

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.



**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

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 2016, together with the comparative figures for the corresponding period in 2015, are as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

	Note	Unaudited	
		For the six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
Revenue	2	297,221	298,933
Cost of sales	4	(212,511)	(222,952)
Gross profit		84,710	75,981
Other (loss)/gains, net	3	(7)	182
Selling and distribution costs	4	(9,383)	(11,322)
General and administrative expenses	4	(54,660)	(46,918)
Operating profit		20,660	17,923
Finance income	5	960	721
Finance costs	5	(965)	(733)
Finance costs, net	5	(5)	(12)
Profit before income tax		20,655	17,911
Tax expense	6	(5,478)	(4,313)
Profit for the period attributable to equity holders of the Company		15,177	13,598
Earnings per share		HK cents	HK cents
Basic and diluted	7	1.14	1.02
		HK\$'000	HK\$'000
Dividend	8	-	-

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Unaudited	
	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Profit for the period	15,177	13,598
Other comprehensive income:		
Item that have been reclassified or may be subsequently reclassified to profit or loss:		
Currency translation differences	55	(6)
Other comprehensive income for the period, net of tax	55	(6)
Total comprehensive income for the period, net of tax attributable to equity holders of the Company	15,232	13,592

There was no tax impact relating to the components of other comprehensive income for the six months ended 30 June 2015 and 2016.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		Unaudited 30 June 2016 <i>HK\$'000</i>	Audited 31 December 2015 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		6,613	5,619
Rental deposits and other assets	9	7,761	6,635
		14,374	12,254
Current assets			
Inventories		147,570	164,114
Trade receivables	9	122,189	113,588
Prepayments, deposits and other receivables	9	18,302	24,346
Financial assets at fair value through profit or loss		1,624	1,672
Tax recoverable		43	80
Pledged bank deposits		61,000	61,000
Cash and bank balances		170,041	154,360
		520,769	519,160
Total assets		535,143	531,414

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		Unaudited 30 June 2016 <i>HK\$'000</i>	Audited 31 December 2015 <i>HK\$'000</i>
	<i>Note</i>		
EQUITY			
Equity holders			
Share capital		26,665	26,665
Reserves		373,738	358,461
Total equity		400,403	385,126
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		272	137
Other non-current liabilities		3,673	3,737
		3,945	3,874
Current liabilities			
Trade and other payables	<i>10</i>	69,254	66,641
Taxation payable		7,071	2,730
Borrowings		54,470	73,043
		130,795	142,414
Total liabilities		134,740	146,288
Total equity and liabilities		535,143	531,414
Net current assets		389,974	376,746
Total assets less current liabilities		404,348	389,000

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 2015, 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 2015.

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 and Interpretations issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs and Interpretations 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.

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 operation 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	
	2016 HK\$'000	2015 HK\$'000
Hong Kong	271,257	240,929
Macau	25,964	58,004
	<u>297,221</u>	<u>298,933</u>

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

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Hong Kong	12,489	10,055
Mainland China	1,885	2,199
	<u>14,374</u>	<u>12,254</u>

3. OTHER (LOSS)/GAINS, NET

	Unaudited For the six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Net exchange loss	(352)	(274)
Net gain on disposal of property, plant and equipment	78	101
Loss on financial assets at fair value through profit or loss	(50)	(4)
Dividend income from financial assets at fair value through profit or loss	57	-
Sundry income	260	359
	<u>(7)</u>	<u>182</u>

4. EXPENSES BY NATURE

Operating profit is arrived at after charging:

	Unaudited For the six months ended 30 June	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of inventories sold	207,665	217,339
Auditor's remuneration	597	562
Depreciation of property, plant and equipment	1,306	1,033
Employee benefit expenses (including directors' emoluments)	35,213	33,659
Operating lease payments	10,012	9,352
Provision for impairment of trade and other receivables, net	5,092	19
Provision for impairment of inventories, net	1,076	1,059
Other expenses	15,593	18,169
	276,554	281,192
Representing:		
Cost of sales	212,511	222,952
Selling and distribution costs	9,383	11,322
General and administrative expenses	54,660	46,918
	276,554	281,192

5. FINANCE COSTS, NET

	Unaudited For the six months ended 30 June	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank interest income	(960)	(721)
Interest expense on bank borrowings wholly repayable within one year	965	733
	5	12

6. TAX EXPENSE

	Unaudited For the six months ended 30 June	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current taxation:		
Hong Kong profits tax	5,269	4,189
Overseas tax	65	292
Under-provision in prior years	9	-
Deferred taxation	135	(168)
Tax expense	<u>5,478</u>	<u>4,313</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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 shares with adjustments where applicable as follows:

	Unaudited For the six months ended 30 June	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit attributable to equity holders of the Company for the purpose of basic earnings per share	<u>15,177</u>	<u>13,598</u>
Number of shares	Thousand	Thousand
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,333,270</u>	<u>1,333,270</u>

The weighted average number of ordinary shares and basic earnings per share for the six months ended 30 June 2015 has been adjusted to reflect the effect of share consolidation.

Diluted earnings per share for the six months ended 30 June 2015 and 2016 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 2016 (six months ended 30 June 2015: Nil).

9. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Trade receivables	124,366	114,765
Less: provision for impairment	(2,177)	(1,177)
Trade receivables – net	<u>122,189</u>	<u>113,588</u>
Prepayments	14,615	16,203
Loan to an employee	1,520	1,542
Loan to a third party	-	4,745
Other receivables, deposits and other assets	3,631	3,868
Rental deposits	6,297	4,623
	<u>26,063</u>	<u>30,981</u>
	<u>148,252</u>	<u>144,569</u>
Less: non-current portion	(7,761)	(6,635)
	<u>140,491</u>	<u>137,934</u>

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 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Within credit period	89,624	81,406
1 to 30 days	21,396	21,615
31 to 60 days	6,479	5,753
61 to 90 days	922	1,394
91 to 120 days	431	297
Over 120 days	5,514	4,300
	<u>124,366</u>	<u>114,765</u>

As at 30 June 2016, trade receivables of HK\$2,177,000 (31 December 2015: HK\$1,177,000) were impaired and provided for. The individually impaired receivables mainly relate to customers which have significant delay in repayment or are in unexpected difficult financial situations. These receivables are past due more than 120 days.

As at 30 June 2016, other receivables of HK\$4,594,000 (31 December 2015: HK\$502,000) were impaired and provided for.

10. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Trade payables	30,401	26,145
Accrued expenses and other payables	38,853	40,496
	69,254	66,641

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

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Within 30 days	27,543	22,257
31 to 60 days	2,679	2,491
61 to 90 days	144	1,362
Over 90 days	35	35
	30,401	26,145

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the period ended 30 June 2016, the Group recorded revenue of approximately HK\$297.2 million (2015: HK\$298.9 million), representing a slight dip of 0.6% as compared with the same period in 2015. The profit attributable to equity holders of the Company for the six months ended 30 June 2016 was approximately HK\$15.2 million (2015: HK\$13.6 million), representing an increase of 11.8% over the same period in 2015 as the overall gross margin increased. The basic earnings per share was approximately HK1.14 cents (2015: HK1.02 cents, has been adjusted the effect of share consolidation).

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), related products, fittings, comprehensive services and solutions to the contractors, designers, consultants and government agencies in Hong Kong and Macau.

During the period ended 30 June 2016, the business operation in Hong Kong continued to be the main contributor to the Group's revenue and profit. Our operation in Hong Kong recorded an increase in revenue but revenue from Macau was reduced by soft demand in Macau projects. In addition, as the deliveries of our products to Macau's casino projects were substantially completed last year, the revenue contribution from Macau decreased during the period under review.

As mentioned in annual report last year, we were awarded additional orders for the replacement of drinking water pipes. These orders were gradually delivered in the first half of 2016 and offset the revenue decrease in Macau. This resulted in the revenue decreasing marginally by HK\$1.7 million or 0.6% from HK\$298.9 million for the period ended 30 June 2015 to HK\$297.2 million of same period in 2016. The Group's overall gross profit margin for the six months ended 30 June 2016 increased by 3.1%, as compared to the six months ended 30 June 2015, which was mainly attributable to some prices adjustment for certain infrastructure projects and some specialised products with a higher gross profit margin.

For the six months ended 30 June 2016, selling and distribution costs decreased by 16.8% to HK\$9.4 million (corresponding period of 2015: HK\$11.3 million), mainly due to the decrease in the transportation expenses, promotion and sales commission of about HK\$2.4 million. The decrease in expenses was partially offset by the increase in direct logistic staff costs of approximately HK\$0.5 million.

General and administrative expenses rose by 16.6% to HK\$54.7 million, compared to about HK\$46.9 million for the same period last year. The increase was mainly due to an increase of provision for impairment of trade and other receivables, employee benefit expenses, operating lease payments, professional fees, depreciation expenses and travelling expenses of approximately HK\$8.2 million, which was partly offset by the decrease in annual listing fee of about HK\$0.4 million. Finance income increased due to higher interest income from a loan to a third party in last year. Finance costs increased was mainly due to average bank borrowings balances were higher for the period under review over previous corresponding period. However, net finance costs were insignificant, being similar to last corresponding period.

PROSPECTS

In the second half of 2016, we believe that economic and financial conditions will continue to be challenging. It is also not an easy task to maintain both revenue and the profit at a steady growth due to stiff competition, rising staff costs and rental costs. To counter against the keen competition, we will review our cost structure and services to cater to our customers' needs. We are confident that with a healthy financial position, we will be well positioned to take advantage of the right opportunities as they arise. We are also mindful of the challenges ahead in the coming year.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 30 June 2016, the cash and bank balances of the Group were approximately HK\$231.0 million (31 December 2015: HK\$215.4 million) including pledged bank deposits amounting to approximately HK\$61.0 million (31 December 2015: HK\$61.0 million). Basically the Group's working capital requirement is financed by its internal resources. 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 2016, the Group had aggregate banking facilities of trade finance of approximately HK\$256.2 million (31 December 2015: HK\$238.4 million), of which approximately HK\$65.2 million (31 December 2015: HK\$84.9 million) was utilised. The Group's total borrowings stood at approximately HK\$54.5 million (31 December 2015: HK\$73.0 million), and the entire amount of borrowings for both periods will mature within one year. The entire amount of borrowings outstanding at 30 June 2016 was HK\$54.5 million (31 December 2015: HK\$73.0 million). 12% (31 December 2015: 29%) and 88% (31 December 2015: 71%) 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 13.6% as at 30 June 2016 and approximately 19.0% as at 31 December 2015.

As at 31 December 2015 and 30 June 2016, 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 2016, bank deposits of the Group held by subsidiaries with an aggregate carrying value of approximately HK\$61.0 million (31 December 2015: HK\$61.0 million) were pledged to banks for banking facilities obtained.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2016 (31 December 2015: Nil).

STAFF AND REMUNERATION POLICY

As at 30 June 2016, the Group employed a total of 172 employees (31 December 2015: 172). Total employee benefit expenses for the period ended 30 June 2016 was approximately HK\$35.2 million (2015: HK\$33.7 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 2016 (six months ended 30 June 2015: 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 2016 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 2016.

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 2016 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, 22 August 2016

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