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ISP HOLDINGS LIMITED

昇柏控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 02340)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the "Board") of directors (the "Directors") of ISP Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2022 (the "Reporting Period").

FINANCIAL OVERVIEW

HK$' million	Six months ended 30 June 2022	2021 (Restated)	Change Amount	%
Continuing Operations				
Revenue	**100.4**	239.0	**(138.6)**	**↓ 58.0%**
Gross profit	**14.2**	13.4	**0.8**	**↑ 6.0%**
Gross profit margin	**14.2%**	5.6%	**-**	**↑ 8.6%**
Operating expenses (excluding interest)	**(12.5)**	(15.5)	**3.0**	**↓ 19.4%**
Interest expenses in bank loans and convertible bonds	**-**	(2.6)	**2.6**	**↓ 100.0%**
Operating profit/(loss)	**1.7**	(4.7)	**6.4**	**↑136.2%**
Other income and gain or loss	**4.2**	5.5	**(1.3)**	**↓ 23.6%**
Direct cost in relation to the disposal	**(4.5)**	-	**(4.5)**	**-**
Taxation	**-**	(0.1)	**0.1**	**↓100.0%**
Profit for the period from continuing operations	**1.4**	0.7	**0.7**	**↑100.0%**

HK$' million	Six months ended 30 June 2022	2021 (Restated)	Change Amount	%
Continuing Operations				
Profit for the period from continuing operations	**1.4**	0.7	**0.7**	↑ 100.0%
Basic earnings per share (HK cents)	**0.3**	0.2	**0.1**	↑ 50.0%
Discontinued Operations				
Profit for the period from discontinued operations	**438.4**	18.8	**419.6**	↑ 2,231.9%
Continuing Operations & Discontinued Operations				
Profit for the period attributable to equity holders of the Company	**439.8**	19.5	**420.3**	↑ 2,155.4%
EBITDA	**441.3**	32.7	**408.6**	↑ 1,249.5%
Basic earnings per share (HK cents)	92.4	4.6	**87.8**	↑ 1,908.7%

Continuing Operations

The continuing operations of the Group comprised the interior and special projects business ("ISP Business") and the property management and facility management business in China (PFM China Business"), which together reported revenue of approximately HK$100.4 million for the Reporting Period, representing a decrease of 58.0% over the same period of last year (the "Corresponding Period") (2021: HK$239.0 million). Such decrease was mainly due to (1) the completion of several key contracts last year; and (2) the work progress of existing projects affected by the outbreak of novel coronavirus ("COVID-19") in the first half year and late confirmation of design and material by employer. Under this difficult time, the gross profit still increased by 6.0% over the Corresponding Period (2021: HK$13.4 million) to approximately HK$14.2 million and the gross profit margin increased from 5.6% to 14.2% for the Reporting Period as compared with the Corresponding Period. The increase in gross profit and gross profit margin was mainly contributed from the effort of management and project team on cost saving from certain completed projects with some subcontractors' final acceptance of more realistic final payments on their performed works.

As all the convertible bonds had been redeemed last year, loss of early redemption recognized in the Corresponding Period had not recurred in the Reporting Period. Also, certain corporate overheads were reduced as a result of disposal of one of our core businesses. Under these circumstances, the operating expenses (excluding interest) were decreased by 19.4% to approximately HK$12.5 million for the Reporting Period as compared with the Corresponding Period (2021: HK$15.5 million). With the full repayment of bank loans and redemption of convertible bonds last year, no interest expenses in bank loans and convertible bonds were incurred for the Reporting Period. Together with the direct cost in relation to the disposal of approximately HK$4.5 million and the various factors mentioned above, the Group recorded a profit of approximately HK$1.4 million from the continued operations for the Reporting Period which doubled that for the Corresponding Period (2021: HK$0.7 million).

Discontinued Operations – Disposal of property and facility management business in Hong Kong (the "PFM HK Business) and Ancillary Business (the "Ancillary Business")

Discontinued operations of the Group comprised the PFM HK Business and the Ancillary Business (collectively, the "Disposal Group"), which were disposed to China Resources Property Management Limited in January 2022 for the consideration of HK$539.0 million and the disposal gain of approximately HK$438.4 million was recognized in the Reporting Period. Profit for the Corresponding Period of approximately HK$18.8 million was reclassified to discontinued operations.

Continuing Operations and Discontinued Operations

Including both the results of continuing operations and disposal gain from discontinued operations, the Group recorded the profit attributable to equity holders of the Company of approximately HK$439.8 million for the Reporting Period (2021: HK$19.5 million) whilst basic earnings per share of the Group were 92.4 HK cents (2021: 4.6 HK cents).

Reference was made to the annual report of the Company for the year ended 31 December 2021 (the "2021 Annual Report") and the announcement of the Company dated 18 January 2021. Falcon Insurance Company (Hong Kong) Limited ("Falcon"), as the 1st defendant and ISP Construction (Engineering) Limited ("ISPCE"), an indirect wholly-owned subsidiary of the Company, as the 2nd defendant (collectively, the "Defendants") received a writ of summons under action number HCCT 6 of 2021 (issued from the Court of First Instance of the High Court of Hong Kong) by the solicitors acting for the employer of the factory development of Yuen Long (the "Project") as a plaintiff (the "Plaintiff") against the Defendants for the sum of approximately HK$54.4 million regarding the Defendants' alleged breaches of the surety bond (the "Surety Bond") executed by the Defendants to guarantee due performance and observance by ISPCE for construction of the works for the Project. A permanent stay of proceedings in favour of arbitration had been granted to ISPCE by the Court on 21 September 2021.

Reference was made to the 2021 Annual Report and the announcement of the Company dated 1 March 2022. The Company (as the 1st defendant) and ISPCE (as the 2nd defendant) received a writ of summons on 25 February 2022 under the action number HCA 245 of 2022 (the "Writ of Summons") issued from the Court of First Instance of the High Court by the solicitors acting for Falcon as a plaintiff, against the Company and ISPCE for the deposit of a sum of HK$58.9 million to Falcon until such time as the Falcon's liability under the surety bond is released and/or other relief and cost on an indemnity basis regarding the Surety Bond. The Writ of Summons was related to another writ of summons, which was mentioned above and reference was made to the announcement of the Company dated 18 January 2021, under the High Court action number HCCT 6 of 2021, in which the Plaintiff under HCCT 6 of 2021 brought claims against Falcon (1st defendant under HCCT 6 of 2021) and ISPCE (2nd defendant under HCCT 6 of 2021) for, among other things, alleged breaches of the Surety Bond. The Company considers that as the Writ of Summons is related to HCCT 6 of 2021, it would not incur any liabilities in addition to those under HCCT 6 of 2021. During the Reporting Period, the Company and ISPCE had opposed Falcon's summary judgement application, which will be heard in December 2022.

Reference was made to the announcement of the Company dated 15 September 2020. ISP Interiors Limited ("ISPI"), an indirect wholly-owned subsidiary of the Company, as a defendant received a writ of summons under action number HCA 1528 of 2020 issued on 8 September 2020 in the Court of First Instance of the High Court of Hong Kong by the solicitors acting for Ms. Chau Kai Shuen trading as Tung Hing ("Tung Hing") as a plaintiff, against ISPI for the sum of approximately HK$8.3 million being the alleged outstanding payment of services provided between April 2015 and June 2018 pursuant to contracts made between Tung Hing and ISPI and/or interest and costs. As at the date of this announcement, the plaintiff has not served a statement of claim on the defendant.

For the above three court actions, the Company, ISPI and ISPCE will continue to seek legal advice. The Company will make further announcement(s) to update the shareholders of the Company and the potential investors on any significant development regarding the above claims as and when appropriate.

BUSINESS REVIEW AND PROSPECTS

Business Overview

In the beginning of January 2022, the Group disposed the PFM HK Business and the Ancillary Business to a third party. Upon completion of the disposal, the Group focused on the expansion and development of ISP Business and maintained the existing operating scale of PFM China Business.

Business Results

	ISP Business Six months ended 30 June				PFM China Business Six months ended 30 June			
			Change				Change	
HK$' million	2022	2021 (Restated)	Amount	%	2022	2021 (Restated)	Amount	%
Revenue	96.8	233.9	(137.1)	↓ 58.6%	3.6	5.1	(1.5)	↓29.4%
Gross Profit	12.0	9.0	3.0	↑33.3%	2.2	4.4	(2.2)	↓50.0%
Operating Expenses	(6.8)	(6.7)	(0.1)	↑1.5%	(2.6)	(3.7)	1.1	↓29.7%
Interest Expenses	-	(2.6)	2.6	↓ 100.0%	-	-	-	-
Operating Profit/ (Loss)	5.2	(0.3)	5.5	↑1,833.3%	(0.4)	0.7	(1.1)	↓157.1%
Government Subsidies (Note)	1.5	-	1.5	-	-	-	-	-
Others	0.4	3.2	(2.8)	↓ 87.5%	0.4	(0.4)	0.8	↑200.0%
Taxation	-	(0.1)	0.1	↓ 100.0%	-	-	-	-
Profit for the period	7.1	2.8	4.3	↑153.6%	-	0.3	(0.3)	↓100.0%

Note : Government subsidies – Employment Support Scheme launched by the Government of HKSAR.

ISP Business

After the completion of disposal, ISP Business had become the major business arm of the Group. The ISP Business, which has been in operation since 2006 before being acquired by the Group in 2012, has around 16 years of track record. Since the acquisition by the Group in late of 2012, ISP Business had completed over 245 projects with a total contract sum of over HK$9.0 billion up to 30 June 2022 covering a large variety of services, including interior design, fitting-out, renovation and conservation, addition and alteration works ("A&A works"), construction, maintenance, and buildability and feasibility studies for building related projects, to its local customers.

The first half of 2022 was a tough time to ISP Business that had never faced before. The outbreak of the novel coronavirus variant Omicron in January 2022 has caused another major shock to Hong Kong's economy, which just started to regain momentum from COVID-19 in these two years. The tightening of social distance measures, travel restriction and isolation measures further reduced economic activities and even lead to halt the local operation, in particular to retails and restaurants. Our potential business operators and property owners were hesitated and took a more prudent business approach to defer or even abandon the fitting-out, A&A works or new construction projects plans. The available tenders in the market decreased sharply. On the other hand, the infected index continued in a high level, which in turn affected the available workforce on our existing projects. In addition, the lockdown policy and transportation restriction implemented in several provinces in China affected the supply of material to our projects. All these factors affected the work progress of our existing projects and served a hit to the revenue of ISP Business, which decreased 58.6% over the Corresponding Period to approximately HK$96.8 million for the Reporting Period.

Meanwhile, the Russia – Ukraine war took place and gave a rise to the price of the materials, especially concrete, steel and diesel. With the vision of our management, ISP Business had signed the supplier agreement for most of the materials that the projects required in order to fix the cost of our existing projects once projects awarded. Therefore, the effect of increase in material costs was limited for us. With the unremitting effort of the management and project teams, there were significant savings from certain completed projects with some subcontractors' final acceptance of more realistic final payments on their performed works. Due to the cost saving, ISP Business still could achieve a satisfactory result on gross profit with an increase of 33.3% over the Corresponding Period to approximately HK$12.0 million for the Reporting Period in this difficult time. As all the bank loans and convertible bonds were repaid and redeemed last year, there were no more loan interest expenses incurred for ISP Business. All these had contributed to a turnaround for ISP Business from operating loss of approximately HK$0.3 million for the Corresponding Period to operating profit of approximately HK$5.2 million for the Reporting Period. As well as the subsidy from the Employment Support Scheme launched by the Government of HKSAR, ISP Business recorded the profit for the Reporting Period of approximately HK$7.1 million.

Since COVID-19 had shown signs of ebbing in late of first half of 2022, the business activities started to regain its momentum. With the hard works of our management team and good past performance record in the industry, ISP Business had been awarded two significant contracts in June 2022, which included an A&A works at Middle Gap Road and a residential development project at Headland Road. The total awarded contracts achieved approximatively HK$150.9 million for the Reporting Period, which was similar to that of the Corresponding Period. Including these newly awarded contracts, the total outstanding workload for contracts on hand as of 30 June 2022 was approximately HK$406.3 million, around half of which is expected to be recognized in 2022. As of the report date, ISP Business had tendered for 5 projects and pended for the results, including new build, rehabilitation and A&A works with the total contract sum of approximately HK$750.0 million. These new projects would bring in substantial income to the Group in the next few years if awarded.

For the second half of 2022, the economy is still expected to be uncertain because of the COVID-19 outbreak. During the tough time, our ISP Business would adopt an active approach to complete the existing projects while simultaneously tender for new projects to replenish our workload. As our ISP Business had successively been awarded 4 projects related to luxury residential sector starting from end of last year, we would continue to reposition our market strategy by putting more focus on the luxury residential sector. Meanwhile, we would also seize the opportunities from redevelopment of commercial sector and rehabilitation of sizable estate, which are relatively less susceptible to this economic downturn.

Furthermore, taking into account our projects currently on hand and the tenders that the team submitted recently as well as more sizable tenders which we plan to submit in the second half of this year leveraging on our enhanced financial resources, we are confident that our ISP Business is able to expand and well positioned to capture new business opportunities and market growth in the near future.

PFM China Business

Following the disposal of the PFM HK Business and the Ancillary Business, our supporting team in Shenzhen for PFM HK Business was dismissed and transferred to the buyer. The relative supporting intercompany income from PFM HK Business did not recur during the Reporting Period, which had incurred in the Corresponding Period. Also, the lockdown policy in Shanghai served a serious punch to PFM China Business as our PFM China Business focused in Shanghai in recent years. All these had inevitably affected the financial performance of PFM China Business, which resulted in PFM China Business recording an operating loss of approximately HK$0.4 million for the Reporting Period against an operating profit of approximately HK$0.7 million for the Corresponding Period.

In the second half of 2022, in view of the uncertainty of COVID-19 and keen competition faced by PFM China Business, the Group will adopt a conservative approach to maintain the existing structure while simultaneously explore new or alternative business development opportunities to enhance income streams of PFM China Business.

Outlook of the Group

Looking forward, we expect the local economy remains challenging, amid the COVID-19 outbreak and local economic downturn. Our ISP Business would suffer from the influence of a certain degree of affection. In this midst of economic uncertainties, we are well-equipped to target the opportunity on the relatively steady development and rehabilitation of luxury residential sector as well as commercial sector, local residential property. Leveraging on our good historical track records and experience in the industry, diversified professional team and our strengthened liquidity and financial position, we are able to undertake more sizable projects in the coming year and strive to maintain a continuous business growth.

On a Group-wide overview, we consider that the overall financial performance of the Group remains stable with growth. Same as the past, alongside improving financial performance, we must continue a transparent, responsible and embracing approach to business so that we can continue our journey to sustainable development. Aligning our values of customer focus, integrity, teamwork, innovation and pursuit of excellence, sustainability is our core business strategy. We are committed to enhancing customer satisfaction through better communication with clients and continual improvement to our services. Besides, with the rapid change of business environment, we will take appropriate measures to manage various operational and financial risks. Leveraging its solid foundation and committed management team, the Group has full confidence in overcoming all the difficulties ahead of us.

Financial Position and Financial Risk Management

As at 30 June 2022, there was no outstanding bank loan for the Group as all bank loans were repaid in last year. During the Reporting Period, the Group's sources of fund were generated primarily from operating and investing activities (including proceeds from disposal of PFM HK Business and Ancillary Business).

With regard to the current portfolio of businesses, management expects that financial requirements for the foreseeable future will be met from a combination of shareholders' equity and banking facilities, which interest costs on bank borrowing would be primarily charged based on a spread over HIBOR if utilized. Meanwhile, the Company disposed PFM HK Business and Ancillary Business for the consideration of HK$539.0 million and disposal gain of approximately HK$438.4 million was recognized during the Reporting Period. Following the completion of disposal, a special dividend of HK$0.59 per share, totaling approximately HK$297.9 million, had been paid to shareholders out of the proceeds from the disposal. In addition, part of the proceeds from the disposal after the payment of special dividend is proposed to be deployed towards further strengthening competitive advantage of the continuing operations of the Group with extra cash for the purchase of surety bonds and payment of upfront cost, which will enable the continuing operations to tender for larger and/or more projects which in turn can contribute to increase in tender success rate and facilitate the expansion of the ISP Business. The Group would continue to proactively monitor the financial position and maintain sufficient working capital and liquidity in the way that can enable us to capture more business opportunities in the market when they arise, thereby benefiting their profitability.

Financial position (HK$'000)	30 June 2022	31 December 2021
Total assets	**526,050**	**521,963**
Receivables and other assets	243,078	246,978
Cash and cash equivalents and pledged bank deposits/time deposits with original maturities over three months	279,522	82,661
Assets classified as held for sale	-	188,017
Current assets	**522,600**	**517,656**
Payables and other liabilities	220,142	268,413
Liabilities classified as held for sale	-	87,457
Current liabilities	**220,142**	**355,870**
Non-current liabilities	**409**	**1,116**
Net assets	**305,499**	**164,977**
Net assets per share (HK cents)	**71.9**	**38.8**
Current ratio	**2.4**	**1.5**

The Group adopts a conservative approach in the management of its financial risks and resources, under the supervision of the Directors.

The Group's business is conducted primarily in Hong Kong and its majority assets and liabilities are denominated in Hong Kong Dollars. Therefore, the Group has minimal foreign currency exposure. The growth of the Group's business in China has been funded via permanent capital injection, which is for the long-term and as such, foreign currency hedging is considered unnecessary.

There were no material investments, capital commitments or contingent liabilities as at 30 June 2022 and up to the date of this announcement, other than (1) a writ of summons received by ISP Construction (Engineering) Limited, an indirect wholly-owned subsidiary of the Company, from the employer of the factory development at Yuen Long, details of which are set out in the announcement of the Company dated 18 January 2021 and (2) a writ of summons received by ISP Interiors Limited, an indirect wholly-owned subsidiary of the Company, from Ms. Chau Kai Shuen trading as Tung Hing, details of which are set out in the announcement of the Company dated 15 September 2020.

Cash Management

The Group operates a centralised cash management system. Surplus cash balances to meet immediate business requirements are mainly placed as short-term bank deposits with licensed banks in Hong Kong.

Human Resources

As at 30 June 2022, the Group employed a total of 324 staff (31 December 2021: 4,810 staff, of whom 4,492 staff were employed by the PFM HK Business and the Ancillary Business and 318 staff by the ISP Business and the PFM China Business) in Hong Kong and China.

The economy, business and the job market in Hong Kong staged a slight recovery in the first half end of 2022. Human resources are continuously playing a major role in supporting the Group under new normal environment. To advance workplace wellness programs to achieve employees' well being and work-life balance, we have been instrumental in maintaining business continuity and preparing the Group for sustainable growth. Being more flexible, remote-friendly and digital working norms, the changes in processes, workspaces, collaboration systems, and employee wellness are more critical. In order to sustain our quality services, it is always our long-term goal to retain top talent for the Group. We put a lot of efforts in ensuring our staff members are enjoying competitive remuneration and benefits through market research for regular benchmarking review. Our Human Resources team always strives their best to keep track of changes in the latest market conditions for attracting more high caliber candidates to join our winning team. In addition, aiming for the mutual growth of the staff and the Group, we do our utmost to invest and share resources with our staff. We do believe our staff will reward the Company and customers through providing quality services and thus gaining more appreciation and recognition from the customers.

INTERIM DIVIDEND

The Board resolved not to declare interim dividend for the Reporting Period (2021: nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	**Unaudited Six months ended 30 June 2022 HK$'000**	2021 HK$'000 (Restated)
<u>Continuing Operations</u>			
Revenue	3	**100,379**	238,948
Cost of sales and service		**(86,124)**	(225,503)
Gross profit		**14,255**	13,445
Other income and gain or loss		**4,206**	5,616
General and administrative expenses		**(17,087)**	(15,617)
Interest expenses		**(48)**	(2,763)
Net (allowance)/reversal for impairment losses on receivables and contract assets		**(4)**	107
Profit before taxation	4	**1,322**	788
Taxation	5	**14**	(93)
Profit for the period from Continuing Operations		**1,336**	695
<u>Discontinued Operations</u>			
Profit for the period from Discontinued Operations	12A	**438,440**	18,782
Profit for the period attributable to the equity holders of the Company		**439,776**	19,477
Other comprehensive (loss)/income):			
<u>Items that may be subsequently reclassified to profit or loss</u>			
Exchange differences on translating foreign operations		**(1,392)**	352
Total comprehensive income for the period attributable to equity holders of the Company		**438,384**	19,829
Total comprehensive (loss)/income for the period attributable to equity holders of the Company arisen from			
- Continuing Operations		**(56)**	1,047
- Discontinued Operations		**438,440**	18,782
		438,384	19,829

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	Unaudited Six months ended 30 June **2022** **HK$'000**	 2021 HK$'000 (Restated)
<u>From Continuing Operations and Discontinued Operations</u>			
Earnings per share attributable to the equity holders of the Company			
- basic (HK cents)	6	**92.4**	4.6
- diluted (HK cents)	6	**87.1**	3.9
<u>From Continuing Operations</u>			
Earnings per share attributable to the equity holders of the Company			
- basic (HK cents)	6	**0.3**	0.2
- diluted (HK cents)	6	**0.3**	0.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	**Unaudited 30 June 2022 HK$'000**	Audited 31 December 2021 HK$'000
Non-current assets			
Property, plant and equipment		**3,207**	4,039
Deferred tax assets		**243**	268
Total non-current assets		**3,450**	4,307
Current assets			
Contract assets		**111,318**	139,628
Receivables	8	**98,901**	104,348
Deposits and prepayments		**2,091**	2,906
Financial assets at fair value through profit or loss ("Financial assets at FVTPL")	9	**30,672**	**-**
Taxation recoverable		**96**	96
Pledged bank deposits/time deposits with original maturities over three months		**37,000**	-
Cash and cash equivalents		**242,522**	82,661
		522,600	329,639
Assets classified as held for sale	12	-	188,017
Total current assets		**522,600**	517,656
Current liabilities			
Payables and accruals	10	**218,243**	265,673
Contract liabilities		-	497
Lease liabilities		**1,890**	1,901
Amount due to the Disposal Group		-	333
Taxation payable		**9**	9
		220,142	268,413
Liabilities classified as held for sale	12	-	87,457
Total current liabilities		**220,142**	355,870
Net current assets		**302,458**	161,786
Total assets less current liabilities		**305,908**	166,093

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	**Unaudited 30 June 2022 HK$'000**	Audited 31 December 2021 HK$'000
Non-current liabilities			
Long service payment liabilities		**133**	133
Lease liabilities		**186**	854
Deferred tax liabilities		**90**	129
Total non-current liabilities		**409**	1,116
Net assets		**305,499**	164,977
Equity attributable to equity holders of the Company			
Share capital	11	**50,486**	50,486
Reserves		**255,013**	114,491
Total equity		**305,499**	164,977

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Except as described below, the accounting policies used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those set out in the annual report for the year ended 31 December 2021.

The Hong Kong Institute of Certified Public Accountants has issued a number of interpretations and amendments to standards which are effective for accounting period beginning 1 January 2022:

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment - Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Costs of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018 - 2020	*Amendments to HKFRS 1, HKFRS 9, illustrative Examples accompanying HKFRS 16 and HKAS 41*

The adoption of the amendments to HKFRSs has no material impact on the Group's condensed consolidated interim financial statements.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Group adopts prudent liquidity risk management which includes maintaining sufficient bank balances and cash, and having available funding through an adequate amount of committed credit facilities. Cash flow forecast is performed in the operating segments of the Group and aggregated by corporate finance team taking into account the Group's history of refinancing, its available banking facilities and its assets backing. Corporate finance team monitors forecasts of the Group's liquidity requirements to ensure the Group has sufficient cash to operate and meet its liabilities as and when they fall due.

2 Critical Accounting Estimates and Judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In the preparation of these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

As at 30 June 2022, the Group had certain claims over its contract assets and receivables in respect of disputes or prolonged negotiation between the Group and the employers in certain building construction contracts. The Group is closely monitoring the development of these contracts and has been negotiating with the employers or seeking relevant resolutions. The directors are of the view that the carrying value of the balances as at 30 June 2022 would be fully recoverable. The determination of the recoverability involved significant management estimation.

3 Segment Information

In accordance with the Group's internal financial reporting provided to the chief operating decision-makers, identified as the Executive Committee of the Company, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments and their results are as below:

- interiors and special projects business ("ISP Business"); and
- property and facility management business in China ("PFM China Business").

Two operating businesses regarding the ancillary business including integrated procurement, laundry, cleaning, security, maintenance and technical support services ("Ancillary Business") and property and facility management business in Hong Kong ("PFM HK Business") (collectively, the "Disposal Group") were discontinued during the year ended 31 December 2021, and disposed in the Reporting Period. During the Reporting Period, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in Note 12A. Corresponding Period segment disclosures have been represented to conform with the Reporting Period's presentation.

Segment assets and liabilities of the Group are not reported to the Group's chief operating decision makers regularly. As a result, reportable assets and liabilities have not been presented in these financial statements.

Segment Results (in HK$'000)

Six months ended 30 June 2022	Continuing Operations ISP Business	 PFM China Business	 Subtotal	Corporate Overhead (Note)	Total
Revenue					
- Over time	96,789	3,590	100,379	-	100,379
	96,789	3,590	100,379	-	100,379
Gross Profit	12,034	2,221	14,255	-	14,255
Gross Profit Margin	***12.4%***	***61.9%***	***14.2%***	***-***	***14.2%***
Operating expenses	(6,796)	(2,632)	(9,428)	(3,081)	(12,509)
Operating Profit/(Loss)	5,238	(411)	4,827	(3,081)	1,746
Operating Profit/(Loss) Margin	***5.4%***	***-11.4%***	***4.8%***	***-***	***1.7%***
Direct cost in relation to the disposal	-	-	-	(4,582)	(4,582)
Interest expenses for lease	(23)	(25)	(48)	-	(48)
Other income	1,905	425	2,330	1,876	4,206
Profit/(Loss) before taxation	7,120	(11)	7,109	(5,787)	1,322
Taxation	14	-	14	-	14
Profit/(Loss) for the period	7,134	(11)	7,123	(5,787)	1,336

Six months ended 30 June 2021 (Restated)	Continuing Operations ISP Business	 PFM China Business	 Subtotal	Corporate Overhead (Note)	Total
Revenue					
- Over time	233,885	5,063	238,948	-	238,948
	233,885	5,063	238,948	-	238,948
Gross Profit	9,000	4,445	13,445	-	13,445
Gross Profit Margin	*3.8%*	*87.8%*	*5.6%*	*-*	*5.6%*
Operating expenses	(4,690)	(3,712)	(8,402)	(5,103)	(13,505)
Loss on early redemption of Convertible Bonds	(2,005)	-	(2,005)	-	(2,005)
Interest expenses	(2,625)	-	(2,625)	-	(2,625)
Operating (Loss)/Profit	(320)	733	413	(5,103)	(4,690)
Operating (Loss)/Profit Margin	*-0.1%*	*14.5%*	*0.2%*	*-*	*-2.0%*
Interest expenses for lease	(66)	(72)	(138)	-	(138)
Other income/(expenses)	3,218	(289)	2,929	2,687	5,616
Profit/(Loss) before taxation	2,832	372	3,204	(2,416)	788
Taxation	(93)	-	(93)	-	(93)
Profit/(Loss) for the period	2,739	372	3,111	(2,416)	695

Note: Corporate overhead mainly represents corporate and administrative activities, and shared services.

4 Profit Before Taxation

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
		(Restated)
Continuing Operations		
Profit before taxation is arrived after charging:		
Staff costs, including directors' emoluments	**30,453**	25,483
Depreciation of property, plant and equipment	**373**	420
Depreciation of right-of-use assets	**1,152**	2,312

5 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the period after application of available tax losses brought forward for both periods. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of tax charged to the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
		(Restated)
Continuing Operations		
Current taxation		
Hong Kong profits tax		
- provision for the period	**-**	1
Deferred taxation	**(14)**	92
	(14)	93

6 Earnings Per Share

(i) Basic earnings per share is calculated by dividing the Group's unaudited profit attributable to the equity holders less dividends (if any) to convertible preference shareholders by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 June **2022**	2021 (Restated)
Profit for the period attributable to equity holders (HK$'000)		
- Continuing Operations and Discontinued Operations	**439,776**	19,477
- Continuing Operations	**1,336**	695
Less: dividends to convertible preference shareholders (HK$'000)		
- Continuing Operations and Discontinued Operations	**(47,200)**	-
- Continuing Operations	-	-
Profit for the period attributable to ordinary shareholders (HK$'000)		
- Continuing Operations and Discontinued Operations	**392,576**	19,477
- Continuing Operations	**1,336**	695
Weighted-average ordinary shares issued ('000)	**424,850**	424,850
Basic earnings per share (HK cents)		
- Continuing Operations and Discontinued Operations	**92.4**	4.6
- Continuing Operations	**0.3**	0.2

(ii) Diluted earnings per share for the period is calculated by dividing the Group's unaudited profit attributable to the equity holders by the weighted-average ordinary shares outstanding after adjusting for the potential ordinary shares to be issued on convertible preference shares and convertible bonds. The calculation of the diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Unaudited Six months ended 30 June	
	2022	2021 (Restated)
Earnings		
Earnings for the purposes of basic earnings per share (HK$'000)		
- Continuing Operations and Discontinued Operations	**439,776**	19,477
- Continuing Operations	**1,336**	695
Number of share		
Weighted-average ordinary shares issued ('000)	**424,850**	424,850
Effect of dilutive potential ordinary shares:		
- Convertible preference shares ('000)	**80,000**	80,000
Weighted-average ordinary shares for calculating diluted earnings per share ('000)	**504,850**	504,850
Diluted earnings per share (HK cents)		
- Continuing Operations and Discontinued Operations	**87.1**	3.9
- Continuing Operations	**0.3**	0.1

Note:
The effect of any potential exercise of convertible bonds is excluded from the calculation of diluted earnings per share for the period ended 30 June 2021 where the effect would be anti-dilutive.

Discontinued Operations

For the period ended 30 June 2022, basic and diluted earnings per share for the discontinued operations was 92.1 HK cents and 86.8 HK cents respectively (2021: basic and diluted earnings per share was 4.4 HK cents and 3.7 HK cents, respectively), based on the profit for the period from discontinued operations attributable to ordinary shareholders of the Company of approximately HK$391,240,000 (2021: HK$18,782,000) and the denominators detailed above for both basic and diluted earnings per share.

7 Dividend

At a Board of Directors ("Board") meeting held on 20 January 2022, the Board resolved to declare special dividend of HK$0.59 per share/per convertible preference share based on 504,850,000 shares (including 424,850,000 ordinary shares and 80,000,000 convertible preference shares) for the period ended 30 June 2022 (2021: nil).

8 Receivables

The credit period of the Group's accounts receivable generally ranges from 30 to 60 days. (31 December 2021: 30 to 60 days) and the majority of the Group's accounts receivable are denominated in Hong Kong dollars. The aging analysis of accounts receivable by invoice date is as follows:

	Unaudited 30 June 2022 HK$'000	Audited 31 December 2021 HK$'000
Accounts receivable		
0 to 30 days	**5,027**	64,690
31 to 60 days	**1,608**	30,861
61 to 90 days	**44**	10,993
Over 90 days	**27,255**	35,934
	33,934	142,478
Retention receivables and other receivables	**70,551**	105,480
Receivables	**104,485**	247,958
Impairment of accounts receivable, retention receivables and other receivables	**(5,584)**	(5,856)
	98,901	**242,102**
Transfer to Disposal Group classified as held for sale	**-**	(137,754)
	98,901	104,348

Retention receivables in respect of the contracting business are settled in accordance with the terms of the respective contracts. At 30 June 2022, retention receivables from customers for contract works amounting to approximately HK$3,182,000 (31 December 2021: HK$4,378,000) are expected to be recovered or settled in more than 12 months from the end of the reporting period, all of the remaining balances are expected to be recovered or settled within one year. Retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

The retention receivables are classified as contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

9 Financial assets at FVTPL

	Unaudited 30 June 2022 HK$'000	Audited 31 December 2021 HK$'000
Listed equity securities in Hong Kong	**30,672**	-

The listed equity securities are classified as current assets as the management expects to realise these financial assets within 12 months after the Reporting Period.

10 Payables and Accruals

The credit period of the Group's accounts payable generally ranges from 30 to 60 days. (31 December 2021: 30 to 60 days). The aging analysis of accounts payable by invoice date is as follows:

	Unaudited 30 June 2022 HK$'000	Audited 31 December 2021 HK$'000
Accounts payable		
0 to 30 days	**106,318**	171,859
31 to 60 days	**8,056**	6,214
61 to 90 days	**3,800**	6,098
Over 90 days	**21,816**	27,370
	139,990	211,541
Retention payables, other payables and accruals	**78,253**	118,238
	218,243	329,779
Transfer to Disposal Group classified as held for sale	**-**	(64,106)
	218,243	265,673

Retention payables in respect of the contracting business are settled in accordance with the terms of the respective contracts, which is approximately HK$68,319,000 as at 30 June 2022 (31 December 2021: approximately HK$80,063,000). At 30 June 2022, retention payables by the Group amounting to approximately HK$1,010,000 (31 December 2021: approximately HK$2,832,000) are expected to be settled in more than 12 months from the end of the Reporting Period.

11 Share Capital

	Number of shares '000	Amount HK$'000
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022		
Authorised:		
- Ordinary shares of HK$0.1 each	**9,000,000**	**900,000**
- Convertible preference shares of HK$0.1 each	**1,000,000**	**100,000**
	10,000,000	**1,000,000**
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022		
Issued and fully paid:		
- Ordinary shares of HK$0.1 each	**424,850**	**42,486**
- Convertible preference shares of HK$0.1 each	**80,000**	**8,000**
	504,850	**50,486**

12 Discontinued Operation and Disposal of Subsidiaries

Pursuant to the announcement of the Company dated 1 December 2021, the seller, being the Company, and purchaser, an independent third party, entered into the sale and purchase agreement on 26 November 2021, pursuant to which to the seller conditionally agreed to sell, and the purchaser conditionally agreed to acquire the share capital, representing 100% of the equity interest in the Disposal Group, at a cash consideration of HK$539.0 million. The Disposal Group is principally engaged in the provision of property and facility management services in Hong Kong business. On 10 January, 2022, the transaction was completed and the members of the Disposal Group ceased to be subsidiaries of the Company.

Two operations discontinued along with the completion of disposal of the Disposal Group as set out below:

1) PFM HK Business; and

2) Ancillary Business including integrate procurement, laundry, cleaning, security, maintenance and technical support services.

The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the discontinued operations. The respective profit for the period from 1 January 2022 to 10 January 2022 and the six months ended 30 June 2021 from the Disposal Group is set out below.

12A Results of the discontinued operations included in the condensed consolidated statement of profit or loss and other comprehensive income

	For the period from 1 January 2022 to 10 January 2022 HK$'000	Six months ended 30 June 2021 HK$'000 (Restated)
Revenue	-	381,811
Cost of sales and service	-	(333,332)
Gross profit	-	48,479
Other income and gain or loss	-	809
General and administrative expenses	-	(27,315)
Interest expenses	-	(110)
Net reversal for impairment losses on receivables and contract assets	-	325
Profit before taxation	-	22,188
Taxation	-	(3,406)
Profit for the period	-	18,782
Gain on disposal of subsidiaries, net of transaction costs (Note 12B)	**438,440**	-
Profit for the period from Discontinued Operations	**438,440**	18,782

12B Assets and liabilities disposed of at disposal date

The assets and liabilities disposed of at disposal date:

	As at the disposal date HK$'000
Plant and equipment	**10,169**
Investment properties	**6,800**
Deferred tax assets	**860**
Contract assets	**328**
Receivables	**137,754**
Prepayment and deposits	**18,797**
Taxation recoverable	**1,912**
Amount due from continuing operations	**333**
Pledged bank deposits/time deposits with original maturities over three months	**1,261**
Cash and cash equivalents	**9,803**
Payable and accruals	**(64,106)**
Contract liabilities	**(12,684)**
Lease liabilities	**(7,304)**
Taxation payable	**(1,383)**
Long services payment liabilities	**(1,903)**
Deferred tax liabilities	**(77)**
Net assets disposed of	**100,560**

Consideration:

	HK$'000
Cash consideration	**539,000**

Gain on disposal of the Disposal Group:

	HK$'000
Cash consideration	**539,000**
Net assets disposed of	**(100,560)**
Gain on disposal	**438,440**

Net cash inflows arising on disposal:

	As at the disposal date HK$'000
Cash consideration received	**539,000**
Less: Cash and cash equivalents disposed of	**(9,803)**
Net cash inflows	**529,197**

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

There is no event after the Reporting Period which would have a material impact on the Company's financial position.

REVIEW OF INTERIM RESULTS

The unaudited results of the Group for the Reporting Period have been reviewed by the audit committee of the Company and the Company's external auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (as amended from time to time by the Stock Exchange) as its own code of conduct for regulating securities transactions by the Directors. In response to specific enquiries by the Company, all the Directors confirmed they have complied with the required standard set out in the Model Code throughout the Reporting Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

By order of the Board
ISP Holdings Limited
Kingston Chu Chun Ho
Chairman

Hong Kong, 23 August 2022

As at the date of this announcement, the Board comprises Mr. Kingston Chu Chun Ho (Chairman) as Executive Director; Mr. Lam Chun Kit as Non-executive Director; and Mr. Lau Man Tak, Mr. Eric Lee Hon Man and Mr. To Chun Wai as Independent Non-executive Directors.