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(Incorporated in Bermuda with limited liability)

(Stock Code: 00380)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

	Note	Unaudited	
		For the six months ended 30 June 2020	2019
		HK\$'000	HK\$'000
Revenue	2	222,693	263,909
Cost of sales	4	(161,045)	(202,501)
Gross profit		61,648	61,408
Other gains, net	3	105	16
Selling and distribution costs	4	(8,212)	(9,964)
General and administrative expenses	4	(49,289)	(51,759)
(Provision for)/reversal of impairment of financial assets	4	(144)	571
Provision for impairment of property, plant and equipment	9	(9,525)	-
Operating (loss)/profit		(5,417)	272
Finance income	5	5,125	5,070
Finance costs	5	(3,667)	(4,307)
Finance income, net	5	1,458	763
(Loss)/profit before income tax		(3,959)	1,035
Tax expense	6	(894)	(594)
(Loss)/profit for the period		(4,853)	441
(Loss)/profit attributable to:			
Equity holders of the Company		(1,062)	1,537
Non-controlling interests		(3,791)	(1,096)
		(4,853)	441
(Loss)/earnings per share attributable to equity holders of the Company		HK cent	HK cent
Basic and diluted	7	(0.08)	0.12
		HK\$'000	HK\$'000
Dividend	8	-	-

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Unaudited	
	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit for the period	(4,853)	441
Other comprehensive (loss)/income:		
Item that may be subsequently reclassified to profit or loss:		
Currency translation differences	<u>(222)</u>	<u>(31)</u>
Other comprehensive loss for the period, net of tax	<u>(222)</u>	<u>(31)</u>
Total comprehensive (loss)/income for the period	<u>(5,075)</u>	<u>410</u>
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	<u>(1,252)</u>	<u>1,492</u>
Non-controlling interests	<u>(3,823)</u>	<u>(1,082)</u>
	<u>(5,075)</u>	<u>410</u>

There was no tax impact relating to the components of other comprehensive (loss)/income for the six months ended 30 June 2019 and 2020.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		5,218	17,676
Right-of-use-assets		127,320	135,480
Intangible assets		452	477
Loan to a related company	10	77,814	78,229
Rental deposits and other assets	10	7,264	6,957
		218,068	238,819
		218,068	238,819
Current assets			
Inventories		189,635	191,526
Trade receivables	10	114,426	121,007
Deposits, prepayments and other receivables	10	34,982	34,156
Financial assets at fair value through profit or loss		1,663	2,722
Tax recoverable		-	3,457
Pledged certificate of deposit		10,000	10,000
Pledged bank deposits		36,000	36,000
Cash and bank balances		178,295	157,683
		565,001	556,551
		565,001	556,551
Total assets		783,069	795,370

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		Unaudited 30 June 2020 <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
EQUITY			
Equity holders			
Share capital		26,665	26,665
Reserves		515,904	517,156
		542,569	543,821
Non-controlling interests		(1,608)	2,215
Total Equity		540,961	546,036
LIABILITIES			
Non-current liabilities			
Lease liabilities		109,484	117,340
Deferred tax liabilities		1,502	1,816
Other non-current liabilities		1,861	1,865
		112,847	121,021
Current liabilities			
Trade payables, other payables and contract liabilities	<i>11</i>	59,651	58,756
Taxation payable		1,334	818
Lease liabilities		22,347	21,355
Borrowings		45,929	47,384
		129,261	128,313
Total liabilities		242,108	249,334
Total equity and liabilities		783,069	795,370
Net current assets		435,740	428,238
Total assets less current liabilities		653,808	667,057

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 2019, 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 2019.

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 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 HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

In the current interim period, the Group has applied for the first time the above new standards and amendments to standards issued by the HKICPA that are mandatorily effective from 1 January 2020. The adoption of the above new standards and amendments to standards do not have a material impact on the Group’s results of operations or financial position.

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 (loss)/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 2020 and 2019 are as follows :

Unaudited					
For the six months ended 30 June 2020					
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	222,463	230	222,693	-	222,693
Results of reportable segments	15,570	(11,708)	3,862	-	3,862
Reconciliation of results of reportable segments to loss for the period					
Results of reportable segments					
Unallocated loss					(703)
Unallocated expenses					(8,576)
Operating loss					(3,667)
Finance income					5,125
Finance costs					(3,667)
Loss before income tax					(3,959)
Tax expense					(894)
Loss for the period					(4,853)
Other segment information:					
Depreciation of property, plant and equipment	1,919	1,064	2,983	17	3,000
Amortisation of intangible assets	25	-	25	-	25
Net gain on disposal of property, plant and equipment	-	15	15	-	15
Reversal of impairment of inventories	(650)	-	(650)	-	(650)
Provision for impairment of financial assets	144	-	144	-	144
Provision for impairment of property, plant and equipment	-	9,525	9,525	-	9,525

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Unaudited					
For the six months ended 30 June 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	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)

The segment assets and liabilities as at 30 June 2020 and 31 December 2019 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 30 June 2020				
Non-current assets	140,202	-	77,866	218,068
Current assets	528,855	4,042	32,104	565,001
Total Assets	669,057	4,042	109,970	783,069
Non-current liabilities	(112,847)	-	-	(112,847)
Current liabilities	(120,982)	(4,208)	(4,071)	(129,261)
Total Liabilities	(233,829)	(4,208)	(4,071)	(242,108)

	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)

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	
	2020 HK\$'000	2019 HK\$'000
Hong Kong	199,006	239,075
Macau	23,457	23,414
Mainland China	230	1,420
	222,693	263,909

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

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Hong Kong	216,851	227,039
Mainland China	1,217	11,780
	218,068	238,819

3. OTHER GAINS, NET

	Unaudited For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Net exchange loss	(446)	(157)
Net gain on disposal of property, plant and equipment	15	-
(Loss)/gain on financial assets at fair value through profit or loss	(71)	120
Dividend income from financial assets at fair value through profit or loss	38	53
Sundry income	569	-
	105	16

4. EXPENSES BY NATURE

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

	Unaudited	
	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Cost of inventories sold	156,590	191,527
Auditor's remuneration	517	646
Depreciation of property, plant and equipment	3,000	3,113
Depreciation of right-of-use assets	13,137	12,750
Amortisation of intangible assets	25	8
Employee benefit expenses (including directors' emoluments)	30,110	32,459
Short-term and low-value lease expenses	655	1,442
Provision for/(reversal of) impairment of financial assets	144	(571)
Provision for impairment of property, plant and equipment	9,525	-
(Reversal of)/provision for impairment of inventories, net	(650)	3,808
Other expenses	15,162	18,471
	228,215	263,653
Representing:		
Cost of sales	161,045	202,501
Selling and distribution costs	8,212	9,964
General and administrative expenses	49,289	51,759
Provision for/(reversal of) impairment of financial assets	144	(571)
Provision for impairment of property, plant and equipment	9,525	-
	228,215	263,653

5. FINANCE INCOME, NET

	Unaudited	
	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Bank interest income	(1,045)	(977)
Interest income on loan to a related company	(4,080)	(4,093)
Finance income	(5,125)	(5,070)
Interest expense on bank borrowings wholly repayable within one year	895	1,138
Interest on lease liabilities	2,772	3,169
Finance costs	3,667	4,307
	(1,458)	(763)

6. TAX EXPENSE

	Unaudited For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Current taxation:		
Hong Kong profits tax	1,187	278
Overseas tax	16	203
Over provision in prior years	-	(31)
Deferred taxation	(309)	144
Tax expense	<u>894</u>	<u>594</u>

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

The calculation of the basic and diluted (loss)/earnings per share is based on the (loss)/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	
	2020 HK\$'000	2019 HK\$'000
(Loss)/profit attributable to equity holders of the Company for the purpose of basic (loss)/earnings per share	<u>(1,062)</u>	<u>1,537</u>
Number of shares	Thousands	Thousands
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>1,333,270</u>	<u>1,333,270</u>

Diluted (loss)/earnings per share for the six months ended 30 June 2020 and 2019 equal basic (loss)/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 2020 (six months ended 30 June 2019: Nil).

9. PROVISION FOR IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The Group considered the property, plant and equipment relating to the mainland China biomass pellet fuel products operation as a separate cash generating unit (“CGU”). When indicators of impairment are identified, property, plant and equipment are reviewed for impairment based on CGU.

For the six months ended 30 June 2020, property, plant and equipment of the biomass pellet fuel products operation was considered impaired due to the continuous losses suffered and the suspension of the operation. The Group’s management estimated the recoverable amount based on the value-in-use of such property, plant and equipment, which is calculated by discounting future cash flow projections. Accordingly, an impairment of HK\$9,525,000 (six months ended 30 June 2019: Nil) was recognised in the interim condensed consolidated income statement for the period.

10. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Trade receivables	114,426	121,007
Less: loss allowance	-	-
Trade receivables – net	114,426	121,007
Prepayments	28,140	26,920
Amount due from a non-controlling shareholder	3,050	3,106
Other receivables, deposits and other assets	4,885	4,611
Rental deposits	6,171	6,476
Loan to a related company	77,814	78,229
	120,060	119,342
	234,486	240,349
Less non-current portion:		
Rental deposits and other assets	(7,264)	(6,957)
Loan to a related company	(77,814)	(78,229)
	149,408	155,163

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2020 <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
Within credit period	66,785	69,260
1 to 30 days	23,555	24,463
31 to 60 days	10,301	13,094
61 to 90 days	4,721	7,667
91 to 120 days	2,347	3,704
Over 120 days	6,717	2,819
	<u>114,426</u>	<u>121,007</u>

11. TRADE PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES

	Unaudited 30 June 2020 <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
Trade payables	29,126	30,537
Contract liabilities	16,486	14,393
Accrued expenses and other payables	14,039	13,826
	<u>59,651</u>	<u>58,756</u>

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

	Unaudited 30 June 2020 <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
Within 30 days	24,214	25,515
31 to 60 days	2,550	3,190
61 to 90 days	1,759	1,178
Over 90 days	603	654
	<u>29,126</u>	<u>30,537</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2020, the Group recorded revenue of approximately HK\$222.7 million (2019: HK\$263.9 million), a decrease of 15.6% as compared to the same period in 2019. The loss attributable to equity holders of the Company for the six months ended 30 June 2020 was approximately HK\$1.1 million, as compared to a net profit attributable to equity holders of the Company of approximately HK\$1.5 million for the same period in 2019. The loss during the period under review was mainly due to the one-off item, a provision for impairment of property, plant and equipment for the biomass pellet fuel products segment. The trading of pipes and fittings business segment continued to record an encouraging performance. Our financial position and cash position remain strong, with ample cash flows.

The basic loss per share for the six months ended 30 June 2020 was approximately HK0.08 cent as compared to basic earnings per share of approximately HK0.12 cent for the six months ended 30 June 2019.

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 2020, we encountered the challenges posed by the COVID-19 epidemic. In the first half of the year, as the COVID-19 pandemic spread to Hong Kong as well as worldwide, many business activities came to a halt, negatively impacting our revenue. Some delays in business activities and construction works in Hong Kong will continue in the second half of the year.

Despite operating in a competitive environment, our pipe and fitting business segment continued to improve its gross margin. The challenges from COVID-19 interrupted the normal economic activities. We remain committed to providing a stable supply of pipes and fittings to our customers. We continue to work closely with our suppliers and customers and listen to their concerns and to support them where possible.

The Group has a track record in supplying pipes and fittings to numerous notable projects including Tai Po Water Treatment Works, Hong Kong-Zhuhai-Macao Bridge and Lisboa Palace in Macau. Our past efforts earned us a recognition as the first company when customers think of pipes and fittings. During the period under review, we secured some orders to supply pipes to the third runway of Hong Kong International Airport.

It is expected that there will be promising sales of pipes and fittings in the second half of the year but the sudden third wave outbreak of COVID-19 has impacted our business in varying degrees. Our focus is on running the company well through the current unprecedented situation. The health and well-being of our staff are of paramount importance. We have taken steps to protect our staff as much as possible to reduce the possibility of infection.

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. Despite the efforts spent by the Group on developing this business segment, it has failed to meet the production forecast in the first half

of the year. For the six months ended 30 June 2020, property, plant and equipment of the biomass pellet fuel products operation was considered impaired due to the continuous losses suffered and the suspension of the operation. The Group's management estimated the recoverable amount based on the value-in-use of such property, plant and equipment, which is calculated by discounting future cash flow projections. Accordingly, an impairment of HK\$9.5 million was recognised in the interim condensed consolidated income statement for the period.

The Group's selling and distribution costs decreased 17.2% to HK\$8.2 million for the six months ended 30 June 2020 (corresponding period of 2019: HK\$9.9 million), mainly due to the decrease in direct logistic staff costs sales, promotion expenses and overseas travelling about HK\$2.3 million in tandem with the decrease in sales and the normal business activities. The decrease in expenses was partially offset by the increase in consultancy fee and transportation costs of approximately HK\$0.6 million.

The Group's general and administrative expenses decreased by 4.8% to HK\$49.3 million for six months ended 30 June 2020 (corresponding period of 2019: HK\$51.8 million). Such decrease was mainly due to the decrease in staff costs, insurance and various expenses as a result of the Group's continuous cost control improvement.

For the six months ended 30 June 2020, finance income was fairly stable compared to the corresponding period of last year. It was mainly derived from a loan to a related party. During the period under review, finance costs decreased as a result of the decrease in finance costs from lease liabilities under the HKFRS 16 as compared to last year and the decrease 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\$1.5 million (corresponding period of 2019: HK\$0.8 million).

PROSPECTS

COVID-19 has spread worldwide and continues to linger. It also had a profound impact on the global economy. Amidst the headwinds of economic slowdown, the Group will continue to strengthen the existing core operations on the basis of sound financial position. The Group will continue to undertake a prudent business strategy. We expect that the Hong Kong Government will continue to maintain a steady housing supply in the coming years in order to address strong housing demand and to roll out some local economic stimulus measures. We remain cautiously optimistic about the construction market outlook in Hong Kong.

APPRECIATION

We would like to convey our gratitude to the management and staff of the Group for their dedication and commitment. With concern growing over a new wave of infection, we thank our staff who continue to hold fast to their posts under such challenging situation. 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 2020, the cash and bank balances of the Group were approximately HK\$214.3 million (31 December 2019: HK\$193.7 million) including pledged bank deposits amounting to approximately HK\$36.0 million (31 December 2019: HK\$36.0 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 2020, the Group had aggregate banking facilities of trade finance of approximately HK\$290.7 million (31 December 2019: HK\$290.7 million), of which approximately HK\$48.6 million (31 December 2019: HK\$51.7 million) was utilised. The Group's total borrowings stood at approximately HK\$45.9 million (31 December 2019: HK\$47.4 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 2020 was HK\$45.9 million (31 December 2019: HK\$47.4 million). 20% (31 December 2019: 35%) and 80% (31 December 2019: 65%) of the borrowings were subject to floating and fixed rates respectively.

The gearing ratio as measured by total bank borrowings to total equity was approximately 8.5% as at 30 June 2020 (31 December 2019: 8.7%). As at 31 December 2019 and 30 June 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 30 June 2020, 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 2019: HK\$36.0 million) and HK\$10.0 million (31 December 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 30 June 2020 (31 December 2019: Nil).

CAPITAL COMMITMENTS

As at 30 June 2020, the Group did not have any significant capital commitments (31 December 2019: Nil).

STAFF AND REMUNERATION POLICY

As at 30 June 2020, the Group employed a total of 171 employees (31 December 2019: 169). Total employee benefit expenses for the period ended 30 June 2020 was approximately HK\$30.1 million (2019: HK\$32.5 million).

Remuneration policy is reviewed annually and certain staff members are entitled to sales commission. In addition to the basic salaries and contributions to the mandatory provident fund, the Group also pays discretionary bonus and provides staff with other benefits including medical scheme 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 2020 (six months ended 30 June 2019: 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 2020 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 of the Company, 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 2020.

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 2020 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, 27 August 2020

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.