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 2023

The board (the "Board") of directors (the "Directors") of ISP Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2023 (the "Reporting Period").

FINANCIAL OVERVIEW

HK$' million	Six months ended 30 June		Change	
	2023	2022	Amount	%
Continuing Operations				
Revenue	**79.2**	100.4	**(21.2)**	**↓ 21.1%**
Gross profit	**4.9**	14.2	**(9.3)**	**↓ 65.5%**
Gross profit margin	**6.2%**	14.2%	**-**	**↓ 8.0%**
Operating expenses	**(14.7)**	(12.5)	**(2.2)**	**↑ 17.6%**
Operating (loss)/profit	**(9.8)**	1.7	**(11.5)**	**↓ 676.5%**
Other income and gain or loss	**1.9**	2.7	**(0.8)**	**↓ 29.6%**
Government subsidy	**-**	1.5	**(1.5)**	**↓ 100.0%**
Direct cost in relation to the disposal	**-**	(4.5)	**4.5**	**↓ 100.0%**
(Loss)/profit for the period from Continuing Operations	**(7.9)**	1.4	**(9.3)**	**↓ 664.3%**

HK$' million	Six months ended 30 June 2023	2022	Change Amount	%
Continuing Operations				
(Loss)/profit for the period from Continuing Operations	**(7.9)**	1.4	**(9.3)**	**↓ 664.3%**
Discontinued Operations				
Profit for the period from Discontinued Operations	**-**	438.4	**(438.4)**	**↓ 100.0%**
Continuing Operations & Discontinued Operations				
(Loss)/profit for the period attributable to equity holders of the Company	**(7.9)**	439.8	**(447.7)**	**↓ 101.8%**
(LBITDA)/EBITDA	**(6.5)**	441.3	**(447.8)**	**↓ 101.5%**
Basic (loss)/earnings per share (HK cents)	**(1.9)**	92.4	**(94.3)**	**↓ 102.1%**

Continuing Operations

The interior and special projects business ("ISP Business") and the property and facility management business in China ("PFM China Business") constituted the Continuing Operations of the Group. The Continuing Operations together reported revenue of approximately HK$79.2 million for the Reporting Period, representing a decrease of 21.1% from the same period of last year (the "Corresponding Period") (2022: HK$100.4 million). Such decrease was mainly due to lack of adequate new interior design and special project orders for replenishment in the Reporting Period and the disruption of work progress of our ISP Business existing projects. Furthermore, under this difficult time, the gross profit decreased by 65.5% over the Corresponding Period (2022: HK$14.2 million) to approximately HK$4.9 million and the gross profit margin likewise decreased from 14.2% to 6.2% for the Reporting Period as compared with the Corresponding Period.

During the Reporting Period, judgement for one of the litigation cases with Falcon Insurance Company (Hong Kong) Limited (''Falcon'') under High Court action number HCA 245 of 2022 was handed down by the Court. More details of the judgement would be provided at the end of this section in this announcement. According to the judgement handed down by the Court, provision for the cost order nisi for the Group to pay the plaintiff's costs on an indemnity basis was made in the Reporting Period. Therefore, the operating expenses increased by 17.6% over the Corresponding Period (2022: HK$12.5 million) to approximately HK$14.7 million for the Reporting Period.

Taking into the consideration of the one-off subsidy from Employment Supporting Scheme launched by the Government of HKSAR of approximately HK$1.5 million, direct cost in relation to the disposal of approximately HK$4.5 million recognised last year not recurred in the Reporting Period and the various factors mentioned above, the Group recorded a loss of approximately HK$7.9 million from the Continued Operations for the Reporting Period as compared to a profit of approximately HK$1.4 million for the Corresponding Period.

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"). Since the Disposal Group was disposed to China Resources Property Management Limited for the consideration of HK$539.0 million and the exceptionally significant disposal gain of approximately HK$438.4 million was recognised in the Corresponding Period, there was no transaction for the Reporting Period.

Continuing Operations and Discontinued Operations

Including both the results of Continuing Operations and Discontinued Operations, the Group recorded a loss attributable to equity holders of the Company of approximately HK$7.9 million for the Reporting Period as compared to a profit attributable to equity holders of the Company of approximately HK$439.8 million for the Corresponding Period. Basic loss per share of the Group was 1.9 HK cents for the Reporting Period (2022: Basics earnings per share 92.4 HK cents).

Reference was made to the annual report of the Company for the year ended 31 December 2022 (the "2022 Annual Report") and the announcement of the Company dated 18 January 2021. 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 2022 Annual Report and the announcements of the Company dated 1 March 2022 and 27 April 2023. 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 of Hong Kong by the solicitors acting for Falcon as a plaintiff, against the Company and ISPCE for the deposit of a sum of HK$58,880,000 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 judgement was handed down by the Court (the "Judgement") in respect of the Writ of Summons on 21 April 2023. The Court granted summary judgement in favour of Falcon for the Defendants to deposit a sum of HK$58,880,000 ("Deposit") within 7 days into a separate interest bearing account in Falcon's name with a licensed bank in Hong Kong as designated by Falcon, which deposit shall be kept in the account until such time as Falcon's liability under the Surety Bond is released or until further order. Within 7 days of Falcon being released from the Surety Bond, Falcon shall repay to the Defendants the balance after deduction of (1) all sums paid under the Surety Bond and (2) all sums including costs due to Falcon under the court proceedings or pursuant to the indemnity agreements executed by the Defendants. As to costs, the Court has made a cost order nisi that the Defendants pay Falcon's costs on an indemnity basis. The Board considers following the Judgement is in the interest of the Company and its shareholders as a whole and it would not incur any liabilities in addition to those under HCCT 6 of 2021. Also, the paying of the Deposit pursuant to the Judgement will have no material impact on the Group's liquidity position and operation.

Reference was made to the 2022 Annual Report. The Company and ISP Curtain Wall and Aluminum Products Limited (the "ISPCW") had received a writ of summons on 28 April 2022 under action number HCA 472/2022 issued from the Court of First Instance of the High Court of Hong Kong by the solicitors acting for the Falcon, against the Company and ISPCW for the deposit of a sum of HK$3,740,000 to Falcon until such time as Falcon's liability under the surety bond is released and/or other relief and costs on indemnity basis regarding the surety bond. During the Reporting Period, both Falcon, the Company and ISPCW jointly applied by the way of filing consent summons and the order was made subsequently on 18 July 2023. It was ordered that the Court to vacate the hearing in September 2023 and the Company and ISPCW to deposit a sum of HK$3,740,000 within 7 days once order made into a separate interest bearing account in Falcon's name with a licensed bank in Hong Kong as designated by Falcon, which deposit shall be kept in the account until such time as Falcon's liability under the surety bond is released. Within 7 days of Falcon being released from the surety bond, Falcon shall repay to the Company and ISPCW the balance after deduction of (1) all sums paid under the surety bond and (2) all sums including costs due to Falcon under the court proceedings or pursuant to the indemnity agreements executed by the Company and ISPCW. The Board considers the consent summons are in the interest of the Company and its shareholders as a whole. On the other hand, the paying of the deposit of a sum of HK$3,740,000 pursuant to the consent summons will have no material impact on the Group's liquidity position and operation.

Reference was made to the 2022 Annual Report and the announcement dated 20 December 2022, a writ of summons was filed on 20 December 2022 under the High Court action number HCCT 116 of 2022 at the Court of First Instance of the High Court of Hong Kong by ISPCE, against ATAL Engineering Limited, the defendant (the "ATAL"), for payment of an outstanding amount of approximately HK$98.5 million representing, inter alia, additional works performed, and additional costs incurred, by ISPCE. On or about 21 June 2017, ISPCE was awarded a domestic builder's work subcontract (the "Subcontract") in relation to the main contract of electrical and mechanical works for automation of arrivals bags delivery at a site situated at the Hong Kong International Airport in the contract sum of approximately HK$166.6 million, in which the main contractor was and is the ATAL. ISPCE subsequently carried out the works under the Subcontract until 4 April 2022.

BUSINESS REVIEW AND PROSPECTS

Business Overview

Since completion of the disposal of the Disposal Group in January 2022, 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	2023	2022	Amount	%	2023	2022	Amount	%
Revenue	77.0	96.8	(19.8)	↓ 20.5%	2.2	3.6	(1.4)	↓ 38.9%
Gross profit	2.9	12.0	(9.1)	↓ 75.8%	2.0	2.2	(0.2)	↓ 9.1%
Operating expenses	(7.6)	(6.8)	(0.8)	↑ 11.8%	(2.1)	(2.6)	0.5	↓ 19.2%
Operating (loss)/ profit	(4.7)	5.2	(9.9)	↓ 190.4%	(0.1)	(0.4)	0.3	↑ 75.0%
Government subsidies (Note)	-	1.5	(1.5)	↓ 100.0%	-	-	-	-
Others	0.4	0.4	-	-	0.3	0.4	(0.1)	↓ 25.0%
(Loss)/profit for the period	(4.3)	7.1	(11.4)	↓ 160.6%	0.2	-	0.2	-

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

ISP Business

After the completion of disposal of Disposal Group, ISP Business had become the major business arm of the Group, which contributed over 95% revenue of the Group. The ISP Business, which has been in operation since 2006 before being acquired by the Group in 2012, has around 17 years of track record. Since the acquisition by the Group in late of 2012, ISP Business had completed over 253 projects with a total contract sum of over HK$9.0 billion up to 30 June 2023 covering a wide 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 2023 was an unprecedented economic challenging time to ISP Business. Although the novel coronavirus ("COVID-19") had finally faltered in early of 2023, the global economic uncertainty was still elevated under the triple pincer attacked by the financial sector turmoil, the continuing rising benchmark interest rate by US Fed and the Russo-Ukrainian conflicts. ISP Business is unavoidably threatened. Under these economic downturns atmosphere, the property market remained stagnant. 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 and the competition in the industry became stiff. Meanwhile, ISP Business has been cautious during the Reporting Period in tendering projects and more selective in tender opportunities due to the depressed environment. These results in the decrease in our new contracts awarded and revenue for the Reporting Period as compared with that for the Corresponding Period. Another reason for the decrease in revenue from approximately HK$96.8 million of Corresponding Period to approximately HK$77.0 million of Reporting Period was the disruption of the work progress of our existing projects due to late handover of sites. Although notice of claims and extension of time were submitted for the delay, it still deferred our revenue recognition, which also in turn decreased 75.8% of the gross profit over the Corresponding Period (2022: HK$12.0 million) to approximately HK$2.9 million for the Reporting Period. As more staff involved in supporting the legal case related to ISP Business, the operating expenses increased 11.8% to approximately HK$7.6 million for the Reporting Period. All these factors had led to an operating loss of approximately HK$4.7 million for the Reporting Period as compared to an operating profit of approximately HK$5.2 million for the Corresponding Period. Together with the interest income and other income, ISP Business recorded a loss for the Reporting Period of approximately HK$4.3 million.

Under the economic downturn and stiff competitive construction market, ISP Business was inevitably affected and has only awarded two small scale contracts in first half of 2023 which included hoarding work in Kowloon Bay and reinstatement work in Queen's Road Central. In view of the unsatisfactory new contract awarded in the first half year, ISP Business would be more proactive with cautious and prudent approach in tendering in the second half year. As of the report date, ISP Business had tendered for projects and pended for the results, including new build, fitting-out, rehabilitation and A&A works with the total contract sum of approximately HK$790.0 million. These new projects would bring in substantial income to the Group in the next few years if awarded. Meanwhile, the total outstanding workload for contracts on hand as of 30 June 2023 was approximately HK$206.1 million, all of which is expected to be recognised in the second half of 2023.

For the second half of 2023, the economy is still expected to be unstable. Our potential business operators and property owners have not regained the confidence and still temporised. This will lead to fewer tenders for new development project available in the market. Furthermore, elevated global inflation, manpower constraints, tight supply of materials and high interest rate are the adverse factors that exacerbate the difficulties of the business environment of the construction industry. Although challenge remains, our ISP Business would continue to adopt an active approach to complete the existing projects as originally scheduled while simultaneously tender for new projects to replenish our workload during the tough time. We would continue to focus our market strategy on the luxury residential sector and rehabilitation of sizable estate, which are relatively less susceptible to the economic downturn.

Furthermore, by virtue of our enhanced financial resources, long standing reputation, experience and good tracking record in the industry and taking into account our satisfactory level of contracts 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, our Directors are confident that there will be considerable business opportunities and growth impetus in the market for ISP Business to achieve steady growth. At the same time, ISP Business are well positioned to capture new business opportunities and market growth in the near future.

PFM China Business

As the COVID-19 has gradually subsided in early of 2023, PFM China Business successfully renewed a property and facility management contract for a composite building with office and retail pavilions in Shanghai for two years and awarded a property management contract for a commercial building in Qingdao for one year. Benefited from reversal of impairment loss of receivables, PFM China Business recorded with a reduction in operating loss of 25% from approximately HK$0.4 million for the Corresponding Period to approximately HK$0.1 million for the Reporting Period.

For the second half of 2023, in view of the economic volatility in Mainland 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 the income streams of PFM China Business.

Outlook of the Group

Looking forward, we expect the local economy remains challenging, amid the low confidence of our potential business operators and property owners, elevated global inflation and local economic downturn. Under this hostile environment, our ISP Business would expect to a certain extend to suffer from these negative impacts. 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 and 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 near future and strive to maintain a continuous business growth.

On a Group-wide overview, we take a positive attitude that the overall financial performance of the Group will remain stable with steady growth for creating a long-term value to shareholders in the years to come. Same as in the past, alongside improving financial performance, we must continue to adopt 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 on our services. Besides, with the rapid change of business environment, we will take appropriate measures to alleviate 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 2023, there was no outstanding bank loan for the Group. During the Reporting Period, the Group's sources of fund were generated primarily from operating activities and financing activities (including bank facilities).

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. 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 2023	31 December 2022
Total assets	**389,655**	**424,314**
Receivables and other assets	226,869	249,187
Cash and cash equivalents, restricted Cash, and pledged bank deposits	160,031	172,951
Current assets	**386,900**	**422,138**
Current liabilities	**197,772**	**223,871**
Non-current liabilities	**500**	**245**
Net assets	**191,383**	**200,198**
Net assets per share (HK cents)	**37.9**	**39.7**
Current ratio	**2.0**	**1.9**

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 2023 and up to the date of this announcement, other than 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 disclosed in the announcement of the Company dated 18 January 2021.

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 2023, the Group employed a total of 314 staff (31 December 2022: 317 staff) in Hong Kong and China.

The economy, business and the job market in Hong Kong staged a slight recovery since the second 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 2023 (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)) .

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	Unaudited Six months ended 30 June 2023 HK$'000	2022 HK$'000
<u>Continuing Operations</u>			
Revenue	3	**79,205**	100,379
Cost of sales and service		**(74,300)**	(86,124)
Gross profit		**4,905**	14,255
Other income and gain or loss	4	**1,855**	4,206
General and administrative expenses		**(15,667)**	(17,087)
Interest expenses		**(30)**	(48)
Net reversal/(allowances) for impairment losses on receivables and contract assets		**1,002**	(4)
(Loss)/profit before taxation	5	**(7,935)**	1,322
Taxation	6	**19**	14
(Loss)/profit for the period from Continuing Operations		**(7,916)**	1,336
<u>Discontinued Operations</u>			
Profit for the period from Discontinued Operations	14A	**-**	438,440
(Loss)/profit for the period attributable to the equity holders of the Company		**(7,916)**	439,776
Other comprehensive loss:			
<u>Items that may be subsequently reclassified to profit or loss</u>			
Exchange differences on translating foreign operations		**(899)**	(1,392)
Total comprehensive (loss)/income for the period attributable to equity holders of the Company		**(8,815)**	438,384
Total comprehensive (loss)/income for the period attributable to equity holders of the Company arisen from			
- Continuing Operations		**(8,815)**	(56)
- Discontinued Operations		**-**	438,440
		(8,815)	438,384

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Unaudited	
		Six months ended 30 June	
		2023	2022
	Note	**HK$'000**	HK$'000
From Continuing Operations and Discontinued Operations			
(Loss)/earnings per share attributable to the equity holders of the Company			
- basic (HK cents)	7	**(1.9)**	92.4
- diluted (HK cents)	7	**(1.6)**	87.1
From Continuing Operations			
(Loss)/earnings per share attributable to the equity holders of the Company			
- basic (HK cents)	7	**(1.9)**	0.3
- diluted (HK cents)	7	**(1.6)**	0.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	**Unaudited 30 June 2023 HK$'000**	Audited 31 December 2022 HK$'000
Non-current assets			
Property, plant and equipment		**2,521**	1,936
Deferred tax assets		**234**	240
Total non-current assets		**2,755**	2,176
Current assets			
Contract assets		**98,823**	115,899
Receivables	9	**98,530**	102,839
Deposits and prepayments		**1,946**	1,796
Financial assets at fair value through profit or loss ("Financial assets at FVTPL")	10	**27,570**	28,653
Restricted cash deposits	11	**62,620**	-
Pledged bank deposits		**19,524**	19,524
Cash and cash equivalents		**77,887**	153,427
Total current assets		**386,900**	422,138
Current liabilities			
Payables and accruals	12	**196,065**	222,699
Lease liabilities		**1,588**	1,053
Taxation payable		**119**	119
Total current liabilities		**197,772**	223,871
Net current assets		**189,128**	198,267
Total assets less current liabilities		**191,883**	200,443

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	**Unaudited 30 June 2023 HK$'000**	Audited 31 December 2022 HK$'000
Non-current liabilities			
Long service payment liabilities		**128**	128
Lease liabilities		**339**	59
Deferred tax liabilities		**33**	58
Total non-current liabilities		**500**	245
Net assets		**191,383**	200,198
Equity attributable to equity holders of the Company			
Share capital	13	**50,486**	50,486
Reserves		**140,897**	149,712
Total equity		**191,383**	200,198

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 2022.

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 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax Related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*
HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*

The adoption of the new and 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 2022.

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 2022.

As at 30 June 2023, the Group had certain claims over its contract assets and receivables in respect of disputes or prolonged negotiation between the Group and the main contractors in certain interiors and special projects contracts. The Group is closely monitoring the development of these contracts and has been negotiating with the main contractors or seeking relevant resolutions. The directors are of the view that the carrying value of the balances as at 30 June 2023 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").

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 condensed consolidated financial statements.

Segment Results (in HK$'000)

	Continuing Operations				
Six months ended 30 June 2023	ISP Business	PFM China Business	Subtotal	Corporate Overhead (Note)	Total
Revenue					
- Over time	77,016	2,189	79,205	-	79,205
	77,016	2,189	79,205	-	79,205
Gross profit	2,925	1,980	4,905	-	4,905
Gross profit margin	***3.8%***	***90.5%***	***6.2%***	***-***	***6.2%***
Operating expenses	(7,573)	(2,121)	(9,694)	(4,971)	(14,665)
Operating loss	(4,648)	(141)	(4,789)	(4,971)	(9,760)
Operating loss margin	***-6.0%***	***-6.4%***	***-6.0%***	***-***	***-12.3%***
Interest expenses for lease liabilities	(17)	(13)	(30)	-	(30)
Other income and gain or loss	395	287	682	1,173	1,855
(Loss)/profit before taxation	(4,270)	133	(4,137)	(3,798)	(7,935)
Taxation	19	-	19	-	19
(Loss)/profit for the period	(4,251)	133	(4,118)	(3,798)	(7,916)

	Continuing Operations				
Six months ended 30 June 2022	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 liabilities	(23)	(25)	(48)	-	(48)
Other income and gain or loss	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

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

4 Other Income and Gain or Loss

	Unaudited Six months ended 30 June 2023 HK$'000	2022 HK$'000
Continuing Operations		
Government subsidies (Note)	**-**	1,480
Miscellaneous income	**363**	431
Bank interest income	**1,959**	571
Gain on disposal of property, plant and equipment	**-**	10
Dividend derived from financial assets at FVTPL	**375**	345
Fair value change on financial assets at FVTPL	**(1,083)**	1,000
Exchange gain	**241**	369
	1,855	4,206

Note: Predominantly comprised of subsidies from the Employment Support Scheme ("ESS") under the Anti-epidemic Fund of the Hong Kong Government, which aim to retain employment and combat COVID-19.

5 (Loss)/Profit Before Taxation

	Unaudited Six months ended 30 June 2023 HK$'000	2022 HK$'000
Continuing Operations		
(Loss)/profit before taxation is arrived after charging:		
Staff costs, including directors' emoluments	**25,188**	30,453
Depreciation of property, plant and equipment	**279**	373
Depreciation of right-of-use assets	**1,126**	1,152

6 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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	
	2023	2022
	HK$'000	HK$'000
Continuing Operations		
Deferred taxation	**(19)**	**(14)**

7 (Loss)/Earnings Per Share

(i) Basic (loss)/earnings per share is calculated by dividing the Group's unaudited (loss)/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	
	2023	2022
(Loss)/profit for the period attributable to equity holders (HK$'000)		
- Continuing Operations and Discontinued Operations	**(7,916)**	439,776
- Continuing Operations	**(7,916)**	1,336
Less: dividends to convertible preference shareholders (HK$'000)		
- Continuing Operations and Discontinued Operations	**-**	(47,200)
- Continuing Operations	**-**	-
(Loss)/profit for the period attributable to ordinary shareholders (HK$'000)		
- Continuing Operations and Discontinued Operations	**(7,916)**	392,576
- Continuing Operations	**(7,916)**	1,336
Weighted-average number of ordinary shares issued ('000)	**424,850**	424,850
Basic (loss)/earnings per share (HK cents)		
- Continuing Operations and Discontinued Operations	**(1.9)**	92.4
- Continuing Operations	**(1.9)**	0.3

(ii) Diluted (loss)/earnings per share for the Period is calculated by dividing the Group's unaudited (loss)/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. The calculation of the diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Unaudited Six months ended 30 June	
	2023	2022
(Loss)/earnings		
(Loss)/earnings for the purposes of basic earnings per share (HK$'000)		
- Continuing Operations and Discontinued Operations	**(7,916)**	439,766
- Continuing Operations	**(7,916)**	1,336
Number of share		
Weighted-average number of 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 (loss)/earnings per share ('000)	**504,850**	504,850
Diluted (loss)/earnings per share (HK cents)		
- Continuing Operations and Discontinued Operations	**(1.6)**	87.1
- Continuing Operations	**(1.6)**	0.3

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, based on the profit for the period from Discontinued Operations attributable to ordinary shareholders of the Company of approximately HK$391,240,000 and the denominators detailed above for both basic and diluted earnings per share.

8 Dividend

At a Board of Directors ("Board") meeting held on 23 August 2023, the Board resolved not to declare interim dividend for the period ended 30 June 2023 (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)).

9 Receivables

The credit period of the Group's accounts receivable generally ranges from 30 to 60 days. (31 December 2022: 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 2023	Audited 31 December 2022
	HK$'000	HK$'000
Accounts receivable		
0 to 30 days	**3,495**	11,042
31 to 60 days	**-**	-
61 to 90 days	**682**	516
Over 90 days	**27,476**	28,896
	31,653	40,454
Other receivables	**12,111**	11,460
Retention receivables	**59,434**	56,548
Receivables	**103,198**	108,462
Impairment of accounts receivable, retention receivables and other receivables	**(4,668)**	(5,623)
	98,530	102,839

Retention receivables in respect of the contracting business are settled in accordance with the terms of the respective contracts. At 30 June 2023, retention receivables from customers for contract works amounting to approximately HK$8,498,000 (31 December 2022: HK$4,954,000) 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.

10 Financial assets at FVTPL

	Unaudited 30 June 2023 HK$'000	Audited 31 December 2022 HK$'000
Listed equity securities in Hong Kong	**27,570**	28,653

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.

Fair value of the Group's financial assets are measured at fair value on a recurring basis.

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance with the Group's accounting policy.

	30 June 2023			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial asset				
Financial assets at fair value through profit or loss ("FVTPL")				
- Listed equity investment	**27,570**	-	-	**27,570**

	31 December 2022			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial asset				
Financial assets at FVTPL				
- Listed equity investment	28,653	-	-	28,653

During the period, there was no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (31 December 2022: Nil).

The valuation techniques and input used in the fair value measurement of financial instrument are as set out below:

Financial asset	**Fair value of**	**Fair value hierarchy**	**Valuation technique and key input**
Financial asset at FVTPL			
- Listed equity securities in Hong Kong	HK$27,570,000 (31 December 2022: HK$28,653,000)	Level 1	Quoted closing price in an active market

11 Restricted Cash Deposits

	Unaudited 30 June 2023 HK$'000	Audited 31 December 2022 HK$'000
Restricted cash deposits	**62,620**	-

As at 30 June 2023, the Group's restricted cash comprised deposits of HK$62,620,000 (31 December 2022: Nil). HK$58,880,000 is in respect of the judgment made by the Court on 21 April 2023 and HK$3,740,000 is in respect of the consent summons on 18 July 2023, Restricted cash deposits were placed as guaranteed deposits for the surety bonds issued by Falcon Insurance Company (Hong Kong) Limited ("Falcon") in relation to ISP Business projects of the Group and are therefore classified as current assets, such deposits will be released upon the time as the Falcon's liabilities under the surety bonds are released or until further order by court.

12 Payables and Accruals

The credit period of the Group's accounts payable generally ranges from 30 to 60 days. (31 December 2022: 30 to 60 days). The aging analysis of accounts payable by invoice date is as follows:

	Unaudited 30 June 2023 HK$'000	Audited 31 December 2022 HK$'000
Accounts payable		
0 to 30 days	**78,307**	100,796
31 to 60 days	**5,366**	8,828
61 to 90 days	**1,915**	5,796
Over 90 days	**24,312**	28,033
	109,900	143,453
Retention payables, other payables and accruals	**86,165**	79,246
	196,065	222,699

Retention payables in respect of the contracting business are settled in accordance with the terms of the respective contracts, which is approximately HK$65,347,000 as at 30 June 2023 (31 December 2022: approximately HK$65,601,000). At 30 June 2023, retention payables by the Group amounting to approximately HK$3,732,000 (31 December 2022: approximately HK$2,825,000) are expected to be settled in more than 12 months from the end of the Reporting Period.

13 Share Capital

	Number of shares '000	**Amount HK$'000**
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023		
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 2022, 31 December 2022, 1 January 2023 and 30 June 2023		
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**

14 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, which in turns hold the equity interests of 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 business in Hong Kong ("PFM HK Business") and ancillary business including integrated procurement, laundry, cleaning, security, maintenance and technical support services ("Ancillary Business"). On 10 January, 2022, the transaction was completed and the members of the Disposal Group ceased to be subsidiaries of the Company.

There are 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.

14A Results of the Discontinued Operations included in the condensed consolidated statement of profit or loss and other comprehensive income

(a) The profit from the Discontinued Operations for the preceding interim period is analysed as follows:

	For the period from 1 January 2022 to 10 January 2022 HK$'000
Gain on disposal of subsidiaries, net of transaction costs (Note 14B)	438,440
Profit for the period from the Discontinued Operations	438,440

(b) An analysis of the cash flows of the Discontinued Operations is as follows:

	For the period from 1 January 2022 to 10 January 2022 HK$'000
Net cash inflows from investing activities	529,197

(c) Related party transactions

There is no related party transaction during the period.

14B Assets and liabilities disposed of at disposal date

The assets and liabilities disposed of at disposal date is disclosed below:

	As at 10 January 2022 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 (Note 14A(a))	438,440

Net cash inflows arising on disposal:

	As at 10 January 2022 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 2023

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.