冠力國際有限公司
Softpower International Limited
冠力國際

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

	2015 *HK$'000*	2014 *HK$'000*	Percentage Change
Revenue	**611,534**	553,845	10%
Profit attributable to equity holders of the Company	**34,023**	21,729	57%
Basic earnings per share	**HK2.55 cents**	HK1.63 cents	

The board of directors (the "Board") of Softpower International Limited (formerly known as China Pipe Group Limited) (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015, together with the comparative figures for the corresponding year in 2014, are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2015

	Note	**2015** *HK$'000*	2014 *HK$'000*
Revenue	*2*	**611,534**	553,845
Cost of sales	*4*	**(445,801)**	(416,116)
Gross profit		**165,733**	137,729
Other losses, net	*3*	**(1,907)**	(1,861)
Selling and distribution costs	*4*	**(23,226)**	(19,032)
General and administrative expenses	*4*	**(100,971)**	(90,426)
Operating profit		**39,629**	26,410
Finance income	*5*	**1,282**	1,267
Finance costs	*5*	**(1,326)**	(1,586)
Finance costs, net	*5*	**(44)**	(319)
Profit before income tax		**39,585**	26,091
Tax expense	*6*	**(5,562)**	(4,362)
Profit for the year attributable to equity holders of the Company		**34,023**	21,729
Earnings per share		***HK cents***	*HK cents*
Basic and diluted	*7*	**2.55**	1.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	2014
	HK$'000	*HK$'000*
Profit for the year	**34,023**	21,729
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Actuarial loss on post-employment benefit obligations, net of tax	**(340)**	(411)
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Currency translation differences	**246**	(158)
Release of exchange reserve upon disposal of a subsidiary	**-**	(1,651)
Other comprehensive income for the year, net of tax	**(94)**	(2,220)
Total comprehensive income for the year, net of tax, attributable to equity holders of the Company	**33,929**	19,509

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**5,619**	4,297
Rental deposits and other assets	*9*	**6,635**	6,833
		12,254	11,130
Current assets			
Inventories		**164,114**	143,474
Trade receivables	*9*	**113,588**	124,206
Deposits, prepayments and other receivables	*9*	**24,346**	36,363
Financial assets at fair value through profit or loss		**1,672**	-
Tax recoverable		**80**	28
Pledged bank deposits		**61,000**	68,699
Cash and bank balances		**154,360**	121,677
		519,160	494,447
Total assets		**531,414**	505,577

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015	2014
		HK$'000	*HK$'000*
EQUITY			
Equity holders			
Share capital		**26,665**	26,665
Reserves		**358,461**	324,412
Total equity		**385,126**	351,077
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**137**	323
Other non-current liabilities		**3,737**	3,223
		3,874	3,546
Current liabilities			
Trade and other payables	*10*	**66,641**	73,164
Taxation payable		**2,730**	1,837
Borrowings		**73,043**	75,953
		142,414	150,954
Total liabilities		**146,288**	154,500
Total equity and liabilities		**531,414**	505,577
Net current assets		**376,746**	343,493
Total assets less current liabilities		**389,000**	354,623

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 amendments to standards

The following amendments to standards are mandatory for the Group's financial year beginning 1 January 2015. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

The Group has not applied any new standards and amendments to standards that have been issued but are not effective for the current accounting period.

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 2015 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]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

[1] effective for annual periods beginning on or after 1 January 2016
[2] effective for annual periods beginning on or after 1 January 2018
[3] effective date to be determined

New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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 revenue from external customers by geographical location are detailed below:

	Revenue For the year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**511,184**	468,503
Macau	**100,350**	85,342
	611,534	553,845

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

	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**10,055**	8,484
Mainland China	**2,199**	2,646
	12,254	11,130

3. OTHER LOSSES, NET

	2015 ***HK$'000***	2014 *HK$'000*
Net exchange loss	**(2,101)**	(1,201)
Net (loss)/gain on disposal of property, plant and equipment	**(127)**	87
Loss on financial assets at fair value through profit or loss	**(94)**	-
Dividend income from financial assets at fair value through profit or loss	**49**	-
Loss on disposal of a subsidiary	**-**	(871)
Others	**366**	124
	(1,907)	(1,861)

4. EXPENSES BY NATURE

Operating profit is arrived at after charging:

	2015	2014
	HK$'000	*HK$'000*
Cost of inventories sold	**435,239**	406,494
Auditor's remuneration		
- Audit services	**1,192**	1,108
- Non-audit services	**145**	131
Depreciation of property, plant and equipment	**2,178**	1,409
Employee benefit expenses	**68,991**	63,539
Operating lease payments	**19,404**	17,687
Provision for impairment of trade and other receivables, net	**860**	43
Provision for impairment of inventories, net	**1,316**	1,078
Other expenses	**40,673**	34,085
	569,998	525,574
Representing:		
Cost of sales	**445,801**	416,116
Selling and distribution costs	**23,226**	19,032
General and administrative expenses	**100,971**	90,426
	569,998	525,574

5. FINANCE COSTS, NET

	2015	2014
	HK$'000	*HK$'000*
Bank interest income	**(1,282)**	(1,267)
Interest expense on bank borrowings	**1,326**	1,586
	44	319

6. TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Current taxation:		
Hong Kong profits tax	**5,147**	3,939
Overseas tax	**550**	417
Over-provision in prior years	**(16)**	(109)
Total current tax	**5,681**	4,247
Deferred taxation:		
Origination and reversal of temporary differences	**(119)**	115
Tax expense	**5,562**	4,362

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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:

	2015	2014
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company for the purpose of basic earnings per share	**34,023**	21,729
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 years ended 31 December 2014 and 2015 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

The weighted average number of ordinary shares and basic earnings per share for the year ended 31 December 2014 has been adjusted retrospectively to reflect the impact of share consolidation effected on 19 January 2015.

8. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

9. TRADE AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**114,765**	125,025
Less: provision for impairment	**(1,177)**	(819)
Trade receivables – net	**113,588**	124,206
Prepayments	**16,203**	29,477
Consideration receivable from disposal of a subsidiary	**-**	4,615
Loan to an employee	**1,542**	-
Loan to a third party	**4,745**	-
Other receivables, deposits and other assets	**3,868**	4,559
Rental deposits	**4,623**	4,545
	144,569	167,402
Less: non-current portion	**(6,635)**	(6,833)
	137,934	160,569

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:

	2015	2014
	HK$'000	*HK$'000*
Within credit period	**81,406**	87,629
1 to 30 days	**21,615**	23,631
31 to 60 days	**5,753**	6,828
61 to 90 days	**1,394**	3,153
91 to 120 days	**297**	256
Over 120 days	**4,300**	3,528
	114,765	125,025

10. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**26,145**	32,572
Accrued expenses and other payables	**40,496**	40,592
	66,641	73,164

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

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**22,257**	28,768
31 to 60 days	**2,491**	856
61 to 90 days	**1,362**	715
Over 90 days	**35**	2,233
	26,145	32,572

BUSINESS REVIEW

2015 marked another year of growth in revenue and net profit to the Group. Despite the fierce market competition, we managed to deliver the positive contribution to the Group. In the year under review, the Group reported a revenue of HK$611.5 million from our core business of pipes and fittings, a 10.4% year-on-year increase. The increase in revenue of the Group was mainly driven by the favorable market condition in Hong Kong and Macau in 2015. The market demand for the supply of building materials remained strong. Benefitting from the casinos expansion and resort hotels projects in Macau as well as Tai Po Water Treatment Project in Hong Kong, our pipes and fittings business continued to grow.

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. Whenever the customers need the products, we can procure for them. We have gained the confidence and satisfaction from our customers. As a service-oriented supplier and we had proven track record in terms of procurement and distribution of pipes and fittings, the Group showed its leading position in supplying pipes and fittings in Hong Kong and Macau. We believe that the Group will continue to have outstanding performance.

For the year under review, most of our delivery orders to the casinos expansion and resort hotels projects in Macau have been completed. The existing infrastructure projects in Hong Kong are also to be completed in the near future. Although some public sector projects have been delayed due to the project funding issue from the Hong Kong Legislative Council, our delivery orders to the private sector could also be completed as scheduled.

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.

In 2015, the Group achieved encouraging results. Riding on the efforts of our sales team, we achieved a strong business growth of pipes and fittings and gained good performance on sales and profit. For the year ended 31 December 2015, the Group recorded a growth of 56.7% year-on-year on profit attributable to shareholders to HK$34.0 million which was achieved on the back of a revenue of HK$611.5 million, representing an increase of 10.4% year-on-year. The growth momentum of revenue was primarily due to the contribution from sales to Macau and favorable public and private construction projects in Hong Kong during the year.

During the year under review, the incident of lead in drinking water in Hong Kong in July 2015 (“Lead Water Case”), which has brought attention to the public health awareness and resulting to new regulatory requirements on the quality of pipes and fittings for the industry. The Lead Water Case brought a mixture of crisis and opportunities to the Group. Although it will increase the cost on quality inspection of pipe and fittings and we need to put in more resources to enforce quality control of pipes and fittings, we will uphold our core value of providing high quality products and value-added services. Our competitive advantages are that we have a good track record and commitment to providing high-quality products. Therefore, we can secure additional orders from the contractors in relation to the replacement projects of the drinking water pipes to the certain public housing estates which were affected by the Lead Water Case.

The Group's selling and distribution costs were approximately HK$23.2 million in 2015 (2014: HK$19.0 million), representing an increase of about 22.1% year-on-year. The increase was mainly attributable to the increase in consultancy fees, transportation costs for sales to Macau, wages and sales commission. The Group's general and administrative expenses amounted to approximately HK$101.0 million in 2015 (2014: HK$90.4 million), representing an increase of about 11.7% year-on-year. Such increase was primarily attributable to the general increase in staff costs, rental, testing fees, depreciation and bad debt provision.

Other net losses were about HK$1.9 million in 2015 (2014: HK$1.9 million). It was mainly attributable to the exchange loss as Renminbi depreciated during the year. Finance income was fairly stable and finance costs decreased due to the increase in cash inflows and early settlement of bank loans respectively. As a result, our average amount of outstanding trade loans decreased and net finance costs of the Group were insignificant in 2015, as compared to approximately HK$319,000 in 2014.

FUTURE PROSPECTS

Due to the project funding issue from the Hong Kong Legislative Council, some of public sector projects have been delayed. However, in view of the Hong Kong Government's long term housing strategy in increasing land and housing supply, both private and public sector projects will continue to be active.

Given the competitive and the challenging operating environment in the coming year, we will continue to adopt the prudent cost management approach. We need to manage our warehouse cost and we are constantly thinking of ways to meet customer needs on time and further streamlining our operating efficiency.

We will remain vigilant against the market volatility and prudence in today's ever-changing environment. To keep our sustainable growth, it is important that we stay close to our customers and strengthen our core competencies through continuous improvements in products quality.

Going forward, the Group remains confident of its outlook for its core business of pipes and fittings and will continue to explore new business growth opportunities.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31 December 2015, the cash and bank balances of the Group were approximately HK$215.4 million (2014: HK$190.4 million) including pledged bank deposits, which amounted to HK$61.0 million (2014: HK$68.7 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 2015, the Group had aggregate banking facilities of trade finance of approximately HK$238.4 million (2014: HK$179.9 million), approximately HK$84.9 million

(2014: HK$83.9 million) was utilised. The Group's total borrowings stood at approximately HK$73.0 million (2014: HK$76.0 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 2015 was approximately HK$73.0 million (2014: HK$76.0 million). 29% (2014: 34%) and 71% (2014: 66%) of borrowings were subject to floating and fixed rates respectively.

The gearing ratio as measured by total bank borrowings to total equity was approximately 19.0% as at 31 December 2015 (2014: 21.6%).

As at 31 December 2014 and 2015, 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 2015, certain bank deposits held by subsidiaries of the Group with an aggregate carrying amounts of approximately HK$61.0 million (2014: HK$68.7 million) were pledged to banks for banking facilities.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2014 and 2015.

COMMITMENTS

As at 31 December 2015, the Group had outstanding commitments in respect of future minimum lease payments under non-cancellable lease of approximately HK$34.1 million (2014: HK$47.9 million).

As at 31 December 2015, the Group had outstanding commitments in respect of acquisition of motor vehicles of approximately HK$1.3 million (2014: Nil).

STAFF AND REMUNERATION POLICY

As at 31 December 2015, the Group employed a total of 172 employees (2014: 160). Total employee benefit expenses for the year ended 31 December 2015 was approximately HK$69.0 million (2014: HK$63.5 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 2015 (2014: 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 2015.

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 2015 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 Hong Kong Institute of Certified Public Accountants 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 2015.

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 2015 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, 30 March 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.