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ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	2017	2016	Percentage
	<i>HK\$'000</i>	<i>HK\$'000</i>	Change
Revenue	650,461	619,203	5%
Profit for the year	74,788	50,563	48%
Basic earnings per share	HK5.62 cents	HK3.79 cents	

The board of directors (the “Board”) of Softpower International Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2017, together with the comparative figures for the corresponding year in 2016, are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

		2017	2016
	Note	HK\$'000	HK\$'000
Revenue	2	650,461	619,203
Cost of sales	4	(441,328)	(434,588)
Gross profit		209,133	184,615
Other gains/(losses), net	3	2,623	(4,113)
Selling and distribution costs	4	(23,542)	(20,833)
General and administrative expenses	4	(112,180)	(105,172)
Operating profit		76,034	54,497
Finance income	5	10,359	5,239
Finance costs	5	(2,219)	(1,876)
Finance income, net	5	8,140	3,363
Profit before income tax		84,174	57,860
Tax expense	6	(9,386)	(7,297)
Profit for the year		74,788	50,563
Profit attributable to:			
Equity holders of the Company		74,945	50,572
Non-controlling interests		(157)	(9)
		74,788	50,563
Earnings per share		HK cents	HK cents
Basic and diluted	7	5.62	3.79

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit for the year	74,788	50,563
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Actuarial gain on post-employment benefit obligations, net of tax	935	91
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	(4)	404
Other comprehensive income for the year, net of tax	931	495
Total comprehensive income for the year	75,719	51,058
Total comprehensive income attributable to:		
Equity holders of the Company	75,876	51,067
Non-controlling interests	(157)	(9)
	75,719	51,058

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		2017	2016
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		5,317	5,409
Loan to a related company	9	78,357	77,746
Pledged certificate of deposit		-	10,000
Rental deposits and other assets	9	7,327	6,732
		<u>91,001</u>	<u>99,887</u>
	
Current assets			
Inventories		204,341	159,439
Trade receivables	9	119,390	127,180
Deposits, prepayments and other receivables	9	60,906	23,625
Financial assets at fair value through profit or loss		2,744	1,651
Tax recoverable		-	17
Pledged certificate of deposit		10,000	-
Pledged bank deposits		37,000	37,000
Cash and bank balances		146,571	149,374
		<u>580,952</u>	<u>498,286</u>
	
Total assets		<u>671,953</u>	<u>598,173</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Note</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
EQUITY			
Equity holders			
Share capital		26,665	26,665
Reserves		485,377	409,611
		<u>512,042</u>	<u>436,276</u>
Non-controlling interests		-	(8)
Total equity		<u>512,042</u>	<u>436,268</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		436	181
Other non-current liabilities		2,572	3,457
		<u>3,008</u>	<u>3,638</u>
Current liabilities			
Trade and other payables	<i>10</i>	82,436	80,546
Taxation payable		3,990	3,730
Borrowings		70,477	73,991
		<u>156,903</u>	<u>158,267</u>
Total liabilities		<u>159,911</u>	<u>161,905</u>
Total equity and liabilities		<u>671,953</u>	<u>598,173</u>
Net current assets		<u>424,049</u>	<u>340,019</u>
Total assets less current liabilities		<u>515,050</u>	<u>439,906</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value. In addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Adoption of amendments to standards

The following amendments to standards are mandatory for the Group’s financial year beginning 1 January 2017. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group. The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

New standards and amendments to standards that are not effective and have not been early adopted by the Group

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted by the Group.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance contracts ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 28	Investments in associates and Joint ventures ¹
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle ¹
Amendments to HKAS 40	Transfers of investment property ¹
HK (IFRIC) 22	Foreign currency transactions and advance consideration ¹
HK (IFRIC) 23	Uncertainty over income tax treatments ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ²

¹ effective for annual periods beginning on or after 1 January 2018

² effective for annual periods beginning on or after 1 January 2019

³ effective for annual periods beginning on or after 1 January 2021

⁴ effective date to be determined

2. 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 year, 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.

Geographical information

The Group is domiciled in Hong Kong. The Group's revenues from external customers by geographical location are detailed below:

	Revenue	
	For the year ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong	604,956	550,274
Macau	45,505	68,929
	650,461	619,203

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

	2017	2016
	HK\$'000	HK\$'000
Hong Kong	89,680	98,620
Mainland China	1,321	1,267
	91,001	99,887

3. OTHER GAINS/(LOSSES), NET

	2017	2016
	HK\$'000	HK\$'000
Net exchange gain/(loss)	1,836	(675)
Net gain on disposal of property, plant and equipment	125	96
Gain/(Loss) on financial assets at fair value through profit or loss	69	(23)
Dividend income from financial assets at fair value through profit or loss	78	113
Provision for impairment of loan to a third party	-	(4,100)
Others	515	476
	2,623	(4,113)

4. EXPENSES BY NATURE

Operating profit is arrived at after charging:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cost of inventories sold	428,629	422,559
Auditor's remuneration		
- Audit services	1,252	1,192
- Non-audit services	191	179
Depreciation of property, plant and equipment	3,408	2,697
Employee benefit expenses	80,221	74,309
Operating lease payments	22,724	20,452
Provision for impairment of trade and other receivables, net	198	1,055
Provision for impairment of inventories, net	2,540	1,919
Other expenses	37,887	36,231
	577,050	560,593
Representing:		
Cost of sales	441,328	434,588
Selling and distribution costs	23,542	20,833
General and administrative expenses	112,180	105,172
	577,050	560,593

5. FINANCE INCOME, NET

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank and other interest income	(10,359)	(5,239)
Interest expense on bank borrowings	2,219	1,876
	(8,140)	(3,363)

6. TAX EXPENSE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current taxation:		
Hong Kong profits tax	8,806	7,091
Overseas tax	515	367
Over-provision in prior years	(6)	(187)
Total current tax	<u>9,315</u>	<u>7,271</u>
Deferred taxation:		
Origination and reversal of temporary differences	71	26
Tax expense	<u>9,386</u>	<u>7,297</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year 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 for the year attributable to equity holders and weighted average number of ordinary shares with adjustments where applicable as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit attributable to equity holders of the Company for the purpose of basic earnings per share	<u>74,945</u>	<u>50,572</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>

Diluted earnings per share for the years ended 31 December 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 recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

9. TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	121,406	128,998
Less: provision for impairment	(2,016)	(1,818)
Trade receivables – net	<u>119,390</u>	<u>127,180</u>
Prepayments	37,919	17,539
Loan to an employee	1,328	1,343
Other receivables, deposits and other assets (note)	22,490	5,143
Rental deposits	6,496	6,332
Loan to a related company	<u>78,357</u>	<u>77,746</u>
	265,980	235,283
Less non-current portion:		
Rental deposits and other assets	(7,327)	(6,732)
Loan to a related company	<u>(78,357)</u>	<u>(77,746)</u>
	180,296	150,805

The Group generally grants credit term 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within credit period	75,863	85,535
1 to 30 days	28,226	25,089
31 to 60 days	8,052	6,810
61 to 90 days	3,491	4,028
91 to 120 days	1,282	979
Over 120 days	<u>4,492</u>	<u>6,557</u>
	121,406	128,998

Note:

Pursuant to a non-legally binding memorandum of understanding (the “MOU”) entered into among the Group, 北京華奧農科玉育種開發有限責任公司 (Agria NKY Seeds Co., Ltd. or “ANKY”) and Agria Corporation (the “Transaction Guarantor”) on 15 December 2017, the Group intends to inject capital into and subscribe the equity interests in ANKY (the “Proposed Transaction”). ANKY is an enterprise established in the PRC principally engaged in the research, production and marketing of corn seeds in the PRC and controlled by an executive director of the Company.

Pursuant to the MOU, an earnest deposit of HK\$15,000,000 (“Earnest Deposit”) was paid by the Group on 19 December 2017. The Earnest Deposit is unsecured, interest free and shall be refunded to the Group prior to 31 May 2018 should the Proposed Transaction not being materialised. Up to the date of this report, the Proposed Transaction is still under negotiation. This earnest deposit was included in “Other receivables, deposits and other assets”.

10. TRADE AND OTHER PAYABLES

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	39,493	37,982
Accrued expenses and other payables	42,943	42,564
	82,436	80,546

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	33,706	34,456
31 to 60 days	4,230	2,256
61 to 90 days	1,477	1,256
Over 90 days	80	14
	39,493	37,982

BUSINESS REVIEW

This was another year of strong performance with outstanding bottom line results. Our hard work last year laid a strong foundation for our strong results in 2017.

For the year under review, the demand for the construction materials in the Hong Kong construction industry remained strong. The Group recorded a revenue of approximately HK\$650.5 million (2016: HK\$619.2 million), representing an increase of approximately 5.0% as compared to that of 2016. The increase was attributable to the increase in construction works in Hong Kong but partly offset by the decrease in Macau projects. 2017 saw the Group maintained a stable growth in revenue and performed well in profit. With a solid foundation in Hong Kong and Macau, the Group further strengthened its market position in 2017. Riding on our experiences and market-leading position in pipes and fittings business, we continued to achieve commendable growth in the year under review.

The Group benefited from the sizeable infrastructure projects in Hong Kong in recent years. During the year, the Group completed the delivery of 23-metre long stainless steel structural pipes for the project of Passenger Clearance Building of the Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities. The Group also completed the delivery of pipes and fittings to several prestigious projects such as Hong Kong Airport Midfield Apron Development Works and Lisboa Palace in Macau.

The growing public awareness of health issues has raised demand for a stricter statutory standard for plumbing products since 2015. The Water Supplies Department implemented a General Acceptance system in place to pre-approve plumbing products used in plumbing projects. We strived with our suppliers to obtain the international quality mark such as BSI Kitemark or Water Regulations Advisory Scheme (WRAS). The Group's key products have fulfilled this standard. This will further reinforce our market position as one of the leading players in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

The Group's core business mainly operated through our flagship subsidiary, Bun Kee (International) Limited, a well-established company with a long history. Starting from a small retail shop, we grew up to a company listed in Hong Kong. We have become one-stop supplier of a comprehensive range of pipes and fittings. The Group has built a good reputation for the pipes and fittings business in Hong Kong and Macau. We have established a stable major customer base and suppliers over the years.

The Group posted solid results for the year ended 31 December 2017. In 2017, the Group recorded an increase in both revenue and profit as compared to the same period of last year. The Group's revenue amounted to HK\$650.5 million (2016: HK\$619.2 million), representing an increase of 5.0%. The profit attributable to equity shareholders was HK\$74.9 million for the year

ended 31 December 2017 (2016: HK\$50.6 million), representing an increase of 48.0%. The increase in revenue and profit was primarily driven by the demand of numerous infrastructure projects and public and private construction works in Hong Kong.

Sales in Macau were slow in 2017 as expected. However, the construction market in Hong Kong continued to maintain strong which drove demand for pipes and fittings. In order to cater for customers' needs and different market segments including public and private housings, commercial buildings and civil works, we provided a comprehensive range of pipes and fittings for different usage.

The Group's selling and distribution costs amounted to approximately HK\$23.5 million in 2017 (2016: HK\$20.8 million), an increase of about 13.0% year-on-year. The increase was mainly attributable to the increase in logistic and warehouse staff costs, sales commission and promotion, overseas travelling and transportation costs. The Group's general and administrative expenses amounted to approximately HK\$112.2 million in 2017 (2016: HK\$105.2 million), representing an increase of about 6.7% year-on-year. Such increase was primarily attributable to the general increase in staff costs, rental, depreciation and professional fees.

In 2017, other net gains were about HK\$2.6 million (2016: losses of HK\$4.1 million). It was mainly attributable to the increase of exchange gains during the year. Finance income increased significantly due to the interest income from a loan to a related party. Finance costs also increased mainly attributed to the increase in effective interest rate per annum. However, as finance income outpaced costs, we recorded net finance income of HK\$8.1 million (2016: HK\$3.4 million).

FUTURE PROSPECTS

Rising overhead costs, increasing material costs and maintaining high-quality products will be the challenges to the Group in the coming year. We will remain vigilant and monitor closely in response to market volatility and to grasp the right business opportunities.

Looking forward to 2018, the Group has a strong market position with a clear strategy and a highly capable and committed management team. As always, the Group will continue to deepen and strengthen its market position in supplying of pipes and fittings. The Hong Kong Government will continue to increase the land supply for private and public housings. This will underpin the growth of construction industry in Hong Kong. The Group is confident about the construction market outlook and the prospects of pipes and fittings. By taking full advantages of sound financial position and our experience, we will explore any investment and business opportunities.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31 December 2017, the cash and bank balances of the Group were approximately HK\$183.6 million (2016: HK\$186.4 million) including pledged bank deposits of HK\$37.0 million (2016: HK\$37.0 million). Basically the Group's working capital requirement has been financed by its internal resources. The funds generated from operations and the available banking facilities will enable the Group to meet its future working capital requirements.

As at 31 December 2017, the Group had aggregate banking facilities for trade finance of approximately HK\$289.2 million (2016: HK\$254.2 million), approximately HK\$88.3 million (2016: HK\$88.9 million) was utilised. The Group's total borrowings stood at approximately HK\$70.5 million (2016: HK\$74.0 million), the entire amount of borrowings for both years end will mature within one year.

The entire amount of borrowings outstanding as at 31 December 2017 was approximately HK\$70.5 million (2016: HK\$74.0 million). 26% (2016: 33%) and 74% (2016: 67%) of borrowings were subject to floating and fixed rates respectively.

The gearing ratio as measured by total bank borrowings to total equity was approximately 13.8% as at 31 December 2017 (2016: 17.0%).

As at 31 December 2016 and 2017, the entire amount of the Group's borrowings was denominated in HK 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 31 December 2017, certain bank deposits and certificate of deposit held by subsidiaries of the Group with aggregate carrying amounts of approximately HK\$37.0 million (2016: HK\$37.0 million) and HK\$10.0 million (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 31 December 2016 and 2017.

COMMITMENTS

As at 31 December 2017, the Group had outstanding commitments in respect of future minimum lease payments under non-cancellable lease of approximately HK\$213.1 million (2016: HK\$199.3 million).

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

STAFF AND REMUNERATION POLICY

As at 31 December 2017, the Group employed a total of 177 employees (2016: 173). Total employee benefit expenses for the year ended 31 December 2017 was approximately HK\$80.2 million (2016: HK\$74.3 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 to the employees in Hong Kong. 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 adopted a share option scheme for the purpose of providing incentives and rewards to motivate the eligible directors and employees of the Group in recognition of their contributions to the Group.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout the year ended 31 December 2017.

AUDIT COMMITTEE

The audit committee consists of two independent non-executive directors, namely Mr. Wong Yee Shuen, Wilson and Mr. Chen Wei Wen, and a non-executive director, namely Mr. U Kean Seng.

The annual results have been reviewed by the audit committee of the Company. The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards

on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rule (the “Model Code”). Having made specific enquiry with all directors, all directors confirmed that they have fully complied with the required standard as set out in the Model Code throughout the year ended 31 December 2017.

PUBLICATION OF FINAL RESULTS AND ANNUAL 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 annual 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 in due course.

By Order of the Board
Softpower International Limited
Lai Guanglin
Chairman

Hong Kong, 29 March 2018

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 Mr. Guan Zhiqiang as independent non-executive directors.