冠力國際有限公司
Softpower International Limited

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "Board") of Softpower International Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018, are as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2019

		Unaudited For the six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**263,909**	274,878
Cost of sales	*4*	**(202,501)**	(193,942)
Gross profit		**61,408**	80,936
Other gains, net	*3*	**16**	437
Selling and distribution costs	*4*	**(9,964)**	(10,141)
General and administrative expenses	*4*	**(51,759)**	(54,415)
Reversal of impairment of financial assets	*4*	**571**	61
Operating profit		**272**	16,878
Finance income	*5*	**5,070**	4,979
Finance costs	*5*	**(4,307)**	(899)
Finance income, net	*5*	**763**	4,080
Profit before income tax		**1,035**	20,958
Tax expense	*6*	**(594)**	(3,464)
Profit for the period		**441**	17,494
Profit attributable to:			
Equity holders of the Company		**1,537**	17,494
Non-controlling interests		**(1,096)**	-
		441	17,494
Earnings per share attributable to equity holders of the Company		***HK cent***	*HK cents*
Basic and diluted	*7*	**0.12**	1.31
		HK$'000	*HK$'000*
Dividend	*8*	**-**	-

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Unaudited	
	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Profit for the period	**441**	17,494
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss:		
Currency translation differences	**(31)**	(280)
Other comprehensive income for the period, net of tax	**(31)**	(280)
Total comprehensive income for the period	**410**	17,214
Total comprehensive income attributable to:		
Equity holders of the Company	**1,492**	17,214
Non-controlling interests	**(1,082)**	-
	410	17,214

There was no tax impact relating to the components of other comprehensive income for the six months ended 30 June 2018 and 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	**Unaudited 30 June 2019**	Audited 31 December 2018
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**19,629**	21,377
Loan to a related company	*9*	**78,293**	-
Rental deposits and other assets	*9*	**7,345**	7,337
Intangible assets		**503**	-
Right-of-use-assets		**148,550**	-
		254,320	28,714
Current assets			
Inventories		**210,064**	235,309
Loan to a related company	*9*	**-**	78,540
Trade receivables	*9*	**118,399**	114,747
Deposits, prepayments and other receivables	*9*	**33,358**	39,741
Financial assets at fair value through profit or loss		**2,718**	2,601
Tax recoverable		**4,019**	2,111
Pledged certificate of deposit		**10,000**	10,000
Pledged bank deposits		**36,000**	31,000
Cash and bank balances		**149,537**	130,117
		564,095	644,166
Total assets		**818,415**	672,880

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	**Unaudited 30 June 2019 *HK$'000***	Audited 31 December 2018 HK$'000
EQUITY			
Equity holders			
Share capital		**26,665**	26,665
Reserves		**511,647**	510,150
		538,312	536,815
Non-controlling interests		**3,536**	4,618
Total Equity		**541,848**	541,433
LIABILITIES			
Non-current liabilities			
Lease liabilities		**127,344**	-
Deferred tax liabilities		**1,496**	1,352
Other non-current liabilities		**2,912**	2,862
		131,752	4,214
Current liabilities			
Trade payables, other payables and contract liabilities	*10*	**61,359**	69,227
Taxation payable		**1,012**	562
Lease liabilities		**22,914**	-
Borrowings		**59,530**	57,444
		144,815	127,233
Total liabilities		**276,567**	131,447
Total equity and liabilities		**818,415**	672,880
Net current assets		**419,280**	516,933
Total assets less current liabilities		**673,600**	545,647

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This condensed consolidated interim financial information should be read in conjunction with the audited consolidated annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Except for described below, the accounting policies adopted are consistent with those used in the audited consolidated annual financial statements for the year ended 31 December 2018.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Adoption of new standards, amendments to standards and interpretations

The Group has applied the following standards, amendments to standards and interpretation 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

In the current interim period, 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.

(a) 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 interim 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.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	188,607
Discounted using the lessee's incremental borrowing rate of 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)
Lease liability recognised as at 1 January 2019	158,310
Of which are:	
Non-current liabilities	136,575
Current liabilities	21,735
	158,310

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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

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
- 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.

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, retail shops and staff quarters. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain various terms and conditions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Until 2018 financial year, lease of properties were classified as operating leases. Payments made under operating lease (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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.

Payments associated with short-term leases and leases of low-value assets 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.

(c) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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.

2. REVENUE AND 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 profit attributable to equity holders of the Company.

During the period, 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*

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended 30 June 2019 and 2018 are as follows :

	Unaudited For the six months ended 30 June 2019				
	Reportable segments				
	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	**262,489**	**1,420**	**263,909**	**-**	**263,909**
Results of reportable segments	**13,517**	**(3,351)**	**10,166**	**-**	**10,166**
Reconciliation of results of reportable segments to profit for the period					
Results of reportable segments					
Unallocated loss					**(214)**
Unallocated expenses					**(9,680)**
Operating profit					**272**
Finance income					**5,070**
Finance costs					**(4,307)**
Profit before income tax					**1,035**
Tax expense					**(594)**
Profit for the period					**441**
Other segment information:					
Depreciation of property, plant and equipment	**1,994**	**1,101**	**3,095**	**18**	**3,113**
Amortisation of intangible assets	**8**	**-**	**8**	**-**	**8**
Provision for impairment of inventories	**3,808**	**-**	**3,808**	**-**	**3,808**
Reversal of impairment of financial assets	**(571)**	**-**	**(571)**	**-**	**(571)**

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Unaudited For the six months ended 30 June 2018				
	Reportable segments				
	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	274,878	-	274,878	-	274,878
Results of reportable segments	27,327	-	27,327	-	27,327
Reconciliation of results of reportable segments to profit for the period					
Results of reportable segments					
Unallocated income					298
Unallocated expenses					(10,747)
Operating profit					16,878
Finance income					4,979
Finance costs					(899)
Profit before income tax					20,958
Tax expense					(3,464)
Profit for the period					17,494
Other segment information:					
Depreciation of property, plant and equipment	1,799	-	1,799	-	1,799
Net gain on disposal of property, plant and equipment	53	-	53	-	53
Provision for impairment of inventories	3,248	-	3,248	-	3,248
Reversal of impairment of financial assets	(61)	-	(61)	-	(61)

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 30 June 2019 and 31 December 2018 are as follows:

	Reportable segments			
	Trading of pipes and fittings *HK$'000*	**Biomass pellet fuel products** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
As at 30 June 2019				
Non-current assets	**164,117**	**11,823**	**78,380**	**254,320**
Total current assets	**522,412**	**7,429**	**34,254**	**564,095**
Total Assets	**686,529**	**19,252**	**112,634**	**818,415**
Non-current liabilities	**(131,399)**	**(353)**	**-**	**(131,752)**
Total current liabilities	**(140,385)**	**(3,428)**	**(1,002)**	**(144,815)**
Total Liabilities	**(271,784)**	**(3,781)**	**(1,002)**	**(276,567)**

	Reportable segments			
	Trading of pipes and fittings *HK$'000*	Biomass pellet fuel products *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
As at 31 December 2018				
Non-current assets	15,914	12,695	105	28,714
Total 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)
Total current liabilities	(120,233)	(4,514)	(2,486)	(127,233)
Total Liabilities	(124,051)	(4,910)	(2,486)	(131,447)

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

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

	Revenue	
	Unaudited	
	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**239,075**	262,288
Macau	**23,414**	12,590
Mainland China	**1,420**	-
	263,909	274,878

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

	Unaudited	Audited
	30 June	31 December
	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**241,272**	14,790
Mainland China	**13,048**	13,924
	254,320	28,714

3. OTHER GAINS, NET

	Unaudited	
	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Net exchange (loss)/gain	**(157)**	128
Net gain on disposal of property, plant and equipment	**-**	53
Gain/(loss) on financial assets at fair value through profit or loss	**120**	(80)
Dividend income from financial assets at fair value through profit or loss	**53**	53
Sundry income	**-**	283
	16	437

4. EXPENSES BY NATURE

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

	Unaudited For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold	**191,527**	186,894
Auditor's remuneration	**646**	644
Depreciation of property, plant and equipment	**3,113**	1,799
Depreciation of right-of-use assets	**12,750**	-
Amortisation of intangible assets	**8**	-
Employee benefit expenses (including directors' emoluments)	**32,459**	35,323
Operating lease payments	**1,442**	14,596
Reversal of impairment of financial assets	**(571)**	(61)
Provision for impairment of inventories, net	**3,808**	3,248
Other expenses	**18,471**	15,994
	263,653	258,437
Representing:		
Cost of sales	**202,501**	193,942
Selling and distribution costs	**9,964**	10,141
General and administrative expenses	**51,759**	54,415
Reversal of impairment of financial assets	**(571)**	(61)
	263,653	258,437

5. FINANCE INCOME, NET

	Unaudited For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**(977)**	(742)
Interest income on loan to a related company	**(4,093)**	(4,093)
Other interest income	**-**	(144)
Finance income	**(5,070)**	(4,979)
Interest expense on bank borrowings wholly repayable within one year	**1,138**	899
Interest on lease liabilities	**3,169**	-
Finance costs	**4,307**	899
	(763)	(4,080)

6. TAX EXPENSE

	Unaudited For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Current taxation:		
Hong Kong profits tax	**278**	3,300
Overseas tax	**203**	37
Over provision in prior years	**(31)**	-
Deferred taxation	**144**	127
Tax expense	**594**	3,464

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period 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 attributable to equity holders of the Company and weighted average number of ordinary shares with adjustments where applicable as follows:

	Unaudited For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company for the purpose of basic earnings per share	**1,537**	17,494
Number of shares	**Thousands**	Thousands
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 six months ended 30 June 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 declare interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

9. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2019	Audited 31 December 2018
	HK$'000	*HK$'000*
Trade receivables	**118,482**	115,401
Less: loss allowance	**(83)**	(654)
Trade receivables – net	**118,399**	114,747
Prepayments	**25,566**	30,817
Amount due from a non-controlling shareholder	**3,443**	4,697
Other receivables, deposits and other assets	**5,190**	5,098
Rental deposits	**6,504**	6,466
Loan to a related company	**78,293**	78,540
	118,996	125,618
	237,395	240,365
Less non-current portion:		
Rental deposits and other assets	**(7,345)**	(7,337)
Loan to a related company	**(78,293)**	-
	151,757	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:

	Unaudited 30 June 2019	Audited 31 December 2018
	HK$'000	*HK$'000*
Within credit period	**78,961**	68,882
1 to 30 days	**22,379**	23,710
31 to 60 days	**6,354**	12,245
61 to 90 days	**3,407**	6,281
91 to 120 days	**2,022**	1,365
Over 120 days	**5,359**	2,918
	118,482	115,401

10. TRADE PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES

	Unaudited 30 June 2019	Audited 31 December 2018
	HK$'000	*HK$'000*
Trade payables	**34,616**	33,904
Contract liabilities	**17,180**	16,384
Accrued expenses and other payables	**9,563**	18,939
	61,359	69,227

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

	Unaudited 30 June 2019	Audited 31 December 2018
	HK$'000	*HK$'000*
Within 30 days	**29,786**	26,878
31 to 60 days	**2,367**	3,518
61 to 90 days	**1,894**	2,350
Over 90 days	**569**	1,158
	34,616	33,904

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2019, the Group recorded revenue of approximately HK$ 263.9 million (2018: HK$274.9 million), a decrease of 4.0% as compared to the same period in 2018. The profit attributable to equity holders of the Company for the six months ended 30 June 2019 was approximately HK$1.5 million (2018: HK$17.5 million), representing a decrease of 91.4% over the same period in 2018 as the overall revenue and gross margin decrease. The basic earnings per share was approximately HK0.12 cent (2018: HK1.31 cents).

Business Review

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.

For the six months ended 30 June 2019, we went through a challenging operating environment. Our performance was buffeted by a number of factors. During the period under review, there was a lack of large infrastructure projects in Hong Kong. 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 production restriction on China's factories led to the supply shortage in the fourth quarter of last year. Furthermore, it also increased the costs to our Group and muted our gross profit margin. The unfavourable construction market in Hong Kong has slowed down the construction progress and the demand for our products.

Against these backdrops, the Group's revenue recorded a slight decrease of 4% to HK$263.9 million. In light of the rising cost of sales, our gross profit margin was suppressed. In order to alleviate the impact of the unfavourable situation, the Group proactively controlled its overhead expenses. Warehousing overhead was the largest component cost that we had to manage and the Group will continue to explore way to balance this and meeting our customers' needs on time.

Although the sales in Hong Kong decreased, it was encouraging to see that sales in Macau recorded growth. We expected that the sales growth trend in Macau will continue in the second half of 2019.

On biomass pellet fuel products business front, the Group started this new business development last year. The Group continued to take a prudent approach to develop this new business. As it was still in the early stage of development, the sales contribution was insignificant during the period under review.

The Group's selling and distribution costs decreased by 2.0% to HK$9.9 million for the six months ended 30 June 2019 (corresponding period of 2018: HK$10.1 million), mainly due to the decrease in sales commission and transportation costs of about HK$1.0 million in tandem with the decrease in sales. The decrease in expenses was partially offset by the increase in direct logistic staff costs, consultancy fees, overseas travelling and goods handling charges of approximately HK$0.8 million.

The Group's general and administrative expenses decreased by 4.8% to HK$ 51.8 million for six months ended 30 June 2019 (corresponding period of 2018: HK$54.4 million). Such decrease was mainly due to the decrease in staff costs and testing fees of approximately HK$3.4 million for the period under review. The decrease in expenses was partially offset by the increase in depreciation of about HK$0.8 million (excluding the depreciation on right-of-use assets).

For the six months ended 30 June 2019, finance income was fairly stable compared to the corresponding period of last year. It was mainly derived from a loan to a related party. Finance costs increased as a result of the increase in finance costs from lease liabilities under the new HKFRS 16 adopted and the increase in the effective interest rate for the period under review. As finance income outpaced costs during the period, we recorded net finance income of HK$0.8 million (corresponding period of 2018: HK$4.1 million). Excluding the additional finance costs from lease liabilities, the net finance income was HK$3.9 million which was 4.9% or HK$0.2 million lower.

PROSPECTS

In the first half of 2019, there were clear signs that Hong Kong's economy and business environment faced a turning point. Despite this, we will continue to focus on our core business of pipes and fittings. We have strong rooted in Hong Kong and we have experienced ups and downs over seven decades. Over the years, our financial position remains healthy and we believe that we are in good shape to ride out the present situation. We expect that the Hong Kong Government will continue to maintain the housing supply steady and the renovation of public hospitals. In view of this, the Group remains confident of construction market outlook and we will benefit from these business opportunities.

APPRECIATION

We would like to convey our gratitude to the management and staff of the Group for their dedication and commitment. We would also like to take this opportunity to thank our valued shareholders, banks and business partners for their continued trust and support.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 30 June 2019, the cash and bank balances of the Group were approximately HK$185.5 million (31 December 2018: HK$161.1 million) including pledged bank deposits amounting to approximately HK$36.0 million (31 December 2018: HK$31.0 million). Basically the Group's working capital requirement is financed by its internal resources and banking facilities. The Group believes that funds generated from operations and the available banking facilities will enable the Group to meet its future working capital requirements.

As at 30 June 2019, the Group had aggregate banking facilities of trade finance of approximately HK$303.7 million (31 December 2018: HK$265.7 million), of which approximately HK$61.8 million (31 December 2018: HK$62.8 million) was utilised. The Group's total borrowings stood at approximately HK$59.5 million (31 December 2018: HK$57.4 million), and the entire amount of borrowings for both periods will mature within one year. The entire amount of borrowings outstanding as at 30 June 2019 was HK$59.5 million (31 December 2018: HK$57.4 million). 26% (31 December 2018: 20%) and 74% (31 December 2018: 80%) of the borrowings were subject to floating and fixed rates respectively.

The gearing ratio as measured by total bank borrowings to total equity was approximately11.0% as at 30 June 2019 (31 December 2018: 10.6%). As at 31 December 2018 and 30 June 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 30 June 2019, certain bank deposits and certificate of deposit held by subsidiaries of the Group with an aggregate carrying amounts of approximately HK$36.0 million (31 December 2018: HK$31.0 million) and HK$10.0 million (31 December 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 30 June 2019 (31 December 2018: Nil).

CAPITAL COMMITMENTS

As at 30 June 2019, the Group had outstanding commitments in respect of acquisition of motor vehicles of approximately HK$1.2 million (31 December 2018: Nil).

STAFF AND REMUNERATION POLICY

As at 30 June 2019, the Group employed a total of 180 employees (31 December 2018: 186). Total employee benefit expenses for the period ended 30 June 2019 was approximately HK$32.5 million (2018: HK$35.3 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 for Hong Kong employees. 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 eligible directors and employees of the Group to recognise their contribution to the result of the Group.

INTERIM DIVIDEND

The Board does not declare interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Listing Rules of Stock Exchange throughout the period.

REVIEW BY AUDIT COMMITTEE

The condensed consolidated interim financial information for the six months ended 30 June 2019 has not been audited nor reviewed by the Company's auditor, PricewaterhouseCoopers, but this report has been reviewed by the audit committee of the Company. The audit committee has reviewed with management the accounting policies and practices adopted by the Group and financial reporting matters including the review of the unaudited condensed consolidated financial information for the period. The audit committee of the Company currently consists of Mr. Wong Yee Shuen, Wilson, Mr. Chen Wei Wen and Mr. Guan Zhiqiang as independent non-executive directors.

COMPLIANCE WITH MODEL CODE OF LISTING RULES

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry with the directors, all directors confirmed that they have fully complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2019.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 interim 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 Fulin
Chairman

Hong Kong, 26 August 2019

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