冠力國際有限公司
Softpower International Limited

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	2020	2019	Percentage
	HK$'000	*HK$'000*	Change
Revenue from continuing operation	**497,295**	527,552	(6%)
Profit for the year from continuing operation	**30,712**	11,553	166%
Profit from continuing and discontinued operations attributable to equity holders of the Company	**20,152**	6,790	197%
Basic earnings per share	**HK1.51 cents**	HK0.51 cent	

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 2020, together with the comparative figures for the corresponding year in 2019, are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	2020 *HK$'000*	Restated 2019 *HK$'000*
Continuing operation:			
Revenue	*2*	**497,295**	527,552
Cost of sales	*4*	**(356,804)**	(393,860)
Gross profit		**140,491**	133,692
Other gains, net	*3*	**9,512**	644
Selling and distribution costs	*4*	**(16,562)**	(20,268)
General and administrative expenses	*4*	**(100,952)**	(103,424)
(Provision for)/Reversal of impairment of financial assets	*4*	**(409)**	571
Operating profit		**32,080**	11,215
Finance income	*5*	**8,276**	10,339
Finance costs	*5*	**(6,871)**	(8,471)
Finance income, net	*5*	**1,405**	1,868
Profit before income tax		**33,485**	13,083
Tax expense	*6*	**(2,773)**	(1,530)
Profit for the year from continuing operation		**30,712**	11,553
Discontinued operation:			
Loss for the year from discontinued operation	11	**(15,808)**	(7,123)
Profit for the year		**14,904**	4,430
Profit/(Loss) attributable to:			
Equity holders of the Company		**20,152**	6,790
Non-controlling interests		**(5,248)**	(2,360)
		14,904	4,430
		HK cents	*HK cent*
Earnings/(Loss) per share	*7*		
Basic and diluted			
From continuing operation		**2.30**	0.87
From discontinued operation		**(0.79)**	(0.36)
		1.51	0.51

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
Profit for the year	**14,904**	4,430
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Actuarial gain on post-employment benefit obligations, net of tax	**184**	636
Item that may be subsequently reclassified to profit or loss		
Currency translation differences	**184**	(468)
Other comprehensive income for the year, net of tax	**368**	168
Total comprehensive income for the year	**15,272**	4,598
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**20,674**	7,001
Non-controlling interests	**(5,402)**	(2,403)
	15,272	4,598
Total comprehensive income/(loss) attributable to equity holders of the Company:		
Continuing operation	**31,542**	11,850
Discontinued operation	**(10,868)**	(4,849)
	20,674	7,001

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020	2019
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**3,634**	17,676
Right-of-use assets		**114,977**	135,480
Intangible assets		**426**	477
Loan to a related company	*9*	**77,706**	78,229
Rental deposits and other assets	*9*	**6,524**	6,957
		203,267	238,819
Current assets			
Inventories		**192,168**	191,526
Trade receivables	*9*	**127,476**	121,007
Deposits, prepayments and other receivables	*9*	**55,987**	34,156
Financial assets at fair value through profit or loss		**1,742**	2,722
Tax recoverable		**4**	3,457
Pledged certificate of deposit		**10,000**	10,000
Pledged bank deposits		**36,000**	36,000
Cash and bank balances		**189,088**	157,683
		612,465	556,551
Total assets		**815,732**	795,370

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
EQUITY			
Equity holders			
Share capital		**26,645**	26,665
Reserves		**537,764**	517,156
		564,409	543,821
Non-controlling interests		**(3,187)**	2,215
Total equity		**561,222**	546,036
LIABILITIES			
Non-current liabilities			
Lease liabilities		**98,979**	117,340
Deferred tax liabilities		**1,508**	1,816
Other non-current liabilities		**1,527**	1,865
		102,014	121,021
Current liabilities			
Trade payables, other payables and contract liabilities	*10*	**71,011**	58,756
Taxation payable		**2,864**	818
Lease liabilities		**21,637**	21,355
Borrowings		**56,984**	47,384
		152,496	128,313
Total liabilities		**254,510**	249,334
Total equity and liabilities		**815,732**	795,370
Net current assets		**459,969**	428,238
Total assets less current liabilities		**663,236**	667,057

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 standards and amendments to standards

The Group has applied the following standards and amendments to standards for the first time for the annual reporting period commencing 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 9 and HKFRS 7	Hedge accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle

The Group has applied for the first time the above new standards and amendments to standards issued by the HKICPA. The adoption of new standards and amendments to standards do not have a material impact on the Group's results of operations or financial position.

Issued but not yet effective standards and amendments to standards

The Group has not early adopted any other new standards and amendments to standards that have been issued but are not yet effective. The Group is assessing the impact of these new standards and amendments to standards.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted by the Group.

Amendments to HKFRS 16	Covid-19 Related Rent Concessions [1]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 [2]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use[3]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKAS 1	Classification of Liabilities as Current and Non-current[4]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

[1] effective for annual periods beginning on or after 1 June 2020
[2] effective for annual periods beginning on or after 1 January 2021
[3] effective for annual periods beginning on or after 1 January 2022
[4] effective for annual periods beginning on or after 1 January 2023
[5] 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 ("CODM") that are used to make strategic decisions. The CODM has been identified as the executive directors of the Company. The CODM assesses the performance of the operating segments based on a measure of the results of the segments. Finance income and costs, and corporate income and expenses are not included in the results for each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the financial statements.

During the year, the Group has two reportable segments, which are trading of pipes and fittings ("Trading of pipes and fittings") and manufacture and sale of biomass pellet fuel products ("Biomass Pellet fuel products"). The following summary describes the operations in each of the Group's reportable segments.

Trading of pipes and fittings includes wholesale, retail and logistics operations substantially in Hong Kong and Macau.

Biomass pellet fuel products are contributed by a subsidiary of the Group, 貴州中冠新能源有限公司 (Guizhou Zhongguan New Energy Limited*), which manufactures and sells biomass pellet fuel products in the PRC.

During the year ended 31 December 2020, the Group discontinued the business in biomass pellet fuel products segment. Accordingly, certain comparative segment information related to the biomass pellet fuel products segment is classified as "loss for the year from discontinued operation" in the consolidated income statement.

**For identification purpose only*

The segment information for the year ended 31 December 2020 and 2019 are as follows:

	For the year ended 31 December 2020				
	Reportable segments				
	Continuing operation	Discontinued operation			
	Trading of pipes and fittings	Biomass pellet fuel products	Total reportable segments	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**497,295**	**277**	**497,572**	**-**	**497,572**
Results of reportable segments	**52,021**	**(16,115)**	**35,906**	**-**	**35,906**
Reconciliation of results of reportable segments to profit for the year					
Results of reportable segments					
Unallocated income					**300**
Unallocated expenses					**(20,241)**
Operating profit					**15,965**
Finance income					**8,276**
Finance costs					**(6,871)**
Profit before income tax					**17,370**
Tax expense					**(2,466)**
Profit for the year					**14,904**

Other segment information:

Depreciation of property, plant and equipment	**3,551**	**1,088**	**4,639**	**35**	**4,674**
Amortisation of intangible assets	**51**	**-**	**51**	**-**	**51**
Net gain on disposal of property, plant and equipment	**-**	**(15)**	**(15)**	**-**	**(15)**
Provision for impairment of property, plant and equipment	**-**	**9,744**	**9,744**	**-**	**9,744**
Reversal of provision for inventories, net	**(1,334)**	**-**	**(1,334)**	**-**	**(1,334)**
Provision for impairment of financial assets	**409**	**3,124**	**3,533**	**-**	**3,533**
Depreciation of right-of-use assets	**25,430**	**-**	**25,430**	**-**	**25,430**

	For the year ended 31 December 2019				
	Reportable segments				
	Continuing operation	Discontinued operation			
	Trading of pipes and fittings *HK$'000*	Biomass pellet fuel products *HK$'000*	Total reportable segments *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Revenue	527,552	3,819	531,371	-	531,371
Results of reportable segments	30,867	(7,213)	23,654	-	23,654
Reconciliation of results of reportable segments to profit for the year					
Results of reportable segments					
Unallocated losses					(235)
Unallocated expenses					(19,417)
Operating profit					4,002
Finance income					10,343
Finance costs					(8,471)
Profit before income tax					5,874
Tax expense					(1,444)
Profit for the year					4,430
Other segment information:					
Depreciation of property, plant and equipment	4,048	2,174	6,222	35	6,257
Amortisation of intangible assets	34	-	34	-	34
Net loss on disposal of property, plant and equipment	4	-	4	-	4
Provision for and write-off of inventories, net	4,253	-	4,253	-	4,253
Reversal of impairment of financial assets	(571)	-	(571)	-	(571)
Depreciation of right-of-use assets	25,737	-	25,737	-	25,737

The segment assets and liabilities as at 31 December 2020 and 2019 are as follows:

	Reportable segments			
As at 31 December 2020	Trading of pipes and fittings *HK$'000*	Biomass pellet fuel products *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Non-current assets	**125,526**	**-**	**77,741**	**203,267**
Current assets	**582,765**	**642**	**29,058**	**612,465**
Total Assets	**708,291**	**642**	**106,799**	**815,732**
Non-current liabilities	**(102,014)**	**-**	**-**	**(102,014)**
Current liabilities	**(144,186)**	**(5,132)**	**(3,178)**	**(152,496)**
Total Liabilities	**(246,200)**	**(5,132)**	**(3,178)**	**(254,510)**

	Reportable segments			
As at 31 December 2019	Trading of pipes and fittings *HK$'000*	Biomass pellet fuel products *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Non-current assets	149,961	10,559	78,299	238,819
Current assets	519,463	5,188	31,900	556,551
Total Assets	669,424	15,747	110,199	795,370
Non-current liabilities	(120,716)	(305)	-	(121,021)
Current liabilities	(122,647)	(4,039)	(1,627)	(128,313)
Total Liabilities	(243,363)	(4,344)	(1,627)	(249,334)

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	
		Restated
	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**460,081**	480,027
Macau	**37,214**	47,525
Continuing operation	**497,295**	527,552
Discontinued operation	**277**	3,819
	497,572	531,371

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

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**202,052**	227,039
Mainland China	**1,215**	11,780
	203,267	238,819

3. OTHER GAINS, NET

	2020	2019
	HK$'000	*HK$'000*
Net exchange gain	**935**	206
Net loss on disposal of property, plant and equipment	**-**	(4)
Gain on financial assets at fair value through profit or loss	**7**	109
Dividend income from financial assets at fair value through profit or loss	**70**	108
Hong Kong and Macau Government grants	**8,500**	-
Others	**-**	225
	9,512	644

4. EXPENSES BY NATURE

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

	2020	Restated 2019
	HK$'000	*HK$'000*
Cost of inventories sold	**348,878**	380,013
Amortisation of intangible assets	**51**	34
Auditor's remuneration		
- Audit services	**1,023**	1,023
- Non-audit services	**170**	180
Depreciation of property, plant and equipment	**3,586**	4,083
Depreciation of right-of-use assets	**25,430**	25,737
Employee benefit expenses	**64,636**	65,223
Short-term and low-value lease expenses	**762**	1,726
Provision for/(Reversal of) impairment of financial assets	**409**	(571)
(Reversal of)/Provision for and write-off of inventories, net	**(1,334)**	4,253
Other expenses	**31,116**	35,280
	474,727	516,981
Representing:		
Cost of sales	**356,804**	393,860
Selling and distribution costs	**16,562**	20,268
General and administrative expenses	**100,952**	103,424
Provision for/(Reversal of) impairment of financial assets	**409**	(571)
	474,727	516,981

5. FINANCE INCOME, NET

	2020	Restated 2019
	HK$'000	*HK$'000*
Bank and other interest income	**(8,276)**	(10,339)
Interest expense on bank borrowings	**1,522**	2,335
Interest expense on lease liabilities	**5,349**	6,136
	(1,405)	(1,868)

6. TAX EXPENSE

	2020	Restated 2019
	HK$'000	*HK$'000*
Current taxation:		
Hong Kong profits tax	**2,979**	777
Overseas tax	**149**	408
Over provision in prior years	**(316)**	(84)
Total current tax	**2,812**	1,101
Deferred taxation:		
Origination and (provision for)/reversal of temporary differences	**(39)**	429
Tax expense	**2,773**	1,530

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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/(LOSS) PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit/(loss) for the year attributable to equity holders and weighted average number of ordinary shares with adjustments where applicable as follows:

	2020	2019
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company from continuing operation	**30,712**	11,553
Loss attributable to equity holders of the Company from discontinued operation	**(10,560)**	(4,763)
Profit attributable to equity holders of the Company for the purpose of basic earnings per share	**20,152**	6,790

Number of shares	**Thousands**	Thousands
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**1,333,111**	1,333,270

There was no diluted earnings per share for the year ended 31 December 2020 as there was no potential dilutive effect. Diluted earnings per share for the year ended 31 December 2019 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 2020 (2019: Nil).

9. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**127,586**	121,007
Less: loss allowance	**(110)**	-
	127,476	121,007
Prepayments	**50,576**	26,920
Amount due from a non-controlling shareholder	**-**	3,106
Rental deposits	**6,242**	6,476
Other receivables, deposits and other assets	**6,988**	5,732
Less: loss allowance	**(1,295)**	(1,121)
	62,511	41,113
Loan to a related company	**77,830**	78,229
Less: loss allowance	**(124)**	-
	77,706	78,229
Total of trade and other receivables, deposits and prepayments	**267,693**	240,349
Less: included in non-current assets		
Rental deposits and other assets	**(6,524)**	(6,957)
Loan to a related company	**(77,706)**	(78,229)
Included in current assets	**183,463**	155,163

The Group generally grants credit period of 60-90 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:

	2020	2019
	HK$'000	*HK$'000*
Within credit period	**83,145**	69,260
1 to 30 days	**27,323**	24,463
31 to 60 days	**11,345**	13,094
61 to 90 days	**3,253**	7,667
91 to 120 days	**417**	3,704
Over 120 days	**2,103**	2,819
	127,586	121,007

The closing loss allowance for all trade receivables reconcile to the opening loss allowance are as follows:

	HK$'000
Loss allowance as at 31 December 2019 under HKFRS 9	-
Loss allowance for trade receivables	(110)
	(110)

The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

There was loss allowance of HK$110,000 for trade receivables as at 31 December 2020 (2019: Nil).

10. TRADE PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**37,237**	30,537
Contract liabilities	**12,589**	14,393
Accrued expenses and other payables	**21,185**	13,826
	71,011	58,756

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

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**29,186**	25,515
31 to 60 days	**4,183**	3,190
61 to 90 days	**2,058**	1,178
Over 90 days	**1,810**	654
	37,237	30,537

11. DISCONTINUED OPERATION

Analysis of the result of discontinued operation is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue	**277**	3,819
Cost of sales	**(2,143)**	(8,260)
Gross loss	**(1,866)**	(4,441)
Other gains, net	**15**	-
Selling and distribution costs	**(73)**	(244)
General and administrative expenses	**(1,323)**	(2,528)
Provision for impairment of financial assets	**(3,124)**	-
Provision for impairment of property, plant and equipment	**(9,744)**	-
Operating loss	**(16,115)**	(7,213)
Finance income, net	**-**	4
Loss before income tax	**(16,115)**	(7,209)
Tax credit	**307**	86
Loss for the year from discontinued operation	**(15,808)**	(7,123)
Attributable to:		
Equity holders of the Company	**(10,560)**	(4,763)
Non-controlling interests	**(5,248)**	(2,360)
	(15,808)	(7,123)

Analysis of the cash flows of discontinued operation is as follows:

	2020	2019
	HK$'000	*HK$'000*
Operating activities cash flows	**94**	(3,703)
Investing activities cash flows	**(202)**	-
Financing activities cash flows	**84**	3,765
	(24)	62

12. SUBSEQUENT EVENT

On 24 March 2021, the Group's wholly-owned subsidiary in the PRC entered into a sale and purchase agreement with an independent third party (the "Purchaser") pursuant to which the Group sells 100% equity interest in Guizhou Zhongguan Industry Development Limited* (貴州中冠產業發展有限公司) ("Guizhou Zhongguan Industry") to the Purchaser for a cash consideration of RMB1.

The principal business and activity of Guizhou Zhongguan Industry was investment holding which owns 66.7% interests of Guizhou Zhongguan New Energy Limited* (貴州中冠新能源有限公司). Guizhou Zhongguan Industry recorded net liabilities position as at 31 December 2020 and its results have been accounted for as a discontinued operation in the Group's consolidated income statement for the year ended 31 December 2020.

**For identification purpose only*

BUSINESS REVIEW

It was tough and most challenging at the start of 2020. The outbreak of COVID-19 at the beginning of 2020 presented challenges to the global economic environment. Despite the volatile operating environment during the year under review, the Group recorded a net profit attributable to equity holders of the Company HK$20.2 million, a substantial increase of 197.1% over HK$6.8 million a year ago, even with a 5.7% decline in revenue from continuing operation to HK$497.3 million.

The Group continued to focus on its core business, supplying pipes and fittings to the construction sector. In the first half of 2020, the COVID-19 pandemic control measures greatly impacted many business activities. In order to contain the pandemic, work was suspended at some construction sites, resulting in the delay of the delivery of goods. This disruption negatively impacted our revenue in the first half of the year.

For the biomass pellet fuel products segment, the negative impact brought by COVID-19 affected its normal operation in the first half of the year. This segment continued to record a loss for the year under review. Due to the sustained losses and after further consideration, management decided to discontinue the operation in the biomass pellet fuel products segment. Accordingly, the Group made a provision for impairment of property, plant and equipment of HK$9.7 million. The performance of this segment had a drag on the Group’s overall net profit.

In the second half of the year, the construction activities recovered gradually despite further COVID-19 outbreaks. With hard work and reliable supply chain, our sales performance improved in the second half of the year. We remained profitable for the year under review by managing costs and operational efficiency. Hong Kong Government subsidies such as Employment Support Scheme and other Anti-epidemic Fund helped to defray staff costs and alleviate operating costs. These relief measures helped many companies in Hong Kong as well as our Group in an extremely difficult business environment.

The Group maintained a solid financial position. Despite operating in a competitive environment, our pipes and fittings business segment continued to improve its gross margin. During the year under review, we secured numerous new notable projects such as the third runway of Hong Kong International Airport and Queen’s Hill public housing.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading provider to the construction sector offering a wide range of pipe (including copper tube, ductile iron 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 lies with 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 stable major customer and supplier bases over the years.

The COVID-19 pandemic at the beginning of 2020 certainly brought lingering uncertainties to the economic environment in Hong Kong. Fortunately, the impact of COVID-19 was relatively low on our core business. The Group remained in focus during this pandemic period and continued to provide a stable supply of pipes and fittings to our customers. During the year under review, the Group's revenue contributor was mainly from sales of pipes and fittings in Hong Kong and Macau. Although the market competition was very keen, we continued to capture new sales orders.

The halt to the business activities and construction sites in the first half of 2020 resulted in some delays to deliver the pipes and fittings to our customers. The situation improved in the second half of the year and we saw signs of our sales recovery. However, the overall sales was still affected by the epidemic. The Group recorded revenue from continuing operation of approximately HK$497.3 million for the year ended 31 December 2020 (2019: HK$527.6 million), a slight decrease of 5.7%. The profit attributable to equity holders of the Company from continuing and discontinued operation was HK$20.2 million for the year ended 31 December 2020 (2019: HK$6.8 million), representing an increase of 197.1%. Such profit increment was mainly attributable to the improvement in gross profit margin due to the proper planning of procurement strategy, cost-savings as a result of the Group's ongoing effort by adopting a cost optimization program and subsidies obtained from the Hong Kong Government.

For the year under review, other net gains from continuing operation were about HK$9.5 million (2019: HK$0.6 million), representing an increase of HK$8.9 million. The increase was primarily attributable to subsidies granted from the Hong Kong Government under the Anti-epidemic Fund and the Macau Government.

The Group's selling and distribution costs from continuing operation decreased by 18.2% year-on-year from HK$20.3 million in 2019 to HK$16.6 million in 2020. The decrease was mainly attributable to the decrease in promotion expenses, direct logistic staff costs and overseas travelling expenses in tandem with the decrease in sales. The Group's general and administrative expenses from continuing operation amounted to approximately HK$101.0 million in 2020 (2019: HK$103.4 million), representing a decrease of about 2.3% year-on-year. The decrease was mainly due to the decrease in insurance, depreciation, entertainment and motor vehicle running expenses. The operating expenses decreased was partially due to the Group's continuous cost control efforts as well as the slower business activities resulting from the cross-border and COVID-19 control measures.

Finance costs from continuing operation mainly consisted of the interest expenses on bank borrowings and lease liabilities. During the year, the finance costs were HK$6.9 million (2019: HK$8.5 million), representing a decrease by about 18.8% over last year. Such decrease was mainly attributable to the early settlement of trust receipt loans and lower interest rates. Finance income which was mainly from a loan to a related party, decreased by 19.4% from HK$10.3 million in 2019 to HK$8.3 million in 2020 as the downward adjustment of the interest rate of the related party during the year. As finance income outpaced costs, we recorded a net finance income of HK$1.4 million (2019: HK$1.9 million).

FUTURE PROSPECTS

Moving forward, the COVID-19 situation remains uncertain and we expect the year ahead to remain challenging. The Group will continue to take a prudent approach which is important to weather the challenging times ahead. We will continue to pay close attention to the impact of COVID-19. We will take the necessary measures to protect the health and safety of our staff in order to maintain our normal business operations.

The Group understands the importance of resilience to adapt to the changing environment. The Group is committed to invest more resources to streamline its operations by leveraging on digitization and technologies to enhance our competition and efficiency.

As supported by the Hong Kong Government's policy on the supply of more public housing and strong demand for residential properties in the market, we believe that it will boost the demand for construction materials for both the public and private sectors. We are optimistic about the prospects of pipes and fittings business in Hong Kong and Macau.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31 December 2020, the cash and bank balances of the Group were approximately HK$225.1 million (2019: HK$193.7 million) including pledged bank deposits of approximately HK$36.0 million (2019: HK$36.0 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 2020, the Group had aggregate banking facilities for trade finance of approximately HK$267.3 million (2019: HK$290.7 million), approximately HK$61.0 million (2019: HK$51.7 million) was utilised. The Group's total borrowings stood at approximately HK$57.0 million (2019: HK$47.4 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 2020 was approximately HK$57.0 million (2019: HK$47.4 million). 37% (2019: 35%) and 63% (2019: 65%) of borrowings were subject to floating and fixed rates respectively.

The gearing ratio as measured by total bank borrowings to total equity was approximately 10.2% as at 31 December 2020 (2019: 8.7%).

As at 31 December 2019 and 2020, 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 31 December 2020, certain bank deposits and certificate of deposit held by subsidiaries of the Group with aggregate carrying amounts of approximately HK$36.0 million (2019: HK$36.0 million) and HK$10.0 million (2019: 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 2019 and 2020.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had capital commitments of HK$1.8 million in respect of Enterprise Resources Planning system contracted for but not provided for in consolidated financial statements. (2019: Nil).

STAFF AND REMUNERATION POLICY

As at 31 December 2020, the Group employed a total of 168 employees (2019: 169). Total employee benefit expenses for the year ended 31 December 2020 was approximately HK$64.6 million (2019: HK$65.2 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 2020 (2019: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2020, the Company repurchased a total of 1,004,000 ordinary shares of the Company at an aggregate cost of approximately HK$86,444 (excluding expenses) through The Stock Exchange of Hong Kong Limited and all repurchased shares were cancelled. The highest price paid and the lowest price paid were HK$0.088 and HK$0.085 per share respectively.

Save as disclosed above, 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 2020.

AUDIT COMMITTEE

The audit committee of the Company consists of three independent non-executive directors, namely Mr. Wong Yee Shuen, Wilson, Mr. Chen Wei Wen and Mr. Guan Zhiqiang.

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 2020 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 2020.

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 2020 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.

APPRECIATION

I would like to take this opportunity to express my deepest thanks to our shareholders, customers, suppliers and banks for their continuous support. I would also like to thank our Directors, management team and employees for their commendable efforts and valuable contribution to the Group over the years. With our concerted efforts, we can deliver both revenue and profit growth.

By Order of the Board
Softpower International Limited
Lai Fulin
Chairman

Hong Kong, 24 March 2021

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