Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2018

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 2018, together with the comparative figures for the corresponding period in 2017, are as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2018

		Unaudited	
		For the six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**274,878**	328,795
Cost of sales	*4*	**(193,942)**	(219,240)
Gross profit		**80,936**	109,555
Other gains, net	*3*	**437**	1,649
Selling and distribution costs	*4*	**(10,141)**	(11,321)
General and administrative expenses	*4*	**(54,354)**	(50,620)
Operating profit		**16,878**	49,263
Finance income	*5*	**4,979**	5,046
Finance costs	*5*	**(899)**	(1,226)
Finance income, net	*5*	**4,080**	3,820
Profit before income tax		**20,958**	53,083
Tax expense	*6*	**(3,464)**	(8,717)
Profit for the period		**17,494**	44,366
Profit attributable to:			
Equity holders of the Company		**17,494**	44,468
Non-controlling interests		**-**	(102)
		17,494	44,366
Earnings per share attributable to equity holders of the Company		***HK cents***	*HK cents*
Basic and diluted	*7*	**1.31**	3.34
		HK$'000	*HK$'000*
Dividend	*8*	**-**	-

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Unaudited	
	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**17,494**	44,366
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss:		
Currency translation differences	**(280)**	(122)
Other comprehensive income for the period, net of tax	**(280)**	(122)
Total comprehensive income for the period, net of tax	**17,214**	44,244
Total comprehensive income attributable to:		
Equity holders of the Company	**17,214**	44,346
Non-controlling interests	**-**	(102)
	17,214	44,244

There was no tax impact relating to the components of other comprehensive income for the six months ended 30 June 2017 and 2018.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	**Unaudited 30 June 2018** *HK$'000*	Audited 31 December 2017 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**6,241**	5,317
Loan to a related company	*9*	**78,679**	78,357
Rental deposits and other assets	*9*	**7,607**	7,327
		92,527	91,001
Current assets			
Inventories		**231,811**	204,341
Trade receivables	*9*	**114,769**	119,390
Deposits, prepayments and other receivables	*9*	**35,281**	60,906
Financial assets at fair value through profit or loss		**2,667**	2,744
Pledged certificate of deposit		**10,000**	10,000
Pledged bank deposits		**37,000**	37,000
Cash and bank balances		**140,187**	146,571
		571,715	580,952
Total assets		**664,242**	671,953

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
EQUITY			
Equity holders			
Share capital		**26,665**	26,665
Reserves		**502,608**	485,377
Total Equity		**529,273**	512,042
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**563**	436
Other non-current liabilities		**2,553**	2,572
		3,116	3,008
Current liabilities			
Trade and other payables	*10*	**76,193**	82,436
Taxation payable		**5,550**	3,990
Borrowings		**50,110**	70,477
		131,853	156,903
Total liabilities		**134,969**	159,911
Total equity and liabilities		**664,242**	671,953
Net current assets		**439,862**	424,049
Total assets less current liabilities		**532,389**	515,050

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 2017, 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 2017.

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 new standards, amendments to standards and interpretations issued by the HKICPA that are mandatorily effective for the current interim period. Consequently, certain of the Group's accounting policies have been changed to comply with these new standards including HKFRS 9 and HKFRS 15.

HKFRS 9 replaces the provisions of HKAS 39 "Financial Instruments" ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. The Group applied the new standards retrospectively from 1 January 2018 with practical expedients permitted under the standard. The adoption of HKFRS 9 did not have any material impact to the Group. Also, the adoption of expected credit loss model under HKFRS 9 did not have material impact on allowance for impairment of trade and other receivables calculated under HKAS 39.

HKFRS 15 replaces the provisions of HKAS 18 "Revenue" ("HKAS 18") and HKAS 11 "Construction Contracts" ("HKAS 11") that relate to the recognition, classification and measurement of revenue and costs. The Group has adopted HKFRS 15 since 1 January 2018 and has elected to use the modified retrospective approach, which would recognise the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2018. The adoption of HKFRS 15 in the current period does not result in any material impact on the Group's financial position and result of operations.

The adoption of other standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

The Group has not early adopted any other standards, interpretations or amendments that have been issued but are 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	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**262,288**	300,878
Macau	**12,590**	27,917
	274,878	328,795

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

	Unaudited 30 June 2018	Audited 31 December 2017
	HK$'000	*HK$'000*
Hong Kong	**91,273**	89,680
Mainland China	**1,254**	1,321
	92,527	91,001

3. OTHER GAINS, NET

	Unaudited For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Net exchange gains	**128**	1,174
Net gain on disposal of property, plant and equipment	**53**	105
(Loss)/Gains on financial assets at fair value through profit or loss	**(80)**	46
Dividend income from financial assets at fair value through profit or loss	**53**	34
Sundry income	**283**	290
	437	1,649

4. EXPENSES BY NATURE

Operating profit is arrived at after charging/(crediting):

	Unaudited For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**186,894**	212,752
Auditor's remuneration	**644**	632
Depreciation of property, plant and equipment	**1,799**	1,641
Employee benefit expenses (including directors' emoluments)	**35,323**	35,967
Operating lease payments	**14,596**	10,625
(Write-back of provision)/Provision for impairment of trade and other receivables, net	**(61)**	126
Provision for impairment of inventories, net	**3,248**	2,083
Other expenses	**15,994**	17,355
	258,437	281,181
Representing:		
Cost of sales	**193,942**	219,240
Selling and distribution costs	**10,141**	11,321
General and administrative expenses	**54,354**	50,620
	258,437	281,181

5. FINANCE INCOME, NET

	Unaudited For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**(742)**	(652)
Interest income on loan to a related company	**(4,093)**	(4,060)
Other interest income	**(144)**	(334)
Interest expense on bank borrowings wholly repayable within one year	**899**	1,226
	(4,080)	(3,820)

6. TAX EXPENSE

	Unaudited For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Current taxation:		
Hong Kong profits tax	**3,300**	8,621
Overseas tax	**37**	233
Deferred taxation	**127**	(137)
Tax expense	**3,464**	8,717

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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	
	2018	2017
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company for the purpose of basic earnings per share	**17,494**	44,468
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 2017 and 2018 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 2018 (six months ended 30 June 2017: Nil).

9. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2018	Audited 31 December 2017
	HK$'000	*HK$'000*
Trade receivables	**116,724**	121,406
Less: provision for impairment	**(1,955)**	(2,016)
Trade receivables – net	**114,769**	119,390
Prepayments	**27,254**	37,919
Loan to an employee	**1,311**	1,328
Other receivables, deposits and other assets	**7,823**	22,490
Rental deposits	**6,500**	6,496
Loan to a related company	**78,679**	78,357
	121,567	146,590
	236,336	265,980
Less non-current portion:		
Rental deposits and other assets	**(7,607)**	(7,327)
Loan to a related company	**(78,679)**	(78,357)
	150,050	180,296

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 2018	Audited 31 December 2017
	HK$'000	*HK$'000*
Within credit period	**70,051**	75,863
1 to 30 days	**28,497**	28,226
31 to 60 days	**8,781**	8,052
61 to 90 days	**3,807**	3,491
91 to 120 days	**1,629**	1,282
Over 120 days	**3,959**	4,492
	116,724	121,406

As at 30 June 2018, trade receivables of HK$1,955,000 (31 December 2017: HK$2,016,000) 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 2018	Audited 31 December 2017
	HK$'000	*HK$'000*
Trade payables	**47,656**	39,493
Accrued expenses and other payables	**28,537**	42,943
	76,193	82,436

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

	Unaudited 30 June 2018	Audited 31 December 2017
	HK$'000	*HK$'000*
Within 30 days	**42,096**	33,706
31 to 60 days	**3,171**	4,230
61 to 90 days	**2,314**	1,477
Over 90 days	**75**	80
	47,656	39,493

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the period ended 30 June 2018, the Group recorded revenue of approximately HK$274.9 million (2017: HK$328.8 million), a decrease of 16.4% as compared to the same period in 2017. The profit attributable to equity holders of the Company for the six months ended 30 June 2018 was approximately HK$17.5 million (2017: HK$44.5 million), representing a decrease of 60.6% over the same period in 2017 as the overall revenue and gross margin decrease. The basic earnings per share was approximately HK1.31 cents (2017: HK3.34 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 year 2017 was an exceptional year for the Group and we achieved a very high gross profit margin in the first half of 2017 which was due to the favorable construction market conditions in Hong Kong then. Compared to the highest revenue and net profit for 2017 since 2009, the Group's pipes and fittings business did not gain growth traction in the first half of 2018. Although the results in the first half of 2018 were not as stellar as in the same period of 2017, we still achieved satisfactory results during the period under review.

In the first half of 2018, we faced challenges amidst the ever-changing business environment. We encountered the supply shortage and other factory issues. The supply of ductile iron pipes was affected by the PRC factories temporarily stopping production even though we had increased the stock level towards the end of last year. This shortage delayed our delivery of products to fulfill our customers' needs. Furthermore, sales to Macau remained weak with the lack of large projects. In terms of product quality, we continued to work together with our suppliers to further strengthen our quality inspection program in the first half of 2018.

Meanwhile, rising material costs and unfavourable market conditions affected our profit margin. Increasing overhead costs also squeezed the net profit of the Group. These factors adversely impacted the Group's performance during the period under review. The Group's revenue decreased by 16.4% to HK$274.9 million (2017: HK$328.8 million) and net profit decreased by 60.6% to HK$17.5 million (2017: HK$44.5 million).

The Group's selling and distribution costs decreased by 10.6% to HK$10.1 million for the six months ended 30 June 2018 (corresponding period of 2017: HK$11.3 million), mainly due to the decrease in consultancy fees and transportation costs of about HK$1.4 million in line with the decrease in sales. The decrease in expenses was partially offset by the increase in direct logistic staff costs, travelling and promotion expenses of approximately HK$0.2 million.

The Group's general and administrative expenses increased by 7.5% to HK$54.4 million for six months ended 30 June 2018 (corresponding period of 2017: HK$50.6 million). Such increase was mainly due to the increase in operating lease payments and testing fees of approximately HK$4.4 million for the period under review. The increase in expenses was partially offset by the decrease in staff costs of about HK$0.6 million.

For the six months ended 30 June 2018, finance income was fairly stable compared to the corresponding period of last year. Finance costs decreased as a result of the increase in cash flows and early settlement of bank loans for the period under review. As finance income outpaced costs during the period, we recorded net finance income of HK$4.1 million (corresponding period of 2017: HK$3.8 million).

PROSPECTS

The Group will continue to invest in resources for the inspection of the quality of pipes and fittings in order to better serve our customers. Despite the challenges we face, the Group remains confident of construction market outlook and our core business of pipes and fittings. The Hong Kong Government holding the housing supply steady and the development of public hospitals are positive for the construction industry. We will continue to benefit from these business opportunities in the construction market. In addition, the Group continues to be committed in exploring new business investment opportunities while managing risk exposure of the business vigilantly.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 30 June 2018, the cash and bank balances of the Group were approximately HK$177.2 million (31 December 2017: HK$183.6 million) including pledged bank deposits amounting to approximately HK$37.0 million (31 December 2017: 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 2018, the Group had aggregate banking facilities of trade finance of approximately HK$295.7 million (31 December 2017: HK$289.2 million), of which approximately HK$65.3 million (31 December 2017: HK$88.3 million) was utilised. The Group's total borrowings stood at approximately HK$50.1 million (31 December 2017: HK$70.5 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 2018 was HK$50.1 million (31 December 2017: HK$70.5 million). 21% (31 December 2017: 26%) and 79% (31 December 2017: 74%) 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 9.5% as at 30 June 2018 (31 December 2017: 13.8%). As at 31 December 2017 and 30 June 2018, 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 2018, 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 2017: HK$37.0 million) and HK$10.0 million (31 December 2017: 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 2018 (31 December 2017: Nil).

COMMITMENTS

As at 30 June 2018, the Group had outstanding commitments in respect of future minimum lease payments under non-cancellable lease of approximately HK$203.5 million (31 December 2017: HK$213.1 million).

As at 30 June 2018, the Group had outstanding commitments in respect of acquisition of motor vehicles of approximately HK$2.8 million (31 December 2017: HK$1.2 million).

STAFF AND REMUNERATION POLICY

As at 30 June 2018, the Group employed a total of 177 employees (31 December 2017: 177). Total employee benefit expenses for the period ended 30 June 2018 was approximately HK$35.3 million (2017: HK$36.0 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 2018 (six months ended 30 June 2017: 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 2018 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, Mr. Chen Wei Wen and Mr. Guan Zhiqiang as independent non-executive directors.

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 2018.

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 2018 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 Fulin
Chairman

Hong Kong, 20 August 2018

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