

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 FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

FINANCIAL HIGHLIGHTS	2016	2015	Percentage
	HK\$'000	HK\$'000	Change
Revenue	619,203	611,534	1%
Profit for the year	50,563	34,023	49%
Basic earnings per share	HK3.79 cents	HK2.55 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 2016, together with the comparative figures for the corresponding year in 2015, are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

		2016	2015
	Note	HK\$'000	HK\$'000
Revenue	2	619,203	611,534
Cost of sales	4	(434,588)	(445,801)
Gross profit		184,615	165,733
Other losses, net	3	(4,113)	(1,907)
Selling and distribution costs	4	(20,833)	(23,226)
General and administrative expenses	4	(105,172)	(100,971)
Operating profit		54,497	39,629
Finance income	5	5,239	1,282
Finance costs	5	(1,876)	(1,326)
Finance income/ (costs), net	5	3,363	(44)
Profit before income tax		57,860	39,585
Tax expense	6	(7,297)	(5,562)
Profit for the year		50,563	34,023
Profit attributable to:			
Equity holders of the Company		50,572	34,023
Non-controlling interests		(9)	-
		50,563	34,023
Earnings per share		HK cents	HK cents
Basic and diluted	7	3.79	2.55

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year	50,563	34,023
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Actuarial gain/ (loss) on post-employment benefit obligations, net of tax	91	(340)
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	404	246
Other comprehensive income/ (loss) for the year, net of tax	495	(94)
Total comprehensive income for the year	51,058	33,929
Total comprehensive income attributable to:		
Equity holders of the Company	51,067	33,929
Non-controlling interests	(9)	-
	51,058	33,929

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

		2016	2015
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		5,409	5,619
Loan to a related company	9	77,746	-
Pledged certificate of deposit		10,000	-
Rental deposits and other assets	9	6,732	6,635
		<u>99,887</u>	<u>12,254</u>
Current assets			
Inventories		159,439	164,114
Trade receivables	9	127,180	113,588
Deposits, prepayments and other receivables	9	23,625	24,346
Financial assets at fair value through profit or loss		1,651	1,672
Tax recoverable		17	80
Pledged bank deposits		37,000	61,000
Cash and bank balances		149,374	154,360
		<u>498,286</u>	<u>519,160</u>
Total assets		598,173	531,414

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
EQUITY			
Equity holders			
Share capital		26,665	26,665
Reserves		409,611	358,461
		436,276	385,126
Non-controlling interests		(8)	-
Total equity		436,268	385,126
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		181	137
Other non-current liabilities		3,457	3,737
		3,638	3,874
Current liabilities			
Trade and other payables	<i>10</i>	80,546	66,641
Taxation payable		3,730	2,730
Borrowings		73,991	73,043
		158,267	142,414
Total liabilities		161,905	146,288
Total equity and liabilities		598,173	531,414
Net current assets		340,019	376,746
Total assets less current liabilities		439,906	389,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with 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 new and amendments to standards

The following new and amendments to standards are mandatory for the Group’s financial year beginning 1 January 2016. The adoption of these new and amendments to standards does not have any significant impact to the results and financial position of the Group.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11 HKFRS 14	Accounting for Acquisition of Interest in Joint Operations Regulatory Deferral Accounts
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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 2016 and have not been early adopted by the Group. The Group is assessing the impact of these new standards and amendments to standards.

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹

¹ effective for annual periods beginning on or after 1 January 2017

² effective for annual periods beginning on or after 1 January 2018

³ effective for annual periods beginning on or after 1 January 2019

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	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong	550,274	511,184
Macau	68,929	100,350
	619,203	611,534

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

	2016	2015
	HK\$'000	HK\$'000
Hong Kong	98,620	10,055
Mainland China	1,267	2,199
	99,887	12,254

3. OTHER LOSSES, NET

	2016	2015
	HK\$'000	HK\$'000
Net exchange loss	(675)	(2,101)
Net gain/ (loss) on disposal of property, plant and equipment	96	(127)
Loss on financial assets at fair value through profit or loss	(23)	(94)
Dividend income from financial assets at fair value through profit or loss	113	49
Provision for impairment of loan to a third party (Note 9)	(4,100)	-
Others	476	366
	(4,113)	(1,907)

4. EXPENSES BY NATURE

Operating profit is arrived at after charging:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of inventories sold	422,559	435,239
Auditor's remuneration		
- Audit services	1,192	1,192
- Non-audit services	179	145
Depreciation of property, plant and equipment	2,697	2,178
Employee benefit expenses	74,309	68,991
Operating lease payments	20,452	19,404
Provision for impairment of trade and other receivables, net	1,055	860
Provision for impairment of inventories, net	1,919	1,316
Other expenses	36,231	40,673
	560,593	569,998
Representing:		
Cost of sales	434,588	445,801
Selling and distribution costs	20,833	23,226
General and administrative expenses	105,172	100,971
	560,593	569,998

5. FINANCE (INCOME)/ COSTS, NET

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank and other interest income	(5,239)	(1,282)
Interest expense on bank borrowings	1,876	1,326
	(3,363)	44

6. TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current taxation:		
Hong Kong profits tax	7,091	5,147
Overseas tax	367	550
Over-provision in prior years	(187)	(16)
Total current tax	<u>7,271</u>	<u>5,681</u>
Deferred taxation:		
Origination and reversal of temporary differences	26	(119)
Tax expense	<u>7,297</u>	<u>5,562</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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:

	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>50,572</u>	<u>34,023</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 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 recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

9. TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	128,998	114,765
Less: provision for impairment	(1,818)	(1,177)
Trade receivables – net	<u>127,180</u>	<u>113,588</u>
Prepayments	17,539	16,203
Loan to an employee	1,343	1,542
Loan to a third party	-	4,745
Other receivables, deposits and other assets	5,143	3,868
Rental deposits	6,332	4,623
Loan to a related party	<u>77,746</u>	<u>-</u>
	235,283	144,569
Less non-current portion:		
Rental deposits and other assets	(6,732)	(6,635)
Loan to a related company (note)	<u>(77,746)</u>	<u>-</u>
	<u>150,805</u>	<u>137,934</u>

Note: On 1 August 2016, the Group advanced a loan of US\$10,000,000 (equivalent to HK\$77,746,000) to China Victory International Holdings Limited (“CVIL”), a wholly owned subsidiary of Agria Corporation, for a term of 3 years.

The loan carried interest at 10.5% per annum and is repayable by 31 July 2019. The loan is secured by the entire issued shares of CVIL executed by Agria Group Limited, the immediate holding company of CVIL, and also guaranteed by a deed of corporate guarantee executed by Agria Corporation in favour of the Group. Mr. Lai Guanglin, a director and ultimate controlling party of the Company, is also a controlling shareholder of Agria Corporation.

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within credit period	85,535	81,406
1 to 30 days	25,089	21,615
31 to 60 days	6,810	5,753
61 to 90 days	4,028	1,394
91 to 120 days	979	297
Over 120 days	<u>6,557</u>	<u>4,300</u>
	<u>128,998</u>	<u>114,765</u>

During the year, loan to a third party to the extent of HK\$4,100,000 was impaired and provided for as it was past due over 7 months as at reporting date. Although the loan was secured by certain assets of the third party, the Group considered that the recoverability may take a long time and was uncertain. In this connection, the balance amount of the loan was provided for.

10. TRADE AND OTHER PAYABLES

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	37,982	26,145
Accrued expenses and other payables	42,564	40,496
	80,546	66,641

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	34,456	22,257
31 to 60 days	2,256	2,491
61 to 90 days	1,256	1,362
Over 90 days	14	35
	37,982	26,145

BUSINESS REVIEW

The results we achieved in 2016 were encouraging. We continued to have a sound operational performance.

For the year ended 31 December 2016, additional orders from the replacement of the drinking water pipes and strong performance of construction market in Hong Kong had brought higher revenue contribution to the Group. However, this increase was partially offset by the decreased revenue from Macau. As mentioned in our annual report last year, most of our Macau projects had been completed and the revenue from Macau dropped as expected. The Group recorded a revenue of HK\$619.2 million for the year under review (2015: HK\$611.5 million), up 1.3% as compared to last year. The Group's net profit attributable to shareholders for the year increased by 48.8% to HK\$50.6 million (2015: HK\$34.0 million). The increase in revenue and the net profit of the Group was mainly driven by the favorable construction market condition in Hong Kong in 2016. The demand for construction materials remained robust in Hong Kong. Leveraging on our experience and market-leading position in pipes and fittings business, we seized the right opportunities and the right time for procurement and thereby strengthening our result performance during the year. It is never an easy task due to fluctuations in material prices in this ever-changing market.

The Group strives to uphold its market position and competitiveness in Hong Kong and Macau. We also put in sustained efforts to provide high-quality products. In 2016, most of our key products obtained inspection reports and certificates from accredited certification bodies. In addition to meeting the new regulatory requirements for the industry, we believed that the certifications helped to further enhance the confidence and satisfaction from our customers.

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.

Over the past six decades, our flagship subsidiary, Bun Kee (International) Limited, has become a one-stop supplier of a comprehensive range of pipes and fittings. The Group has built a good reputation in the pipes and fittings business in Hong Kong and Macau. We have established a stable major customer base and suppliers over the years. We have maintained our relationship with our major customers and suppliers over 10 years.

2016 saw the Group maintaining a sound performance. Our growth was underpinned by our well-established sales network and experienced procurement team that has taken years to build up. For the year under review, we generated revenue of HK\$619.2 million, compared to HK\$611.5 million last year, representing a 1.3% increase or HK\$7.7 million. The Group recorded a growth of 48.8% year-on-year on profit attributable to shareholders to HK\$50.6 million for the year ended 31 December 2016.

The sales in Macau dropped in 2016 as the majority of the casinos' expansion and resort hotels projects in Macau have been completed and the demand for our pipes and fittings materials were reduced significantly. However, our overall revenue grew slightly as we continued to enjoy the promising construction market in Hong Kong. We have comprehensive pipes and fittings that cater to different market segments covering civil, fire, air conditioning, plumbing, and maintenance services. Nevertheless, we faced some challenges such as rising staff costs, rental and material costs.

The Group's selling and distribution costs were approximately HK\$20.8 million in 2016 (2015: HK\$23.2 million), a reduction of about 10.3% year-on-year. The decrease was mainly attributable to the decrease in transportation costs for sales to Macau, consultancy fees, sales commission and promotion. The decrease in expenses was partially offset by the increase in direct logistic staff costs. The Group's general and administrative expenses amounted to approximately HK\$105.2 million in 2016 (2015: HK\$101.0 million), representing an increase of about 4.2% year-on-year. Such increase was primarily attributable to the general increase in staff costs and bonus, rental and depreciation, which was partly offset by the decrease in testing expenses and motor vehicle expenses.

In 2016, other net losses were about HK\$4.1 million (2015: HK\$1.9 million). It was mainly attributable to the increase of provision for impairment of loan to a third party during the year. Finance income increased significantly due to the interest income from a loan transaction during the year. Finance costs also increased mainly attributed to the increase in average monthly balance of trade financing amounts on imports and the increase in effective interest rate per annum. However, as finance income outpaced costs, we recorded net finance income of HK\$3.4 million, as compared to approximately net finance costs of HK\$44,000 in 2015.

FUTURE PROSPECTS

Our flagship subsidiary, Bun Kee (International) Limited, has a well-established market presence in Hong Kong and Macau. We will continue to strengthen our market position in the region.

Although the Group is facing challenges such as pricing pressure from customers and rising costs of materials, the Group will stay vigilant against market volatility and exercise prudence in response to the challenges we faced in the coming years. To keep our competitive advantage, as usual, we will continue to provide high quality and value-added services to our customers.

Looking ahead, the Group will continue to focus on strengthening its market position and enhance its operational efficiency. The Group remains confident of its outlook for its core business of pipes and fittings. Given our solid financial position, the Group is well-positioned and ready to explore any investment and business opportunities.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31 December 2016, the cash and bank balances of the Group were approximately HK\$186.4 million (2015: HK\$215.4 million) including pledged bank deposits of HK\$37.0 million (2015: HK\$61.0 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 2016, the Group had aggregate banking facilities for trade finance of approximately HK\$254.2 million (2015: HK\$238.4 million), approximately HK\$88.9 million (2015: HK\$84.9 million) was utilised. The Group's total borrowings stood at approximately HK\$74.0 million (2015: HK\$73.0 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 2016 was approximately HK\$74.0 million (2015: HK\$73.0 million). 33% (2015: 29%) and 67% (2015: 71%) of borrowings were subject to floating and fixed rates respectively.

The gearing ratio as measured by total bank borrowings to total equity was approximately 17.0% as at 31 December 2016 (2015: 19.0%).

As at 31 December 2015 and 2016, 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 2016, certain bank deposits and certificate of deposit held by subsidiaries of the Group with aggregate carrying amounts of approximately HK\$37.0 million (2015: HK\$61.0 million) and HK\$10.0 million (2015: Nil) respectively were pledged to banks for banking facilities.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2015 and 2016.

COMMITMENTS

As at 31 December 2016, the Group had outstanding commitments in respect of future minimum lease payments under non-cancellable lease of approximately HK\$199.3 million (2015: HK\$34.1 million).

As at 31 December 2016, the Group had outstanding commitments in respect of acquisition of motor vehicles of approximately HK\$1.3 million (2015: HK\$1.3 million).

STAFF AND REMUNERATION POLICY

As at 31 December 2016, the Group employed a total of 173 employees (2015: 172). Total employee benefit expenses for the year ended 31 December 2016 was approximately HK\$74.3 million (2015: HK\$69.0 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 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 2016 (2015: 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 2016.

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 2016 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 2016.

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 2016 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.

By Order of the Board
Softpower International Limited
Lai Guanglin
Chairman

Hong Kong, 24 March 2017

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.