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 2019

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 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	3	**190,576**	199,119
Cost of sales		**(163,819)**	(162,913)
Gross profit		**26,757**	36,206
Other income		**11,549**	10,086
Other gains and losses		**84**	586
Impairment losses under expected credit loss model, net of reversal		**225**	–
Distribution and selling expenses		**(17,969)**	(19,463)
Administrative expenses		**(37,614)**	(27,021)
Other expenses		**(7,241)**	(990)
Finance costs		**(142)**	–
Share of results of associates		**(7)**	8,667
(Loss) profit before taxation	4	**(24,358)**	8,071
Taxation	5	**881**	(645)
(Loss) profit for the period		**(23,477)**	7,426
(Loss) earnings per share			
— Basic	6	**(HK3.72 cents)**	HK1.25 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) profit for the period	**(23,477)**	7,426
Other comprehensive expense which may be subsequently reclassified to profit or loss:		
Share of exchange differences of associates	**(553)**	(2,232)
Exchange differences arising on translation of foreign operations	**(481)**	(2,441)
Other comprehensive expense for the period	**(1,034)**	(4,673)
Total comprehensive (expense) income for the period	**(24,511)**	2,753
(Loss) profit for the period attributable to:		
Owners of the Company	**(22,313)**	7,494
Non-controlling interests	**(1,164)**	(68)
	(23,477)	7,426
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(23,327)**	2,919
Non-controlling interests	**(1,184)**	(166)
	(24,511)	2,753

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	As at 30 June 2019 HK$'000 (unaudited)	As at 31 December 2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**93,721**	98,029
Right-of-use assets		**31,798**	–
Prepaid lease payments		**–**	25,960
Interests in associates	*8*	**182,027**	182,587
Deposits paid for acquisitions of businesses		**41,000**	–
Deposits to purchase of property, plant and equipment and prepaid lease payments		**14,277**	3,095
		362,823	309,671
Current assets			
Prepaid lease payments		**–**	782
Inventories		**48,046**	45,277
Trade and other receivables	*9*	**130,120**	133,881
Tax recoverable		**–**	377
Bank balances and cash		**122,166**	180,246
		300,332	360,563
Current liabilities			
Trade and other payables	*10*	**67,104**	54,426
Lease liabilities		**1,656**	–
Contract liabilities		**514**	139
Tax payable		**471**	1,689
		69,745	56,254
Net current assets		**230,587**	304,309
Total assets less current liabilities		**593,410**	613,980
Non-current liability			
Lease liabilities		**3,941**	–
Net assets		**589,469**	613,980
Capital and reserves			
Share capital		**6,000**	6,000
Reserves		**572,323**	595,650
Equity attributable to owners of the Company		**578,323**	601,650
Non-controlling interests		**11,146**	12,330
Total equity		**589,469**	613,980

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 ("HKAS") 34 Interim Financial Reporting 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 and powder coatings.

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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of warehouse that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets (Continued)

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

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

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.80%.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	**7,217**
Lease liabilities discounted at relevant incremental borrowing rates	**6,593**
Less:Recognition exemption — short-term leases	**(197)**
Lease liabilities as at 1 January 2019	**6,396**
Analysed as	
Current	**1,617**
Non-current	**4,779**
	6,396

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	**Right-of-use assets** *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		**6,396**
Reclassified from prepaid lease payments	*(a)*	**26,742**
Adjustments on rental deposits at 1 January 2019	*(b)*	**–**
		33,138
By class:		
Leasehold land		**26,742**
Land and buildings		**6,396**
		33,138

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$782,000 and HK$25,960,000 respectively were reclassified to right-of-use assets.

2. **PRINCIPAL ACCOUNTING POLICIES (Continued)**

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. In the opinion of the directors of the Company, the discounting effect at transition on the rental deposits is insignificant.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2018 *HK$'000*	Adjustments *HK$'000*	**Carrying amounts under HKFRS 16 reported at 1 January 2019** ***HK$'000***
Non-current assets				
Prepaid lease payments	*(a)*	25,960	(25,960)	**–**
Right-of-use assets		–	33,138	**33,138**
Current assets				
Prepaid lease payments	*(a)*	782	(782)	**–**
Current liabilities				
Lease liabilities		–	(1,617)	**(1,617)**
Non-current liability				
Lease liabilities		–	(4,779)	**(4,779)**

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$782,000 and HK$25,960,000 respectively were reclassified to right-of-use assets.

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 January 2019 as disclosed above.

3. REVENUE AND SEGMENTAL INFORMATION

Manufacturing and trading of liquid coatings and powder coatings (revenue recognised at a point in time)

The Group is engaged in manufacturing and trading of liquid coatings and powder coatings to the wholesale market.

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods and the primary responsibility when on selling the goods, and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 90 days upon delivery.

All sales of products in manufacturing and trading of liquid coatings and powder coatings are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to those unsatisfied contracts is not disclosed.

The executive directors of the Company, 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:

Six months ended 30 June 2019 (unaudited)

	Hong Kong and Others# *HK$'000*	The PRC *HK$'000*	Consolidated *HK$'000*
REVENUE			
External revenue	**11,842**	**178,734**	**190,576**
RESULTS			
Segment (loss) profit	**(3,809)**	**13,554**	**9,745**
Interest income			**779**
Unallocated corporate income			**4,629**
Unallocated corporate expenses			**(39,378)**
Unallocated corporate other gains and losses			**16**
Finance costs			**(142)**
Share of results of associates			**(7)**
Loss before taxation			**(24,358)**

3. REVENUE AND SEGMENTAL INFORMATION (Continued)

Six months ended 30 June 2018 (unaudited)

	Hong Kong and Others[#] *HK$'000*	The PRC *HK$'000*	Consolidated *HK$'000*
REVENUE			
External revenue	16,617	182,502	199,119
RESULTS			
Segment profit	3,912	11,144	15,056
Interest income			702
Unallocated corporate income			4,790
Unallocated corporate expenses			(21,186)
Unallocated corporate other gains and losses			42
Share of results of associates			8,667
Profit before taxation			8,071

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

Segment (loss) profit represents the results of each segment without allocation of corporate items, including interest income, management fee income and rental income from subsidiaries of an associate, gain on disposal of property, plant and equipment, central administration cost, depreciation of property, plant and equipment, depreciation of right-of-use assets, finance costs and share of results of associates (2018: 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 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.

Revenue from major products

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sales		
Liquid coatings		
Sales to outsiders	**107,753**	125,461
Sales to subsidiaries of an associate	**61,796**	56,954
Sales to a subsidiary of a non-controlling shareholder	**8,067**	6,924
Powder coatings — sales to outsiders	**12,960**	9,780
	190,576	199,119

4. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) profit before taxation has been arrived at after charging (crediting):		
Release of prepaid lease payments	**–**	362
Depreciation of property, plant and equipment	**6,962**	6,199
Depreciation of right-of-use assets	**1,259**	–
Interest expense on lease liabilities	**(142)**	–
Donation	**990**	990
(Gain) loss on disposal of property, plant and equipment	**(16)**	81
Expense relating to short-term leases	**206**	N/A
Minimum operating lease rentals in respect of rented premises	**N/A**	404
Interest income	**(779)**	(702)
Net exchange (loss) gain	**277**	(184)
Change in fair value of derivative financial instruments	**–**	(123)

5. TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
Current period	**372**	351
PRC Enterprise Income Tax:		
Current period	**–**	337
Overprovision in prior years	**(1,253)**	(43)
	(1,253)	294
Tax (credit) charge for the period	**(881)**	645

6. (LOSS) EARNINGS PER SHARE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) earnings:		
(Loss) earnings for the purpose of calculating basic (loss) earnings per share ((loss) profit for the period attributable to owners of the Company)	**(22,313)**	7,494
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	**600,000**	600,000

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

7. DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2019. No final dividend was declared for the year ended 31 December 2018.

During the six months ended 30 June 2018, a final dividend in respect of the year ended 31 December 2017 of HK$15,000,000 or HK$0.025 per share had been proposed by the directors of the Company and approved by the shareholders in the annual general meeting. An interim dividend in respect of the period ended 30 June 2018 of HK$12,000,000 or HK$0.02 per share was proposed by the directors of the Company. Such dividends had been distributed to the shareholders of the Company during the year ended 31 December 2018.

8. INTERESTS IN ASSOCIATES

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Unlisted investment, at cost	**513**	513
Share of post-acquisition translation reserve	**3,275**	3,828
Share of post-acquisition profits, net of dividends received	**178,239**	178,246
	182,027	182,587

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**120,041**	124,869
Bills receivables	**3,297**	5,878
Less: Impairment losses on trade receivables	**(3,227)**	(3,559)
Total trade and bills receivables	**120,111**	127,188
Other receivables	**10,009**	6,693
Total trade and other receivables	**130,120**	133,881

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 2019	As at 31 December 2018	**As at 30 June 2019**	As at 31 December 2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)
0–30 days	**55,022**	44,267	**114**	251
31–60 days	**28,245**	26,351	**813**	–
61–90 days	**18,603**	25,368	**458**	34
Over 90 days	**14,944**	25,324	**1,912**	5,593
	116,814	121,310	**3,297**	5,878

As at 30 June 2019, included in trade receivables, there were trade receivables due from subsidiaries of an associate of HK$22,937,000 (unaudited) (31 December 2018: HK$19,882,000).

10. TRADE AND OTHER PAYABLES

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**47,199**	28,366
Accrued staff cost	**9,657**	12,656
Other payables and accruals	**10,248**	13,404
	67,104	54,426

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 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–30 days	**36,860**	22,237
31–60 days	**7,752**	3,962
61–90 days	**1,623**	848
Over 90 days	**964**	1,319
	47,199	28,366

As at 30 June 2019, included in trade payables, there were trade payables due to a subsidiary of an associate of HK$2,090,000 (unaudited) (31 December 2018: Nil).

RESULTS AND FINANCIAL OVERVIEW

For the six months ended 30 June 2019, the Group recorded decrease in revenue to HK$190,576,000 (2018: HK$199,119,000) and loss for the period attributable to owners of the Company of HK$22,313,000 (profit for 2018: HK$7,494,000) as compared with the same period last year, mainly attributable to the decrease in both sales and gross profit as a result of the challenging operating environment in particular to the heating up tensions over trade between the United States and China; the share of loss of an associate of the Company due to the decline in its mobile phone business; the increase in expenses caused by the restructuring and streamlining of manpower of the Group in the first quarter of the year and the increase in corporate expenses.

Loss per share for the six months ended 30 June 2019 was HK3.72 cents (earnings per share for 2018: HK1.25 cents).

The Group's net asset value per share as at 30 June 2019 was HK$0.96 (2018: HK$1.00).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: HK$0.02 per share).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2019, the influence of tough market conditions sustained and the overall performance of the Group dropped. Sales decreased to HK$190,576,000 (2018: HK$199,119,000) and based on geographical locations, sales to the mainland market decreased to HK$178,734,000 (2018: HK$182,502,000) and sales to Hong Kong and other overseas market also dropped to HK$11,842,000 (2018: HK$16,617,000) while based on products and services, sales of liquid coatings to toys industry and electronic sector customers recorded decrease to HK$107,753,000 (2018: HK$125,461,000); sales of protective coatings to a subsidiary of a non-controlling shareholder and powder coatings recorded mild increase to HK$8,067,000 (2018: HK$6,924,000) and HK$12,960,000 (2018: HK$9,780,000) respectively.

In light of the decrease in sales and the increase in operational expenses caused by the restructuring and streamlining of manpower of the Group, the gross profit and gross profit margin of the Group decreased to HK$26,757,000 (2018: HK$36,206,000) and 14.0% (2018: 18.2%) respectively.

As a result of the decline in its mobile phone business, the Group's share of loss of CMW Holding Limited, its associate company, amounted to HK$7,000 (2018: share of profit HK$8,667,000) for the six months ended 30 June 2019, as compared with the same period last year. Sales of coatings for mobile phones decreased as both sales to international and consumer electronics markets weakened while sales of railway coatings, nonstick and high temperature decorative coatings recorded decreases. Coupled with the increase in operational cost for the period, and thus, provision for bad debts also increased.

Other

Although the arbitration application to Shanghai International Economic and Trade Arbitration Commission in relation to the intended exercise of its right to dispose of 40% equity interest in Manfield Teknos (Changzhou) Chemical Company Limited is still in process, such arbitration has no significant impact on the Group's operation, financial position and solvency and the operation conditions of the Group remain normal.

On 25 June 2019, the Company entered into the subscription agreements with the various subscribers pursuant to which the subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to issue a total of 45,614,035 subscription shares at a price of HK$2.85 per subscription share. On 17 July 2019, an aggregate of 45,614,035 shares have been allotted and issued by the Company to the subscribers, being independent third parties to the Group, at the subscription price of HK$2.85 per share. The gross proceeds raised are approximately HK$130.0 million, and the net proceeds, after deduction of all relevant expenses, are approximately HK$129.7 million, which are intended to be used for the Group's development of new business and general working capital purposes. Details of the completion of subscription of new shares under general mandate were disclosed in the Company's announcement dated 17 July 2019.

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$8.1 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$11.2 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 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 2019, the Group's non-current assets of HK$362,823,000 (31 December 2018: HK$309,671,000) consisted of property, plant and equipment of HK$93,721,000 (31 December 2018: HK$98,029,000), right-of-use assets of HK$31,798,000 (31 December 2018: Nil), prepaid lease payments of nil (31 December 2018: HK$25,960,000), interests in associates of HK$182,027,000 (31 December 2018: HK$182,587,000), deposits paid for acquisitions of businesses of HK$41,000,000 (31 December 2018: Nil) and deposits paid for purchase of property, plant and equipment and prepaid lease payments of HK$14,277,000 (31 December 2018: HK$3,095,000). These non-current assets are principally financed by the Group's shareholders' funds. As at 30 June 2019, the Group's net current assets amounted to HK$230,587,000 (31 December 2018: HK$304,309,000).

As at 30 June 2019, the Group has no bank borrowing (31 December 2018: Nil).

As at 30 June 2019, the Group's leasehold land and buildings situated in Hong Kong amounting to HK$1,470,000 (31 December 2018: HK$1,508,000), 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 2019, the Group had capital commitment contracted for but not provided — acquisition of property, plant and equipment of HK$7,465,000 (31 December 2018: HK$7,812,000) and other commitment contracted for but not provided — proposed purchase of land of HK$8,318,000 (31 December 2018: HK$8,345,000).

As at 30 June 2019, the Group did not have any material contingent liabilities.

EMPLOYEES

The Group had 621 employees as at 30 June 2019 (31 December 2018: 641). 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

It is expected that, raw material, production cost, salary and wages will remain high in the second half of the year 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.

In response to the uncertain market situation and unstable global environment, the Company will continue to focus on strict control of operating costs and maintain normal production and operation. In the meantime, the Group will explore new business opportunity by setting up a new manufacturing plant in the Asia Pacific Region to counter the challenges we are facing.

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 but not limited to 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 Payment Business dated on 4 March 2019, the Company has completed such acquisition on 9 August 2019.

And, with regards to the announcement in relation to the memorandum of understanding (the "MOU") the Company entered into on 24 June 2019, which does not have any legal effect, with Lian Yang Guo Rong Holdings Limited (the "Target Company"), certain shareholders of the Target Company (collectively refer to as the "Vendors") and 聯洋國融(北京)科技有限公司 (Lian Yang Guo Rong (Beijing) Science and Technology Co., Ltd.*) ("OPCO") in respect of the possible acquisition of equity interest in the Target Company by the Company (the "Possible Acquisition"). The Company has paid refundable earnest money of HK$21 million to OPCO. The Possible Acquisition is subject to, among other things, fulfilment of conditions precedent and the entering into of the legally binding documents which may or may not be entered into in relation to the Possible Acquisition (the "Transaction Documents"). As at the date of this announcement, the terms and conditions of the Transaction Documents are yet to be finalised and agreed between the parties to the MOU. Details of the Possible Acquisition were disclosed in the Company's announcement dated 24 June 2019.

The Target Company will undergo reorganisation (the "Reorganisation") by establishing a wholly foreign owned enterprise to be incorporated under the Reorganisation (the "Guo Rong WFOE") as an indirect wholly-owned subsidiary in the PRC, to be used to control 80% of the entire equity interest in and financial results of OPCO by entering into certain structured contracts. Guo Rong WFOE will be engaged in provision of business consultancy services to OPCO.

OPCO is a company incorporated in the PRC with limited liability and is principally engaged in the development of big data mining, modelling and analysis in general, and the provision of digital risk management services in retail financial services. OPCO was initiated by 中國信息通信研究院 (China Academy of Information and Communications Technology*), an entity instrumental in setting China's national strategies, policies and standards of information and communications technology among others and directly under the Ministry of Industry and Information Technology of the PRC. OPCO has secured compliant access to and use of the canonical data source of an authoritative national institution granted by its transformation center of scientific and technological achievements. The Directors consider the Possible Acquisition a valuable opportunity to participate in big data based risk management services in retail financial services business, and is in the interests of the Company and the shareholders of the Company as a whole.

As at the date of the announcement, there is no further update on the Possible Acquisition; and should there be any update on the progress, including but not limited to the signing of the sale and purchase agreement, the Company will publish such announcement in due course.

In order to bring better return to our shareholders, we will continue to conduct regular reviews 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

* *For identification purposes only*

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 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 2019.

CHANGE IN INFORMATION OF DIRECTORS

There is no change in Directors' information since 1 January 2019, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 and Corporate Governance Report (the "CG Code") as listed out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2019, save for the code provision A.2.1 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. 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.

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 2019.

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 2019.

By Order of the Board
Manfield Chemical Holdings Limited
Li Zhong Yuan
Chairman

Hong Kong, 29 August 2019

As at the date of this announcement, the Board comprises Dr. Li Zhong Yuan (Chairman) as executive Director; Mr. Kong Muk Yin and Ms. Zuo Yi as non-executive Directors; and Mr. Li Gong, Mr. Wang Jianping and Dr. Shi Ping as independent non-executive Directors.