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**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

FINANCIAL HIGHLIGHTS

	2019	2018	Percentage
	HK\$'000	HK\$'000	Change
Revenue	531,371	538,155	(1%)
Profit attributable to equity holders of the Company	6,790	26,015	(74%)
Basic earnings per share	HK0.51 cent	HK1.95 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 2019, together with the comparative figures for the corresponding year in 2018, are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

		2019	2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	531,371	538,155
Cost of sales	4	(402,120)	(390,671)
Gross profit		129,251	147,484
Other gains, net	3	644	4,267
Selling and distribution costs	4	(20,512)	(20,844)
General and administrative expenses	4	(105,952)	(113,018)
Reversal of impairment of financial assets	4	571	3,523
Operating profit		4,002	21,412
Finance income	5	10,343	10,111
Finance costs	5	(8,471)	(2,051)
Finance income, net	5	1,872	8,060
Profit before income tax		5,874	29,472
Tax expense	6	(1,444)	(4,621)
Profit for the year		4,430	24,851
Profit attributable to:			
Equity holders of the Company		6,790	26,015
Non-controlling interests		(2,360)	(1,164)
		4,430	24,851
Earnings per share		<i>HK cent</i>	<i>HK cents</i>
Basic and diluted	7	0.51	1.95

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year	4,430	24,851
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	636	(110)
Item that may be subsequently reclassified to profit or loss		
Currency translation differences	(468)	(1,156)
Other comprehensive income for the year, net of tax	168	(1,266)
Total comprehensive income for the year	4,598	23,585
Total comprehensive income attributable to:		
Equity holders of the Company	7,001	24,744
Non-controlling interests	(2,403)	(1,159)
	4,598	23,585

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		17,676	21,377
Right-of-use-assets		135,480	-
Intangible assets		477	-
Loan to a related company	9	78,229	-
Rental deposits and other assets	9	6,957	7,337
		238,819	28,714
		238,819	28,714
Current assets			
Inventories		191,526	235,309
Loan to a related company	9	-	78,540
Trade receivables	9	121,007	114,747
Deposits, prepayments and other receivables	9	34,156	39,741
Financial assets at fair value through profit or loss		2,722	2,601
Tax recoverable		3,457	2,111
Pledged certificate of deposit		10,000	10,000
Pledged bank deposits		36,000	31,000
Cash and bank balances		157,683	130,117
		556,551	644,166
		556,551	644,166
Total assets		795,370	672,880

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
EQUITY			
Equity holders			
Share capital		26,665	26,665
Reserves		517,156	510,150
		<u>543,821</u>	<u>536,815</u>
Non-controlling interests		2,215	4,618
Total equity		<u>546,036</u>	<u>541,433</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		117,340	-
Deferred tax liabilities		1,816	1,352
Other non-current liabilities		1,865	2,862
		<u>121,021</u>	<u>4,214</u>
Current liabilities			
Trade payables, other payables and contract liabilities	10	58,756	69,227
Taxation payable		818	562
Lease liabilities		21,355	-
Borrowings		47,384	57,444
		<u>128,313</u>	<u>127,233</u>
Total liabilities		<u>249,334</u>	<u>131,447</u>
Total equity and liabilities		<u>795,370</u>	<u>672,880</u>
Net current assets		<u>428,238</u>	<u>516,933</u>
Total assets less current liabilities		<u>667,057</u>	<u>545,647</u>

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, amendments to standards and interpretations

The Group has applied the following standards, amendments to standards and interpretations for the first time for the annual reporting period commencing 1 January 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendments, Curtailment or Settlement
Amendments to HKAS 28	Long term interests in Associates and Joint Ventures
HK (IFRIC) 23	Uncertainty over Income Tax Treatments
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The Group has applied for the first time the above new standards, amendments to standards and interpretations issued by the HKICPA that are mandatorily effective from 1 January 2019. Save as disclosed below, the adoption of other new standards, amendments to standards and interpretations do not have a material impact on the Group’s results of operations or financial position.

Adjustments recognised on adoption of HKFRS 16

This note discloses the new accounting policies of HKFRS 16 Leases that have been applied from 1 January 2019 and explains the impact of the adoption on the Group’s financial statements.

The Group has adopted HKFRS 16 from 1 January 2019 which resulted in changes in accounting policies. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

(i) Practical expedients applied

In applying HKFRS16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining term of less than 12 months as at 1 January 2019 as short-term leases; and

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Adjustments recognised on adoption of HKFRS 16 (Continued)

(i) Practical expedients applied (Continued)

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS17 and HK(IFRIC)4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

	<i>HK\$ '000</i>
Operating lease commitments disclosed as at 31 December 2018	188,607
	<hr/>
Discounted using the lessee's incremental borrowing rate at the date of initial application	160,684
Less: short-term leases and low-value leases recognised on a straight-line basis as expense	(2,374)
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Lease liabilities recognised as at 1 January 2019	158,310
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Of which are:	
Current lease liabilities	21,735
Non-current lease liabilities	136,575
	<hr/>
	158,310
	<hr/>

(iii) Measurement of right-of-use assets

The associated right-of-use assets were related to property leases and measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets — increase by HK\$158,310,000
- Lease liabilities — increase by HK\$158,310,000

To determine the incremental borrowing rate, the Group where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Adjustments recognised on adoption of HKFRS 16 (Continued)

(iv) Adjustments recognised in the balance sheet on 1 January 2019 (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of buildings are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Issued but not yet effective standards and amendments to standards

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

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 3	Definition of a Business ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹

¹ effective for annual periods beginning on or after 1 January 2020

² effective for annual periods beginning on or after 1 January 2021

³ 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.

**For identification purpose only*

The segment information for the year ended 31 December 2019 and 2018 are as follows:

	For the year ended 31 December 2019				
	Reportable segments				
	Trading of pipes and fittings <i>HK\$'000</i>	Biomass pellet fuel products <i>HK\$'000</i>	Total reportable segments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 loss					(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

For the year ended 31 December 2018

	Reportable segments				
	Trading of pipes and fittings <i>HK\$'000</i>	Biomass pellet fuel products <i>HK\$'000</i>	Total reportable segments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	535,978	2,177	538,155	-	538,155
Results of reportable segments	44,784	(3,536)	41,248	-	41,248
Reconciliation of results of reportable segments to profit for the year					
Results of reportable segments					
Unallocated income					3,181
Unallocated expenses					(23,017)
Operating profit					21,412
Finance income					10,111
Finance costs					(2,051)
Profit before income tax					29,472
Tax expense					(4,621)
Profit for the year					24,851
Other segment information:					
Depreciation of property, plant and equipment	3,686	811	4,497	56	4,553
Net gain on disposal of property, plant and equipment	(136)	-	(136)	-	(136)
Provision for and write-off of inventories, net	4,693	-	4,693	-	4,693
Reversal of impairment of financial assets	(544)	-	(544)	(2,979)	(3,523)

The segment assets and liabilities as at 31 December 2019 and 2018 are as follows:

	Reportable segments			
	Trading of pipes and fittings <i>HK\$'000</i>	Biomass pellet fuel products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2019				
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)
	Reportable segments			
	Trading of pipes and fittings <i>HK\$'000</i>	Biomass pellet fuel products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2018				
Non-current assets	15,914	12,695	105	28,714
Current assets	527,968	6,926	109,272	644,166
Total Assets	543,882	19,621	109,377	672,880
Non-current liabilities	(3,818)	(396)	-	(4,214)
Current liabilities	(120,233)	(4,514)	(2,486)	(127,233)
Total Liabilities	(124,051)	(4,910)	(2,486)	(131,447)

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	
	2019	2018
	HK\$'000	HK\$'000
Hong Kong	480,027	508,391
Macau	47,525	27,587
Mainland China	3,819	2,177
	<u>531,371</u>	<u>538,155</u>

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

	2019	2018
	HK\$'000	HK\$'000
Hong Kong	227,039	14,790
Mainland China	11,780	13,924
	<u>238,819</u>	<u>28,714</u>

3. OTHER GAINS, NET

	2019	2018
	HK\$'000	HK\$'000
Net exchange gain/(loss)	206	(107)
Net (loss)/gain on disposal of property, plant and equipment	(4)	136
Gain/(loss) on financial assets at fair value through profit or loss	109	(145)
Dividend income from financial assets at fair value through profit or loss	108	105
Reversal of provision for customer claim	-	3,694
Others	225	584
	<u>644</u>	<u>4,267</u>

4. EXPENSES BY NATURE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cost of inventories sold	382,709	374,317
Amortisation of intangible assets	34	-
Auditor's remuneration		
- Audit services	1,023	1,300
- Non-audit services	180	196
Depreciation of property, plant and equipment	6,257	4,553
Depreciation of right-of-use assets	25,737	-
Employee benefit expenses	67,106	72,295
Short-term and low-value lease expenses	2,651	-
Operating lease payments	-	29,967
Reversal of impairment of financial assets	(571)	(3,523)
Provision for and write-off of inventories, net	4,253	4,693
Other expenses	38,634	37,212
	528,013	521,010
Representing:		
Cost of sales	402,120	390,671
Selling and distribution costs	20,512	20,844
General and administrative expenses	105,952	113,018
Reversal of impairment of financial assets	(571)	(3,523)
	528,013	521,010

5. FINANCE INCOME, NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank and other interest income	(10,343)	(10,111)
Interest expense on bank borrowings	2,335	2,051
Interest expense on lease liabilities	6,136	-
	(1,872)	(8,060)

6. TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current taxation:		
Hong Kong profits tax	777	3,845
Overseas tax	408	251
(Over)/under provision in prior years	(84)	21
Total current tax	<u>1,101</u>	<u>4,117</u>
Deferred taxation:		
Origination and reversal of temporary differences	343	504
Tax expense	<u>1,444</u>	<u>4,621</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit attributable to equity holders of the Company for the purpose of basic earnings per share	<u>6,790</u>	<u>26,015</u>
Number of shares	Thousands	Thousands
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 2018 and 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 2019 (2018: Nil).

9. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	121,007	115,401
Less: loss allowance	-	(654)
Trade receivables – net	121,007	114,747
Prepayments	26,920	30,817
Amount due from a non-controlling shareholder	3,106	4,697
Other receivables, deposits and other assets	4,611	5,098
Rental deposits	6,476	6,466
Loan to a related company	78,229	78,540
	240,349	240,365
Less non-current portion:		
Rental deposits and other assets	(6,957)	(7,337)
Loan to a related company	(78,229)	-
	155,163	233,028

The Group generally grants credit period of 60-120 days to its customers for its trading of pipes and fittings operation. The ageing analysis of the trade receivables based on the due date is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within credit period	69,260	68,882
1 to 30 days	24,463	23,710
31 to 60 days	13,094	12,245
61 to 90 days	7,667	6,281
91 to 120 days	3,704	1,365
Over 120 days	2,819	2,918
	121,007	115,401

As at 31 December 2019, included in other receivable, loan to a third party of HK\$1,121,000 (2018: HK\$1,121,000) was impaired and provided for. 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 fully provided for.

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

	<i>HK\$'000</i>
Loss allowance as at 1 January 2018 under HKAS 39	2,016
Loss allowance for trade receivables	22
Unused amount reversed	(566)
Receivables written off during the year as uncollectible	(818)
	<hr/>
Loss allowance as at 31 December 2018 under HKAS 39 and 1 January 2019 under HKFRS 9	654
Unused amount reversed	(571)
Receivables written off during the year as uncollectible	(83)
	<hr/>
Loss allowance as at 31 December 2019 under HKFRS 9	-

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 no loss allowance (2018: HK\$654,000) for trade receivables as at 31 December 2019.

10. TRADE PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	30,537	33,904
Contract liabilities	14,393	16,384
Accrued expenses and other payables	13,826	18,939
	<hr/>	<hr/>
	58,756	69,227

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

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	25,515	26,878
31 to 60 days	3,190	3,518
61 to 90 days	1,178	2,350
Over 90 days	654	1,158
	<hr/>	<hr/>
	30,537	33,904

BUSINESS REVIEW

The year 2019 remained a challenging year for the Group. As we faced headwinds during the year, the Group's revenue decreased by 1.3% to HK\$531.4 million and recorded the net profit attributable to equity holders of the Company HK\$6.8 million for the year ended 31 December 2019.

As mentioned in our 2019 interim report, the Group's performance was buffeted by a number of factors. During the year under review, our sales recorded a slight decrease as some large existing orders were fulfilled in 2018. In addition, there was a lack of large infrastructure projects in Hong Kong during the year. As a result, our sales did not gain growth momentum and returned to a normal level.

Due to the environmental protection policies in China, the temporary production halt in the PRC factories disrupted the normal supply in the fourth quarter of last year. The PRC factories grappled to comply with stringent environmental measures implemented by the PRC government. This increased our costs and impacted our gross profit margin. The unfavourable market conditions in Hong Kong slowed down the construction progress and the demand for our products.

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 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.

During the year, we continued to operate in a competitive market environment. The Group remained focused on its core business of distribution of pipes and fittings in Hong Kong and Macau. The new segment of biomass pellet fuel products business was relatively small and did not have profit contribution to the Group.

The Group recorded revenue of HK\$531.4 million for the year ended 31 December 2019 (2018: HK\$538.2 million), a slight decrease of 1.3%. The Group's revenue was mainly derived from sales of pipes and fittings in Hong Kong and Macau. The decrease was mainly attributable to the lack of large-scale infrastructure projects in Hong Kong during the year but partially offset by the increase of sales in Macau which recorded an increase of 72.3% as compared to the corresponding period of last year. The profit attributable to equity holders was HK\$6.8 million for the year ended 31 December 2019 (2018: HK\$26.0 million), representing a decrease of 73.9%. Competition on pricing for new sales orders has eroded our gross margins and resulted in the decrease of profit for the Group.

For the year under review, other net gains were about HK\$0.6 million (2018: HK\$4.3 million), representing a decrease of 86.0%. The decrease was primarily attributable to the one-off reversal of provision for customer claim in 2018.

The Group's selling and distribution costs amounted to approximately HK\$20.5 million in 2019 (2018: HK\$20.8 million), a decrease of about 1.6% year-on-year. The decrease was mainly attributable to the decrease in transportation costs, consultancy fees and sales commission, partially offset by the increase in logistic staff costs. The Group's general and administrative expenses amounted to approximately HK\$106.0 million in 2019 (2018: HK\$113.0 million), representing a decrease of about 6.3% year-on-year. The decrease was mainly due to the initial adoption of HKFRS 16 "Lease". Most of the rental expenses incurred in 2019 were recognised as depreciation on right-of-use assets and interest expenses on lease liabilities presented in finance costs. After taking out this effect, the decrease was primarily attributable to the decrease in employee benefits expenses and testing fees, partially offset by the increase in depreciation expenses.

Finance costs mainly consist of the interest expenses on bank borrowings and lease liabilities. For the year ended 31 December 2019, the finance costs were HK\$8.5 million (2018: HK\$2.1 million). The increase was mainly attributable to interest expense on lease liabilities of HK\$6.1 million resulting from the adoption of HKFRS 16 during the year. Excluding the effect of HKFRS 16 adoption, the interest expenses was HK\$2.3 million for the year ended 31 December 2019 (2018: HK\$2.1 million), representing an increase of 9.5% over last year. Finance income, mainly interest income from a loan to a related party, which was at similar level as compared to last year. As finance income outpaced costs, we recorded net finance income of HK\$1.9 million (2018: HK\$8.1 million).

FUTURE PROSPECTS

To stay in the forefront of competition, we will continue to manage our costs tightly and enhance our cost-effectiveness. The Group's financial position remains strong. The Group will continue to be prudent in light of the challenges in both the local and global markets.

The outbreak of the novel coronavirus (COVID-19) in the mainland China has a profound impact on the region's economies. While the extent of the full impact remains to be seen, 2020 is expected to be full of challenges. In light of the strong support from Hong Kong Government on the supply of more public housing, the Group will continue to benefit from the increasing demand on pipes and fittings products. Therefore, the Group is optimistic with the prospects of pipes and fittings business in Hong Kong and Macau. We are confident that our committed management team can bring the Group forward under a difficult operating environment.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31 December 2019, the cash and bank balances of the Group were approximately HK\$193.7 million (2018: HK\$161.1 million) including pledged bank deposits of approximately HK\$36.0 million (2018: HK\$31.0 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 2019, the Group had aggregate banking facilities for trade finance of approximately HK\$290.7 million (2018: HK\$265.7 million), approximately HK\$51.7 million (2018: HK\$62.8 million) was utilised. The Group's total borrowings stood at approximately HK\$47.4 million (2018: HK\$57.4 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 2019 was approximately HK\$47.4 million (2018: HK\$57.4 million). 35% (2018: 20%) and 65% (2018: 80%) of borrowings were subject to floating and fixed rates respectively.

The gearing ratio as measured by total bank borrowings to total equity was approximately 8.7% as at 31 December 2019 (2018: 10.6%).

As at 31 December 2018 and 2019, 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 2019, certain bank deposits and certificate of deposit held by subsidiaries of the Group with aggregate carrying amounts of approximately HK\$36.0 million (2018: HK\$31.0 million) and HK\$10.0 million (2018: 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 2018 and 2019.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had no capital commitments contracted for but not provided for in consolidated financial statements. (2018: Nil).

STAFF AND REMUNERATION POLICY

As at 31 December 2019, the Group employed a total of 169 employees (2018: 186). Total employee benefit expenses for the year ended 31 December 2019 was approximately HK\$67.1 million (2018: HK\$72.3 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 2019 (2018: Nil).

SUBSEQUENT EVENT

There is an outbreak of coronavirus disease (COVID-19) in early 2020 throughout the world. The Group expects the economy in Hong Kong, Macao and the PRC to be negatively impacted and this may potentially affect the Group's business and financial performance in 2020. The Group will pay close attention to the development of the epidemic and evaluate its impact on the financial position and operating results.

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 2019.

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 2019 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 2019.

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 2019 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. Your dedicated support is the driving force behind our achievements.

By Order of the Board
Softpower International Limited
Lai Fulin
Chairman

Hong Kong, 27 March 2020

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.