冠力國際有限公司
Softpower International Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 00380)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the "Board") of Softpower International Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016, are as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2017

		Unaudited	
		For the six months ended 30 June	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**328,795**	297,221
Cost of sales	*4*	**(219,240)**	(212,511)
Gross profit		**109,555**	84,710
Other gains/(loss), net	*3*	**1,649**	(7)
Selling and distribution costs	*4*	**(11,321)**	(9,383)
General and administrative expenses	*4*	**(50,620)**	(54,660)
Operating profit		**49,263**	20,660
Finance income	*5*	**5,046**	960
Finance costs	*5*	**(1,226)**	(965)
Finance income/(costs), net	*5*	**3,820**	(5)
Profit before income tax		**53,083**	20,655
Tax expense	*6*	**(8,717)**	(5,478)
Profit for the period		**44,366**	15,177
Profit attributable to:			
Equity holders of the Company		**44,468**	15,177
Non-controlling interests		**(102)**	-
		44,366	15,177
Earnings per share attributable to equity holders of the Company		***HK cents***	*HK cents*
Basic and diluted	*7*	**3.34**	1.14
		HK$'000	*HK$'000*
Dividend	*8*	**-**	-

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Unaudited	
	For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Profit for the period	**44,366**	15,177
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss:		
Currency translation differences	**(122)**	55
Other comprehensive income for the period, net of tax	**(122)**	55
Total comprehensive income for the period, net of tax	**44,244**	15,232
Total comprehensive income attributable to:		
Equity holders of the Company	**44,346**	15,232
Non-controlling interests	**(102)**	-
	44,244	15,232

There was no tax impact relating to the components of other comprehensive income for the six months ended 30 June 2016 and 2017.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	Unaudited 30 June 2017 HK$'000	Audited 31 December 2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**5,819**	5,409
Loan to a related company	*9*	**78,254**	77,746
Pledged certificate of deposit		**10,000**	10,000
Rental deposits and other assets	*9*	**7,397**	6,732
		101,470	99,887
Current assets			
Inventories		**171,690**	159,439
Trade receivables	*9*	**138,510**	127,180
Deposits, prepayments and other receivables	*9*	**47,425**	23,625
Financial assets at fair value through profit or loss		**1,785**	1,651
Tax recoverable		**16**	17
Pledged bank deposits		**37,000**	37,000
Cash and bank balances		**139,386**	149,374
		535,812	498,286
Total assets		**637,282**	598,173

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	**Unaudited 30 June 2017** *HK$'000*	Audited 31 December 2016 *HK$'000*
EQUITY			
Equity holders			
Share capital		**26,665**	26,665
Reserves		**453,988**	409,611
		480,653	436,276
Non-controlling interests		**(110)**	(8)
Total Equity		**480,543**	436,268
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**44**	181
Other non-current liabilities		**3,457**	3,457
		3,501	3,638
Current liabilities			
Trade and other payables	*10*	**64,122**	80,546
Taxation payable		**11,341**	3,730
Borrowings		**77,775**	73,991
		153,238	158,267
Total liabilities		**156,739**	161,905
Total equity and liabilities		**637,282**	598,173
Net current assets		**382,574**	340,019
Total assets less current liabilities		**484,044**	439,906

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial information should be read in conjunction with the audited consolidated annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except for described below, the accounting policies adopted are consistent with those used in the audited consolidated annual financial statements for the year ended 31 December 2016.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Adoption of amendments to existing standards

In the current interim period, the Group has applied, for the first time, certain amendments to 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 financial effect on these condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group is assessing the impact of these new standards and amendments to standards.

2. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker has been identified as the executive directors of the Company. The chief operating decision-maker assesses the performance of the operating segments based on a measure of profit attributable to equity holders of the Company.

During the period, the Group has only one reportable segment, which is trading of pipes and fittings. Trading of pipes and fittings includes wholesale, retail and logistics operations substantially in Hong Kong and Macau. Revenue represents the sales of pipes and fittings to customers.

Geographical information

The Group is domiciled in Hong Kong. Revenue from external customers by geographical location is detailed below:

	Revenue Unaudited For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**300,878**	271,257
Macau	**27,917**	25,964
	328,795	297,221

The Group's non-current assets by geographical location are detailed below:

	Unaudited 30 June 2017	Audited 31 December 2016
	HK$'000	*HK$'000*
Hong Kong	**100,233**	98,620
Mainland China	**1,237**	1,267
	101,470	99,887

3. OTHER GAINS/(LOSS), NET

	Unaudited For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Net exchange gains/(loss)	**1,174**	(352)
Net gain on disposal of property, plant and equipment	**105**	78
Gains/(Loss) on financial assets at fair value through profit or loss	**46**	(50)
Dividend income from financial assets at fair value through profit or loss	**34**	57
Sundry income	**290**	260
	1,649	(7)

4. EXPENSES BY NATURE

Operating profit is arrived at after charging:

	Unaudited For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold	**212,752**	207,665
Auditor's remuneration	**632**	597
Depreciation of property, plant and equipment	**1,641**	1,306
Employee benefit expenses (including directors' emoluments)	**35,967**	35,213
Operating lease payments	**10,625**	10,012
Provision for impairment of trade and other receivables, net	**126**	5,092
Provision for impairment of inventories, net	**2,083**	1,076
Other expenses	**17,355**	15,593
	281,181	276,554
Representing:		
Cost of sales	**219,240**	212,511
Selling and distribution costs	**11,321**	9,383
General and administrative expenses	**50,620**	54,660
	281,181	276,554

5. FINANCE (INCOME)/COSTS, NET

	Unaudited For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**(652)**	(484)
Interest income on loan to a related company	**(4,060)**	-
Other interest income	**(334)**	(476)
Interest expense on bank borrowings wholly repayable within one year	**1,226**	965
	(3,820)	5

6. TAX EXPENSE

	Unaudited For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Current taxation:		
Hong Kong profits tax	**8,621**	5,269
Overseas tax	**233**	65
Under-provision in prior years	**-**	9
Deferred taxation	**(137)**	135
Tax expense	**8,717**	5,478

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to equity holders of the Company and weighted average number of ordinary shares with adjustments where applicable as follows:

	Unaudited For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company for the purpose of basic earnings per share	**44,468**	15,177
Number of shares	**Thousand**	Thousand
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,333,270**	1,333,270

Diluted earnings per share for the six months ended 30 June 2016 and 2017 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

8. DIVIDEND

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

9. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2017	Audited 31 December 2016
	HK$'000	*HK$'000*
Trade receivables	**140,454**	128,998
Less: provision for impairment	**(1,944)**	(1,818)
Trade receivables – net	**138,510**	127,180
Prepayments	**41,400**	17,539
Loan to an employee	**1,391**	1,343
Other receivables, deposits and other assets	**5,551**	5,143
Rental deposits	**6,480**	6,332
Loan to a related company	**78,254**	77,746
	133,076	108,103
	271,586	235,283
Less non-current portion:		
Rental deposits and other assets	**(7,397)**	(6,732)
Loan to a related company	**(78,254)**	(77,746)
	185,935	150,805

The Group generally grants credit period of 60-120 days to its customers for its trading of pipes and fittings operation. The ageing analysis of the trade receivables based on the due date is as follows:

	Unaudited 30 June 2017	Audited 31 December 2016
	HK$'000	*HK$'000*
Within credit period	**97,222**	85,535
1 to 30 days	**27,407**	25,089
31 to 60 days	**6,844**	6,810
61 to 90 days	**1,594**	4,028
91 to 120 days	**293**	979
Over 120 days	**7,094**	6,557
	140,454	128,998

As at 30 June 2017, trade receivables of HK$1,944,000 (31 December 2016: HK$1,818,000) were impaired and provided for. The individually impaired receivables mainly relate to customers which had significant delay in repayment or were in unexpected difficult financial situations. These receivables were past due more than 120 days.

10. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2017	Audited 31 December 2016
	HK$'000	*HK$'000*
Trade payables	**33,697**	37,982
Accrued expenses and other payables	**30,425**	42,564
	64,122	80,546

The ageing analysis of the Group's trade payables, based on the invoice date, is as follows:

	Unaudited 30 June 2017	Audited 31 December 2016
	HK$'000	*HK$'000*
Within 30 days	**27,553**	34,456
31 to 60 days	**4,812**	2,256
61 to 90 days	**1,110**	1,256
Over 90 days	**222**	14
	33,697	37,982

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the period ended 30 June 2017, the Group recorded revenue of approximately HK$328.8 million (2016: HK$297.2 million), an increase of 10.6% as compared to the same period in 2016. The profit attributable to equity holders of the Company for the six months ended 30 June 2017 was approximately HK$44.5 million (2016: HK$15.2 million), representing an increase of 192.8% over the same period in 2016 as the overall revenue and gross margin increase. The basic earnings per share was approximately HK3.34 cents (2016: HK1.14 cents).

Business Review

The Group is a leading provider to the construction sector offering a wide range of pipe (including copper tube, stainless steel and steel pipes, etc.), related products, fittings, comprehensive services and solutions to the contractors, designers, consultants and government agencies in Hong Kong and Macau.

The Group performed well with revenue rising 10.6% to HK$328.8 million for the period ended 30 June 2017 as compared to the same period in 2016. This was driven by the positive momentum which continued in the first half of 2017. On the back of favourable market conditions in the first half of the year, demand for construction materials remained robust. The strong demand was driven by the continued growth in public and private construction works in Hong Kong. Our comprehensive product portfolio and proven track record enabled us to be the leading provider in the market. The Group supplied pipes and fittings to several sizeable projects in Hong Kong and Macau during the period under review. The notable projects were So Uk Estate redevelopment projects, Hong Kong Airport Midfield Apron Development Works and Tai Po Water Treatment Works in Hong Kong and Lisboa Palace in Macau during the period under review.

The Group's selling and distribution costs increased by 20.7% to HK$11.3 million for the six months ended 30 June 2017 (corresponding period of 2016: HK$9.4 million), mainly due to the increase in logistic staff costs, transportation and goods handling fee, promotion expenses and sales commission of about HK$2.3 million. The increase in expenses was partially offset by the decrease in consultancy fees of approximately HK$0.4 million.

The Group's general and administrative expenses decreased by 7.4% to HK$50.6 million for six months ended 30 June 2017 (corresponding period of 2016: HK$54.7 million). Such decrease was mainly due to the net result of decrease in non-recurring provision for impairment of trade and other receivables of about HK$5.0 million incurred during the six months ended 30 June 2016 and the increase in operating lease payments and depreciation expenses of approximately HK$0.9 million for the period under review.

Finance income increased due to higher interest income from a loan transaction to a related company which transacted in last year. Finance costs increased was mainly due to higher average bank borrowings balances and higher bank interest rate for the period under review compared to the previous corresponding period. As finance income outpaced costs during the period, we recorded net finance income of HK$3.8 million. It was net finance costs in the last corresponding period and the net amount was insignificant.

PROSPECTS

The Group has committed to putting in resources and continuous efforts in meeting the new standards of pipes and fittings required by the Hong Kong Government. In the second half of 2017, we consider that there are full of opportunities and challenges in Hong Kong. Keen competition, rising staff costs and rental costs will put pressure on us. As always, we will stay vigilant to these challenges ahead. We are confident that with a healthy financial position, we will grasp the right opportunities as they arise. We will continue to benefit from the Hong Kong Government's housing policies to increase the supply and infrastructure project investment. The Group remains confident of its outlook for its core business of pipes and fittings and will continue to explore new business growth opportunities.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 30 June 2017, the cash and bank balances of the Group were approximately HK$176.4 million (31 December 2016: HK$186.4 million) including pledged bank deposits amounting to approximately HK$37.0 million (31 December 2016: HK$37.0 million). Basically the Group's working capital requirement is financed by its internal resources and banking facilities. The Group believes that funds generated from operations and the available banking facilities will enable the Group to meet its future working capital requirements.

As at 30 June 2017, the Group had aggregate banking facilities of trade finance of approximately HK$271.2 million (31 December 2016: HK$254.2 million), of which approximately HK$102.6 million (31 December 2016: HK$88.9 million) was utilised. The Group's total borrowings stood at approximately HK$77.8 million (31 December 2016: HK$74.0 million), and the entire amount of borrowings for both periods will mature within one year. The entire amount of borrowings outstanding as at 30 June 2017 was HK$77.8 million (31 December 2016: HK$74.0 million). 38% (31 December 2016: 33%) and 62% (31 December 2016: 67%) of the borrowings were subject to floating and fixed rates respectively.

The gearing ratio as measured by total bank borrowings to total equity was approximately 16.2% as at 30 June 2017 (31 December 2016: 17.0%). As at 31 December 2016 and 30 June 2017, the entire amount of the Group's borrowings was denominated in Hong Kong dollars.

The Group conducts its business transactions mainly in Hong Kong dollar, Macau Pataca, Renminbi and United States dollar. In order to manage foreign exchange risk, the Group has been closely monitoring its foreign currency exposure and will arrange for any hedging facilities if necessary.

CHARGE ON ASSETS

As at 30 June 2017, certain bank deposits and certificate of deposit held by subsidiaries of the Group with an aggregate carrying amounts of approximately HK$37.0 million (31 December 2016: HK$37.0 million) and HK$10.0 million (31 December 2016: HK$10.0 million) respectively were pledged to banks for banking facilities.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2017 (31 December 2016: Nil).

COMMITMENTS

As at 30 June 2017, the Group had outstanding commitments in respect of future minimum lease payments under non-cancellable lease of approximately HK$221.2 million (31 December 2016: HK$199.3 million).

As at 30 June 2017, the Group had outstanding commitments in respect of acquisition of motor vehicles of approximately HK$1.2 million (31 December 2016: HK$1.3 million).

STAFF AND REMUNERATION POLICY

As at 30 June 2017, the Group employed a total of 175 employees (31 December 2016: 173). Total employee benefit expenses for the period ended 30 June 2017 was approximately HK$36.0 million (2016: HK$35.2 million).

Remuneration policy is reviewed annually and certain staff members are entitled to sales commission. In addition to the basic salaries and contributions to the mandatory provident fund, the Group also pays discretionary bonus and provides staff with other benefits including medical scheme for Hong Kong employees. The Group contributes to an employee pension scheme established by the PRC Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group in Mainland China. The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the result of the Group.

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Listing Rules of Stock Exchange throughout the period.

REVIEW BY AUDIT COMMITTEE

The condensed consolidated interim financial information for the six months ended 30 June 2017 has not been audited nor reviewed by the Company's auditor, PricewaterhouseCoopers, but this report has been reviewed by the audit committee of the Company. The audit committee has reviewed with management the accounting policies and practices adopted by the Group and financial reporting matters including the review of the unaudited condensed consolidated financial information for the period. The audit committee of the Company currently consists of Mr. Wong Yee Shuen, Wilson and Mr. Chen Wei Wen as independent non-executive directors and Mr. U Kean Seng as non-executive director.

COMPLIANCE WITH MODEL CODE OF LISTING RULES

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry with the directors, all directors confirmed that they have fully complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2017.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the website of the Company at www.softpower.hk and the website of the Stock Exchange at www.hkexnews.hk. The 2017 interim report of the Company will be available at the website of the Company and the website of the Stock Exchange and despatched to shareholders of the Company.

By Order of the Board
Softpower International Limited
Lai Guanglin
Chairman

Hong Kong, 23 August 2017

As at the date of this announcement, the Board consists of Mr. Lai Guanglin and Mr. Yu Ben Ansheng as executive directors; Mr. U Kean Seng as non-executive director; and Mr. Wong Yee Shuen, Wilson, Mr. Chen Wei Wen and Mr. Guan Zhiqiang as independent non-executive directors.