share as at 31 December 2018 maintained at HK$1.00 (2017: HK$1.07).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: HK$0.025 per share).

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**Annual General Meeting**") is scheduled to be held on Wednesday, 26 June 2019. 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, 21 June 2019 to Wednesday, 26 June 2019, 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, 20 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2018 was a year filled with changes and opportunities for the Group. In November 2018, Timenew Limited became the controlling shareholder and the ultimate holding company of the Company, bringing on board new directors with their respective expertise and vision as well as other possible business collaboration opportunities in the new economy for the market development and the Company's consideration should appropriate opportunities arise.

Despite the changes and challenges during the year ended 31 December 2018, the overall performance of the Group improved in 2018 as a result of the increase in gross profit following the new products launched into the market; improved sales of the customers; and the increase in the goods sold to associates of the Company.

The profit margin of thermochromic paint, a new product of the Company which was being substantially manufactured in early 2018, was satisfactory. The color of this paint varies with temperature and is commonly used in toys production and the Group is developing other feasible products, such as, medical-related equipment, to broaden the applications of this paint.

Above all, the Group's gross profit for the year ended 31 December 2018 increased to HK$85,341,000 (2017: HK$65,377,000) with an overall gross margin of 20.02% (2017: 17.47%). For the year ended 31 December 2018, the Group's cost of sales with the costs of raw materials and labour accounted for the major part of total cost of sales.

Amid the intense competition due to predatory pricing practiced by other competitors, demand in electrical appliances, computers, communication and consumer electronics products of the Group dropped and hence sales from this segment decreased for the year ended 31 December 2018.

To mitigate the adverse effects from the stringent policies and regulations introduced by the local municipal government, such as, the environmental conservation, complex inspection and certification requirements which imposed great burden on the overall business of the coating plant in Shenzhen, the Group actively implemented various scale restructuring and streamlining program for cost reduction in Shenzhen plant during the year, most of the production in Shenzhen plant have been shifted to the coating plant in Guangzhou. To support the Group's growing operations, we have further expanded our existing production facilities in Guangzhou plant by engaging in phase two of construction of Guangzhou plant's production facilities. The construction of two warehouses had been completed during the year while a workshop and a technical development building are expected to be completed by the end of 2019. As at 31 December 2018, the Group had invested approximately HK$7,700,000 for phase two of construction of Guangzhou plant's production facilities.

The increase in sales of liquid coatings to outsiders of 16.89% to HK$286,017,000 (2017: HK$244,679,000) outweighed the decrease in sales of powder coatings to outsiders of 2.59% to HK$23,140,000 (2017: HK$23,756,000) and thus the overall sales increased for the year ended 31 December 2018.

Furthermore, the increase in revenue was mainly due to the increase in sales of liquid coatings to subsidiaries of an associate, CMW Holding Limited ("**CMW**") and the increase in supply of liquid coatings by Manfield Teknos (Changzhou) Chemical Company Limited ("**MT**") to Teknos Coatings (Shanghai) Co., Ltd.

As a number of toy industry customers moved away their production base from the Pearl River Delta to other overseas region recently, the Group will keep an eye on such investment opportunities in exploring a suitable place for setting up a new manufacturing plant outside the PRC in order to drive the Group to achieve its business objectives.

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 (currently known as Manfield (Guangzhou) Innovative Materials Limited ("**Manfield GZ**")) from Zengcheng Ltd. (a connected person of the Company) (as disclosed in the section headed "Connected Transactions" in the prospectus dated 17 November 2015 and the announcement dated 5 December 2018 issued by the Company), the parties have agreed to further extend the completion date of the Land Acquisition to a date before 31 December 2019. 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 further announcement as to the development of the Land Acquisition as and when appropriate.

Principal Associated Company

Of the Group's 45% equity interest in CMW which is primarily engaged in the importing, distributing, manufacturing and marketing of non-stick and high temperature decorative coatings and coatings for mobile phones, during the year under review, revenue of CMW increased 3.84% to HK$620,122,000 (2017: HK$597,211,000), the overall sales of CMW also increased while the profit for the year of CMW fell. Sales of coatings for mobile phones improved as both sales to international and consumer electronics markets were satisfactory, but sales of railway coatings, non-stick and high temperature decorative coatings recorded decreases. During the year under review, the Group's share of profit derived from CMW decreased approximately 38.17% to HK$8,401,000 (2017: HK$13,587,000).

Acquisition of Third-Party Payment Business

On 2 March 2019, a wholly-owned subsidiary of the Company as purchaser, Mao Hong Holding Limited as vendor and Mr. Chen Liang and Ms. Chen Zi Jun (collectively, the "**Guarantors**") entered into the sale and purchase agreement (the "**Sale and Purchase Agreement**"), pursuant to which, subject to and upon the terms and conditions of the Sale and Purchase Agreement, the Group shall purchase 51% of the issued share capital (the "**Sale Shares**") of Mao Hong Information Technology Holding Limited (the "**Target Company**") free from all encumbrances with effect from the completion of the sale and purchase of the Sale Shares (the "**Completion**") (the "**Acquisition**"). Details of the Acquisition were disclosed in the Company's announcement dated 4 March 2019.

The Target Company and its subsidiaries (the "**Maohong Group**") will undergo the reorganisation of corporate structure of Maohong Group and enter into of a series of structured contracts (the "**Structured Contracts**") with the Guarantors, Shanghai Maohong Information Technology Co., Ltd (the "**OPCO**") and Shanghai Day's Holding Company Limited (collectively, the "**Reorganisation**"). Upon the completion of the Reorganisation, the Target Company shall have indirect control over the management and operation of OPCO and its subsidiaries (the "**OPCO Group**") through the Structured Contracts.

The OPCO Group is a digital payment platform, which provides third-party payment services through the following services and products, namely, (1) Internet payment services and (2) Prepaid card issue and management services and (3) others.

The Acquisition has not been completed up to the date of this announcement.

Others

In relation to the intended exercise of its right to dispose of 40% equity interest in MT, an indirect 60%-owned subsidiary of the Company, the Group submitted an arbitration application to Shanghai International Economic and Trade Arbitration Commission in September 2018. The arbitration process is ongoing and the Group is actively following up the arbitration and evaluating the potential impact and currently, the operation conditions of the Group's businesses remain normal, and the arbitration has no material impact on the Group's operation, financial position and solvency.

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 Manfield GZ production facilities	i. Approximately HK$7.7 million was used as funds for phase two of construction of Manfield GZ's production facilities
ii. Approximately HK$12.0 million for the purchase of additional machinery and equipment	ii. Approximately HK$8.9 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 Manfield GZ's production facilities	iii. Not yet used

Intended use of proceeds	Actual use of proceeds
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 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 2018, the Group's non-current assets of HK$309,671,000 (2017: HK$311,430,000) consisted of property, plant and equipment of HK$98,029,000 (2017: HK$95,104,000), prepaid lease payments of HK$25,960,000 (2017: HK$23,631,000), interests in associates of HK$182,587,000 (2017: HK$191,889,000) and deposits to purchase of property, plant and equipment and prepaid lease payments of HK$3,095,000 (2017: HK$806,000). These non-current assets are principally financed by the Group's shareholders' funds. As at 31 December 2018, the Group's net current assets decreased to HK$304,309,000 (2017: HK$343,932,000).

As at 31 December 2018, the Group has no bank borrowing (2017: nil).

As at 31 December 2018, the Group's leasehold land and buildings situated in Hong Kong amounting to HK$1,508,000 (2017: HK$1,585,000), 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 and related working capital 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 2018, the Group had capital commitment contracted for but not provided — acquisition of property, plant and equipment of HK$8,121,000 (2017: HK$2,357,000) and other commitment contracted for but not provided — proposed purchase of land of HK$8,345,000 (2017: HK$8,747,000).

As at 31 December 2018, the Group did not have any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed herein, for the year ended 31 December 2018, the Group did not make any material acquisitions and disposal of subsidiaries, significant investments or capital commitment.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 641 employees as at 31 December 2018 (2017: 682). 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 expects raw material cost, salary and wages, and other production costs will remain high in 2019 and further compounding the situation is the possibility that the Sino-US trade friction may elevate to the strategic level of curbing China's rapid rise on the world stage and hence the Group will remain conservative and prudent in view of the severe market conditions of the coating industry. With strict implementation of national measures imposed on the coating industry and its upstream suppliers and the resulting high compliance costs, the managing of the overall operating costs of the Group will continue to be challenging.

Exploring Business Opportunities in New Economy Industry

The Company intends to continue the existing principal businesses of the Group and maintain the operational employees of the Group. Leveraging on the experience of Dr. Li Zhong Yuan, the Chairman of the Company, in the new economy sector, which includes financial services, digital applications for retail and quasi-retail in general, and fintech in particular, the Company will explore possible business opportunities in the new economy industry for the Group. Referring to the announcement in relation to the acquisition of Third-Party Payment Business dated on 4 March 2019, the Company will continue to conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, the Company may explore other business opportunities for the Group and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. The Company has been reviewing, and in preliminary discussion and negotiations with multiple entities and different parties in the new economy sector to explore, possible collaboration opportunities. In the event that any such opportunities materialise, further announcement(s) will be made by the Company in accordance with the Listing Rules.

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 2018.

CORPORATE GOVERNANCE PRACTICES

The Board believes that corporate governance is essential to the success of the Company and the enhancement of shareholders' value. Accordingly, the Company has adopted various measures to ensure that a high standard of corporate governance is maintained.

Throughout the year ended 31 December 2018, the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as listed out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited. The current practices will be reviewed and continuously updated.

To the best knowledge of the Board, throughout the year ended 31 December 2018, the Company had complied with all the code provisions set out in the CG Code, save for the code provisions A.2.1, A.6.1, A.6.5 and D.1.4 of the CG Code as described below.

CG Code A.2.1

The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the resignation of Mr. Yuen Shu Wah and Mr. Ko Jack Lum as the Chairman and Chief Executive Officer respectively, the Company does not have any officer with the title of "chief executive officer". Dr. Li Zhong Yuan has been appointed as the Chairman of the Board and is responsible for formulation of corporate strategy, overseeing the management of the Group and business development. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contributions to the Board's affairs and promoting a culture of openness and debate. The daily operation and management of the Company is monitored by the Executive Director as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is struck by the openness and cooperation spirit of the senior management and the Board, which comprises experienced and high-calibre individuals who would meet from time to time to discuss issues affecting operation of the Company and the Group. The structure is supported by the Company's well-established corporate governance structure and internal control policies. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstance arise.

CG Code A.6.1

According to code provision A.6.1 of the CG Code, every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. All newly appointed Directors, namely Dr. Li Zhong Yuan, Ms. Zuo Yi, Mr. Li Gong, Mr. Wang Jianping and Dr. Shi Ping, during the year ended 31 December 2018 did not receive any induction on appointment as the Company was unable to arrange an induction upon or shortly after their appointment on 10 December 2018. The induction will be provided to the newly appointed Directors in 2019 so as to ensure that they have appropriate understanding of the business and operations of the Group and that they are fully aware of their responsibilities under the Listing Rules, legal and other regulatory requirements.

CG Code A.6.5

Code provision A.6.5 of the CG Code requires all directors to participate in continuous professional development to develop and refresh their knowledge and skills. During the period from the appointment of Directors on 10 December 2018 to 31 December 2018, the newly appointed Directors did not participate in continuous professional development. To ensure that all Directors' contribution to the Board remain informed and relevant, the Company will arrange and fund suitable training, placing an appropriate emphasis on the roles, functions and duties of the Directors in 2019.

CG Code D.1.4

Under the code provision D.1.4, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not sign formal letters of appointment with the newly appointed Directors. However, the newly appointed Directors are subject to retirement by rotation at least once every three years in accordance with the articles of association of the Company. In addition, the newly appointed Directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors of the Company.

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 2018.

NON-COMPETITION UNDERTAKING

Mr. Yuen Shu Wah and Mr. Ko Jack Lum (each a member of the senior management of the Company during the year and resigned on 31 December 2018) and Guang Ming Holdings Limited, Mezzo International Limited and Mr. Lee Seng Hui (each being a former controlling shareholder of the Company during the year), as covenanters (collectively, the "**Covenanters**"), 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 Covenanters 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 Covenanters 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 former controlling shareholders of the Company have provided confirmations to the Company confirming of their compliance with the Non-competition Deed for the year ended 31 December 2018.

The Independent Non-executive Directors of the Company have reviewed the confirmation provided by the former controlling shareholders of the Company confirming of their compliance with the Non-competition Deed for the year ended 31 December 2018 and have not received any claims against the controlling shareholders for their non-compliance with the Non-competition Deed from the date of appointment as directors on 10 December 2018 to the date of this announcement.

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 2018.

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 2018 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
Li Zhong Yuan
Chairman

Hong Kong, 31 March 2019

As at the date of this announcement, the Board comprises:

Executive Director:
Dr. Li Zhong Yuan

Non-executive Directors:
Mr. Kong Muk Yin
Ms. Zuo Yi

Independent non-executive Directors:
Mr. Li Gong
Mr. Wang Jianping
Dr. Shi Ping