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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)

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, MT (an indirect non-wholly owned subsidiary of the Company) and Teknos Coatings entered into the Teknos Agreement pursuant to which MT agreed to sell liquid coatings to Teknos Coatings. The Teknos Agreement became effective on 1 January 2014 and expired on 31 December 2016. On 4 May 2017, MT and Teknos Coatings entered into the New Teknos Agreement with effect from 1 January 2017 for a period of three years.

Teknos Coatings is a wholly-owned subsidiary of Teknos, a company that holds a 40% equity interest in MT, and therefore is an associate of Teknos and as such, both are connected persons of the Company at the subsidiary level. Given that Teknos and Teknos Coatings are connected persons of the Company, the Teknos Group Transactions constitute continuing connected transactions under the Listing Rules.

As all relevant percentage ratios calculated pursuant to the Listing Rules for the transactions contemplated under the New Teknos Agreement are more than 0.1% but less than 5% on an annual basis, such transactions are subject to the reporting, announcement and annual review requirements under the Listing Rules but exempt from the independent Shareholders' approval requirement.

NEW TEKNOS AGREEMENT

The principal terms of the New Teknos Agreement are as follows:

Date

4 May 2017

Parties

MT (as manufacturer) and Teknos Coatings (as purchaser)

Term

Effective from 1 January 2017 to 31 December 2019, subject to renewal for additional three years at the option of Teknos Coatings and the Company's compliance with the Listing Rules and other applicable regulatory requirements

Products supplied by MT to Teknos Coatings

Liquid coatings used in metal industry based on Teknos Group's technology and intellectual property rights

Price determination

The price for the liquid coatings supplied is based on a formula set out in the New Teknos Agreement, which is calculated on a cost plus basis with an agreed markup rate of the cost taking into account raw material costs, packaging costs and production wages among other things, and is determined on an arm's length basis between MT and Teknos Coatings provided that the parties may negotiate on a case-by-case basis to deviate from the formula in case of strong price competition in the market

Payment term

Payment within 30 days from month end of the delivery

Historical transaction amounts

The following table sets out the approximate historical transaction accounts under the Teknos Agreement and the respective annual caps for the relevant periods:

	Actual sales amounts (HK\$)	Annual caps (HK\$)
For the year ended 31 December 2014	22,192,000	N/A
For the year ended 31 December 2015	14,081,000	25,000,000
For the year ended 31 December 2016	15,168,000	26,000,000

In connection with the Teknos Agreement, the Group also purchased an insubstantial amount of raw materials from Teknos Group. These are specific raw materials which are required for the manufacture of liquid coatings ordered by Teknos Coatings pursuant to the Teknos Agreement. The Group purchases such raw materials solely for the manufacture of liquid coatings for sale to Teknos Coatings under the Teknos Agreement. Since the pricing mechanism of the Teknos Agreement takes into account the cost of raw materials used in the manufacture of the goods, and, as mentioned above, the raw materials purchased by the Group from Teknos Group are solely used in the manufacture of products for Teknos Coatings pursuant to the Teknos Agreement, the cost of the raw materials is directly recovered as a component of the revenue the Group receives pursuant to the Teknos

Agreement. Accordingly, the Group is not exposed to price fluctuations in such raw materials and as such, the Group does not source comparable quotes. The price paid by the Group to Teknos Group for the abovementioned raw materials was determined on an arm's length basis between MT and Teknos Group.

	Actual purchase amounts (HK\$)	Annual caps (HK\$)
For the year ended 31 December 2014	561,000	N/A
For the year ended 31 December 2015	665,000	800,000
For the year ended 31 December 2016	763,000	800,000

ANNUAL CAPS

The annual caps for the transactions under the New Teknos Agreement are as follows:

	Annual caps for the year ending (HK\$)		
	31 December 2017	31 December 2018	31 December 2019
Total sales amount	18,500,000	18,500,000	18,500,000
Total purchase amount	1,000,000	1,000,000	1,000,000

The annual caps are determined by taking into account (i) the historical sales/purchases volume; and (ii) the projected sales/purchases volume for the three years ending 31 December 2017, 2018 and 2019 respectively.

PRINCIPAL BUSINESS OF THE GROUP

The Group is principally engaged in the manufacturing and sale of industrial coatings in the forms of customized liquids and powders.

PRINCIPAL BUSINESS OF TEKNOS COATINGS

Teknos Coatings is principally engaged in the manufacturing and sale of industrial coatings.

REASONS FOR AND BENEFITS OF THE NEW TEKNOS AGREEMENT

The entering into the New Teknos Agreement will continue the business relationship between the Group and Teknos Group since 2011 and will enhance the sales of the Group.

The Directors (including the independent non-executive Directors) consider that the New Teknos Agreement is entered into in the ordinary and usual course of business on normal commercial terms that are fair and reasonable, or on terms no less favourable than those available to Independent Third Parties under the prevailing market terms, in the ordinary and usual course of business of the Company and are in the interests of the Group and its Shareholders as a whole.

None of the Directors has a material interest in the transactions contemplated under the New Teknos Agreement and hence no Director has abstained from voting on such board resolution.

COMPLIANCE WITH THE LISTING RULES

Teknos Coatings is a wholly-owned subsidiary of Teknos, a company that holds a 40% equity interest in MT, and therefore is an associate of Teknos and as such, both are connected persons of the Company at the subsidiary level. Given that Teknos and Teknos Coatings are connected persons of the Company, the Teknos Group Transactions constitute continuing connected transactions under the Listing Rules.

As all relevant percentage ratios calculated pursuant to the Listing Rules for the transaction contemplated under the New Teknos Agreement are more than 0.1% but less than 5% on an annual basis, such transactions are subject to the reporting, announcement and annual review requirements under the Listing Rules but exempt from the independent Shareholders' approval requirement.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Manfield Chemical Holdings Limited (萬輝化工控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1561)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who, together with his/her ultimate beneficial owner(s) is/are persons independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MT”	Manfield Teknos (Changzhou) Chemical Company Limited* (萬輝泰克諾斯(常州)化工有限公司), formerly known as Manfield Chemical (Changzhou) Company Limited* (常州萬輝化工有限公司), a Sino-foreign equity joint venture established in the PRC and an indirectly non-wholly owned subsidiary of the Company

“New Teknos Agreement”	the agreement dated 4 May 2017 and entered into between MT and Teknos Coatings in relation to the Teknos Group Transactions
“PRC”	People’s Republic of China
“Prospectus”	the Company’s prospectus dated 17 November 2015
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Teknos”	Teknos Group Oy, a company incorporated in Finland holding a 40% interest in MT and a connected person of the Group by virtue of being a minority shareholder of MT
“Teknos Agreement”	the agreement dated 13 January 2011 and entered into between MT and Teknos Coatings in relation to the Teknos Group Transactions (amended and replaced by agreements dated 27 August 2012 and 3 December 2013 and supplemented by a deed of variation dated 17 June 2014)
“Teknos Coatings”	Teknos Coatings (Shanghai) Co., Ltd* (泰克諾斯塗料(上海)有限公司), a company established in the PRC and wholly-owned by Teknos
“Teknos Group”	Teknos and Teknos Coatings
“Teknos Group Transactions”	the sale of liquid coatings to Teknos Coatings and purchase of raw materials from Teknos Group

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

Hong Kong, 4 May 2017

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

* for identification purpose only