



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

2017
INTERIM REPORT

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	NOTES	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	103,253	103,890
Prepaid lease payments		26,991	26,961
Interests in associates	9	189,152	180,298
Deferred tax assets		162	162
Derivative financial instruments	14	1,070	1,702
Deposits to purchase of property, plant and equipment and prepaid lease payments		2,991	2,946
		323,619	315,959
Current assets			
Prepaid lease payments		778	766
Inventories		50,232	54,132
Trade and other receivables	10	122,246	110,720
Tax recoverable		603	823
Structured deposits	11	4,541	–
Bank balances and cash		200,943	204,625
		379,343	371,066
Current liabilities			
Trade and other payables	12	53,082	48,728
Tax payable		133	1,027
Dividend payable	7	15,000	–
		68,215	49,755
Net current assets		311,128	321,311
Total assets less current liabilities		634,747	637,270
Capital and reserves			
Share capital	13	6,000	6,000
Reserves		613,460	615,234
Equity attributable to owners of the Company		619,460	621,234
Non-controlling interests		15,287	16,036
Total equity		634,747	637,270

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the Company											
	Share capital	Share premium	Shareholders' contribution/				Other reserve	Non-distributable reserve	Retained profits	Total	Non-controlling interests	Total
			Special reserve	distribution reserve	Translation reserve							
			HK\$'000	HK\$'000	HK\$'000	HK\$'000						
			(note a)	(note b)		(note c)	(note d)					
At 1 January 2016 (audited)	6,000	133,883	32,000	(274)	26,180	4,571	11,086	411,667	625,113	16,715	641,828	
Share of exchange differences of an associate	-	-	-	-	(1,721)	-	-	-	(1,721)	-	(1,721)	
Exchange differences arising on translation of foreign operations	-	-	-	-	(3,134)	-	-	-	(3,134)	(150)	(3,284)	
Other comprehensive expense for the period	-	-	-	-	(4,855)	-	-	-	(4,855)	(150)	(5,005)	
Profit for the period	-	-	-	-	-	-	-	10,301	10,301	50	10,351	
Total comprehensive (expense) income for the period	-	-	-	-	(4,855)	-	-	10,301	5,446	(100)	5,346	
Dividend recognised as distribution	-	-	-	-	-	-	-	(15,000)	(15,000)	-	(15,000)	
Transfer	-	-	-	-	-	-	485	(485)	-	-	-	
At 30 June 2016 (unaudited)	6,000	133,883	32,000	(274)	21,325	4,571	11,571	406,483	615,559	16,615	632,174	
At 1 January 2017 (audited)	6,000	133,883	32,000	(274)	(4,302)	4,571	12,825	436,531	621,234	16,036	637,270	
Share of exchange differences of associates	-	-	-	-	2,525	-	-	-	2,525	-	2,525	
Exchange differences arising on translation of foreign operations	-	-	-	-	4,380	-	-	-	4,380	244	4,624	
Other comprehensive expense for the period	-	-	-	-	6,905	-	-	-	6,905	244	7,149	
Profit for the period	-	-	-	-	-	-	-	6,321	6,321	(893)	5,328	
Total comprehensive income (expense) for the period	-	-	-	-	6,905	-	-	6,321	13,226	(749)	12,477	
Dividend recognised as distribution	-	-	-	-	-	-	-	(15,000)	(15,000)	-	(15,000)	
Transfer	-	-	-	-	-	-	105	(105)	-	-	-	
At 30 June 2017 (unaudited)	6,000	133,883	32,000	(274)	2,603	4,571	12,930	427,747	619,460	15,287	634,747	

Notes:

- (a) The special reserve of the Group represents the nominal values of 32,000,000 non-voting class A shares of HK\$1 each issued by a subsidiary of the Company to its shareholders prior to a group reorganisation in 2002.
- (b) The balance as at 30 June 2017 and 2016 included: (i) deemed distribution to a shareholder of HK\$12,515,000 involving a distribution of assets other than cash to an owner by making reference to the fair value of the assets being distributed; (ii) deemed contribution from a shareholder of HK\$842,000 about the disposal of a subsidiary which having net liabilities; and (iii) deemed shareholders' contribution upon the waive of loan from ultimate holding company of HK\$11,399,000.
- (c) Other reserve was resulted from the partial disposal of a subsidiary in previous years.
- (d) The non-distributable reserve of the Group mainly represents statutory reserve requirement that the foreign investment enterprises appropriated 10% of the profit after taxation of the subsidiaries of the Company registered in the People's Republic of China (the "PRC") to the non-distributable reserve under the PRC laws and regulations until the transferred amount equals to 50% of the registered capital of these PRC subsidiaries. It can be used to make up for previous years' losses or converted into additional capital of these PRC subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(1,656)	(12,681)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(3,784)	(1,177)
Dividends received from an associate	4,500	–
Interest received	696	618
Investment in structured deposits	(4,541)	–
Deposits paid for purchase of property, plant and equipment and prepaid lease payment	–	(1,521)
Proceeds from disposal of property, plant and equipment	48	331
NET CASH USED IN INVESTING ACTIVITIES	(3,081)	(1,749)
CASH USED IN FINANCING ACTIVITY		
Interest paid	(4)	(4)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,741)	(14,434)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	204,625	200,425
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,059	(590)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	200,943	185,401

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

3. REVENUE AND SEGMENTAL INFORMATION

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

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

Six months ended 30 June 2017 (unaudited)

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

3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Six months ended 30 June 2016 (unaudited)

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

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

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

3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Revenue from major products and services

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

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

4. PROFIT BEFORE TAXATION

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

5. TAXATION

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

6. EARNINGS PER SHARE

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

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

7. DIVIDEND

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

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, total additions to property, plant and equipment were approximately HK\$3,784,000 (six months ended 30 June 2016: HK\$1,177,000) which mainly represented additions to leasehold land and buildings, leasehold improvements and construction in progress of HK\$3,061,000 (six months ended 30 June 2016: HK\$181,000), furniture, fixtures and office equipment of approximately HK\$259,000 (six months ended 30 June 2016: HK\$424,000), motor vehicles of approximately HK\$127,000 (six months ended 30 June 2016: HK\$151,000), and plant and machinery of approximately HK\$337,000 (six months ended 30 June 2016: HK\$421,000).

9. INTERESTS IN ASSOCIATES

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

10. TRADE AND OTHER RECEIVABLES

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

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

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

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

11. STRUCTURED DEPOSITS

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

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

12. TRADE AND OTHER PAYABLES

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

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

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

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

13. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 June 2017 and 2016	10,000,000,000	100,000
Issued:		
At 30 June 2017 and 2016	600,000,000	6,000

14. DERIVATIVE FINANCIAL INSTRUMENTS

On 3 December 2013, the Group entered into a share transfer agreement and a shareholder's agreement (the "Shareholder's Agreement") with Teknos Group Oy, an independent third party (the "Purchaser"). Pursuant to these agreements, the Group agreed to dispose of its 20% equity interests in Manfield Teknos (Changzhou) Chemical Company Limited ("Manfield Changzhou") to the Purchaser at a cash consideration of approximately RMB10 million (or equivalent to approximately HK\$13 million) reducing the Group's equity interests in Manfield Changzhou to 60% upon completion. In addition, the Group has a right ("Put Option") to dispose of its further 40% equity interests in Manfield Changzhou at a consideration pre-described in the Shareholder's Agreement (the "Price") for a period of five years from the date of the Shareholder's Agreement. According to the Shareholder's Agreement, the Purchaser has a right ("Call Option") to acquire further 40% equity interests in Manfield Changzhou from the Group at the Price starting from the sixth years from the date of the Shareholder's Agreement (no definite period set out in the Shareholder's Agreement) if the Group does not exercise its right to dispose of its 40% equity interests in Manfield Changzhou during the first five years period.

At the date of further disposal of 40% equity interests in Manfield Changzhou, the Price is determined at the higher of (i) 40% of the net assets value of Manfield Changzhou plus a premium at the date of such further disposal or (ii) 6 times of earnings before interest, taxes, depreciation and amortisation for the period of twelve months immediately before the date of such further disposal; or (iii) RMB20,500,000.

14. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The Put Option and Call Option (“Options”) are classified as derivative financial instruments at initial recognition.

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Options assets	1,070	1,702

The fair values of Options at the end of the reporting period were determined by an independent valuer, Asset Appraisal Limited, using the Binominal Option Pricing Model. The inputs into the model are as follows:

	As at 30 June 2017	As at 31 December 2016
The Price	RMB23,157,392	RMB23,863,874
Equity value <i>(note a)</i>	RMB23,157,392	RMB23,863,874
Expected volatility <i>(note b)</i>	32.75%	35.87%
Time-to-maturity	1.42	1.92
Dividend yield	0%	0%
Risk-free rate <i>(note c)</i>	3.45%	2.75%

Notes:

- (a) The equity value was determined with reference to net assets value of Manfield Changzhou plus a premium.
- (b) Expected volatility for the Options is based on the historical daily price movements of comparable listed companies in the same industry. The expected volatility has been adjusted, based on management’s best estimate, for the effects of non-marketability, exercise restrictions and behavioural considerations.
- (c) The risk-free rate is determined by reference to the yield of China Government Bond with similar maturities.

The directors of the Company have represented that they have no intention to exercise the Put Option within twelve months from the end of the reporting period. Accordingly the respective derivative financial instruments are classified as non-current assets as at 30 June 2017 and 31 December 2016 respectively.

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 30 June 2017	Fair value as at 31 December 2016	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Options classified as derivative financial instruments	Assets – HK\$1,070,000	Assets – HK\$1,702,000	Level 3	Binominal Option Pricing Model The key inputs are risk-free interest rate, equity value of Manfield Changzhou, expected volatility, dividend yield and the Price	Equity value of Manfield Changzhou, the Price and expected volatility
Structured deposits	Assets – HK\$4,541,000	N/A	Level 2	Discounted cash flows with reference to the underlying assets' observable price	N/A

There were no transfers between Level 1 and 2.

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Reconciliation of Level 3 fair value measurements of derivative financial instruments

	HK\$'000
At 1 January 2017 (audited)	1,702
Change in fair value — unrealised	(632)
At 30 June 2017 (unaudited)	1,070

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, where Level 1 inputs are not available, the management of the Group work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The qualified external valuers were engaged to perform the valuations of the options required for financial reporting purposes, including Level 3 fair value measurements of derivative financial instruments.

16. COMMITMENTS

(a) Capital commitments

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Capital expenditure in respect of the acquisition of: Property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	1,282	1,263

16. COMMITMENTS *(Continued)*

(b) Other commitments

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Proposed purchase of land contracted for but not provided in the condensed consolidated financial statements (<i>Note</i>)	8,302	8,174

Note:

On 10 September 2012, the Group entered into a sale and purchase agreement with a company owned by Mr. Yuen Shu Wah, a director of the Company, to acquire two pieces of land located in the PRC at an aggregate cash consideration of RMB3,367,000. Deposit of RMB673,000 was paid during the year ended 31 December 2012. The remaining balance of RMB2,694,000 was included as commitment as at 30 June 2017, equivalent to HK\$3,059,000 (31 December 2016: HK\$3,012,000). The purchase of these two pieces of land had not yet been completed up to 30 June 2017.

On 22 May 2015, the Group entered into a sale and purchase agreement with the People's Government of Luoyang Town, Wujin District, Changzhou City to acquire a piece of land located in the PRC at a cash consideration of RMB6,579,000. Deposit of RMB1,961,000 was paid and the remaining balance of RMB4,618,000 was included as commitment as at 30 June 2017 and 31 December 2016, equivalent to HK\$5,243,000 and HK\$5,162,000, respectively. The purchase of the land had not yet been completed up to 30 June 2017.

17. OPERATING LEASE COMMITMENTS

The Group as lessor

At the end of the reporting period, the Group had contracted with subsidiaries of an associate for the following future minimum lease payments under non-cancellable operating leases in respect of rented office and factory premises which fall due as follows:

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Within one year	1,584	1,539
In the second to fifth year inclusive	496	175
	2,080	1,714

Lease was negotiated and monthly rentals were fixed for term of one to two years.

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of office and factory premises under non-cancellable operating leases which fall due as follows:

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Within one year	1,541	2,253
In the second to fifth year inclusive	459	178
	2,000	2,431

Lease was negotiated and monthly rentals were fixed for term of one to two years.

18. RELATED PARTY TRANSACTIONS

During the period, save as disclosed elsewhere in the condensed consolidated financial statements, the Group also had the following transactions with its related parties:

Relationship	Nature of transactions	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Subsidiaries of an associate	Sales of goods	48,480	40,905
	Subcontracting fee income	–	7,002
	Management fee income	4,488	4,622
	Rental income	771	917
	Transportation fee income	728	783
	Royalty fee income	1,571	1,739
	Purchase of goods	3,768	11,626
	Dividend received	4,500	–
A subsidiary of a non-controlling shareholder	Rental income	340	356
	Sales of goods	4,265	8,874
	Purchase of goods	38	189
A non-controlling shareholder	Purchase of goods	105	283

Compensation of key management personnel

The remuneration of the executive directors, who represent the key management personnel of the Group, were as follows:

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short-term employee benefits	2,350	1,983
Post-employment benefits	184	178
	2,534	2,161

RESULTS AND FINANCIAL OVERVIEW

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

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

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

BUSINESS REVIEW *(Continued)*

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

USE OF NET PROCEEDS FROM LISTING

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

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

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

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

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

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

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

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

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

EMPLOYEES

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

PROSPECTS AND STRATEGIES

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

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

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2017, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Interest in associated corporation

Name of associated corporation	Name of Director	Capacity	Number of shares held	Percentage of issued share capital
Guang Ming Holdings Limited ("Guang Ming")	Mr. Yuen Shu Wah ("Mr. Yuen")	Beneficial Owner	2,865 shares (L) (Note 1)	28.65%
	Mr. Ko Jack Lum ("Mr. Ko")	Beneficial Owner	1,550 shares (L) (Note 2)	15.5%

L — represent the entity / individual's long position in the shares of the Company

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE *(Continued)*

Notes:

1. Guang Ming, the holding company of the Company. Mr. Yuen has associated corporation interest in long position of 2,865 ordinary shares of Guang Ming. Therefore, Mr. Yuen is deemed to have corporate interest of approximately 28.65% of the Company.
2. Mr. Ko has associated corporation interest in long position of 1,550 ordinary shares of Guang Ming. Therefore, Mr. Ko is deemed to have corporate interest of approximately 15.5% of the Company.

Further Note:

Each of Mr. Yuen and Mr. Ko has associated corporation interest in long position of 9,168,000 and 4,960,000 non-voting class A shares of Manfield Coatings Company Limited, an indirect wholly-owned subsidiary of the Company.

Save as disclosed above, as at 30 June 2017, none of the Directors, the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares, underlying shares, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Long positions in the shares of the Company

Name of Shareholder	Capacity	Number of Shares held	Percentage of issued share capital of the Company
Mr. Lee Seng Hui ("Mr. Lee")	Held by controlled corporation	450,000,000 (L) (Note 1)	75%
Mezzo International Limited ("Mezzo")	Held by controlled corporation	450,000,000 (L) (Note 1)	75%
Guang Ming	Beneficial owner	450,000,000 (L) (Note 1)	75%
Ms. Chew Wai Ling ("Ms. Chew")	Held by spouse	450,000,000 (L) (Note 2)	75%

L — represent the entity / individual's long position in the shares of the Company

Notes:

- (1) Guang Ming, approximately 51% owned by Mezzo, has corporate interest in long position of 450,000,000 ordinary shares of the Company. Mr. Lee maintains 100% beneficial interests in Mezzo. Accordingly, Mr. Lee is deemed to have corporate interest in long position of 450,000,000 ordinary shares of the Company.
- (2) Ms. Chew is the spouse of Mr. Lee. Accordingly, Ms. Chew is deemed to have corporate interest in long position of 450,000,000 ordinary shares of the Company.
- (3) As of 30 June 2017, the Company's total number of issued shares was 600,000,000.

Save as disclosed above, as at 30 June 2017, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

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

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

CHANGE IN THE INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), change in the information of Director of the Company required to be disclosed is set out below:

Dato’ Wong Peng Chong, a Non-executive Director of the Company, resigned as director of both Mabuhay Holdings Corporation and IRC Properties Inc., companies listed on The Philippine Stock Exchange, Inc., on 27 July 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with corporate governance code

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

Compliance with model code for securities transactions by directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company’s code of conduct regarding directors’ securities transactions. Having made specific enquiries with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the six months ended 30 June 2017.

Audit committee review

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

By Order of the Board

Manfield Chemical Holdings Limited

Yuen Shu Wah

Chairman

Hong Kong, 29 August 2017

As at the date of this report, 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.