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LS 黎氏建築 Lai Si Construction

Lai Si Enterprise Holding Limited
黎氏企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2266)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

*(in Macau Patacas ("**MOP**") thousand, unless otherwise stated)*

	For the six months ended 30 June		Percentage
	2020	2019	(decrease)
	(Unaudited)	(Unaudited)	
Revenue	**79,884**	100,914	(20.8%)
Gross profit	**13,262**	21,727	(39.0%)
Gross profit margin	**16.6%**	21.5%	(4.9%)
(Loss)/profit attributable to owners of the Company	**(19,161)**	1,064	(1,900.8%)
(Loss)/profit per share *(Macau cents)*	**(4.8)**	0.3	(1,700.0%)

	As at 30 June 2020	As at 31 December 2019	Percentage (decrease)
	(Unaudited)	(Audited)	
Equity attributable to owners of the Company	**204,913**	224,074	(8.6%)

INTERIM DIVIDEND

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2020.

The board (the "**Board**") of directors (the "**Directors**") of Lai Si Enterprise Holding Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 together with the comparative figures for the corresponding six months ended 30 June 2019 as set out below:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	**2020** ***MOP'000*** **(Unaudited)**	2019 *MOP'000* (Unaudited)
Revenue	4	**79,884**	100,914
Cost of sales		**(66,622)**	(79,187)
Gross profit		**13,262**	21,727
Other income, gains and losses, net		**1,617**	690
Administrative expenses		**(19,798)**	(19,744)
(Impairment losses)/reversal of impairment losses on financial assets and contract assets, net		**(13,396)**	2
Fair value losses on investment properties		**(1,751)**	–
Finance costs		**(1,049)**	(1,023)
(LOSS)/PROFIT BEFORE TAX	5	**(21,115)**	1,652
Income tax credit/(expense)	6	**1,954**	(588)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(19,161)**	1,064
		Macau cents	*Macau cents*
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted			
– For (loss)/profit for the period	8	**(4.8)**	0.3

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	**30 June 2020** *MOP'000* **(Unaudited)**	31 December 2019 *MOP'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**83,822**	84,617
Investment properties		**26,368**	28,119
Right-of-use assets		**11,960**	12,414
Total non-current assets		**122,150**	125,150
CURRENT ASSETS			
Trade receivables	10	**29,690**	41,548
Contract assets		**100,471**	101,980
Prepayments, other receivables and other assets		**20,229**	11,557
Amount due from a director		**492**	698
Amount due from the ultimate holding company		**1**	1
Pledged bank deposits		**3,600**	3,600
Cash and bank balances		**44,339**	57,920
Total current assets		**198,822**	217,304
CURRENT LIABILITIES			
Trade payables	11	**21,699**	25,940
Contract liabilities		**5,222**	3,445
Lease liabilities		**2,601**	2,091
Other payables and accruals		**19,615**	15,215
Interest-bearing bank borrowings		**52,805**	54,791
Tax payable		**2,064**	2,028
Total current liabilities		**104,006**	103,510
NET CURRENT ASSETS		**94,816**	113,794
TOTAL ASSETS LESS CURRENT LIABILITIES		**216,966**	238,944

	30 June 2020 *MOP'000* (Unaudited)	31 December 2019 *MOP'000* (Audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**1,914**	3,904
Lease liabilities	**10,139**	10,966
Total non-current liabilities	**12,053**	14,870
Net assets	**204,913**	224,074
EQUITY		
Share capital	**4,120**	4,120
Reserves	**200,793**	219,954
Total equity	**204,913**	224,074

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

1. CORPORATE AND GROUP INFORMATION

Lai Si Enterprise Holding Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 1 June 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 10 February 2017. The Company's immediate and ultimate holding company is SHK-Mac Capital Limited ("**SHKMCL**"), a company incorporated in the British Virgin Islands ("**BVI**") with limited liability. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, the Cayman Islands and its principal place of business is located at Macau Lai Si Enterprise Centre, Rua Da Ribeira Do Patane No. 54, Macau.

The Company is an investment holding company.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with *HKAS 34 Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

Other than as explained below regarding the impact of Amendment to HKFRS 16 *COVID-19-Related Rent Concessions* (early adopted), the revised standards have no significant financial effect on the Group's interim condensed consolidated financial information. The nature and impact of the revised HKFRSs are described below:

(a) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

    During the period ended 30 June 2020, certain monthly lease payments for the lease of the Group's restaurant have been reduced by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of MOP123,600 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2020

	Fitting-out, alteration and addition works *MOP'000* **(Unaudited)**	**Construction works** *MOP'000* **(Unaudited)**	**Repair and maintenance services** *MOP'000* **(Unaudited)**	**Restaurant operations** *MOP'000* **(Unaudited)**	**Total** *MOP'000* **(Unaudited)**
Segment revenue *(note 4)*					
Sales to external customers	**74,438**	**365**	**2,779**	**2,302**	**79,884**
Segment results	**11,057**	**(536)**	**1,615**	**(629)**	**11,507**
Corporate expenses					**(18,242)**
Other income, gains and losses, net					**(13,530)**
Finance costs					**(850)**
Loss before tax					**(21,115)**

Six months ended 30 June 2019

	Fitting-out, alteration and addition works *MOP'000* (Unaudited)	Construction works *MOP'000* (Unaudited)	Repair and maintenance services *MOP'000* (Unaudited)	Total *MOP'000* (Unaudited)
Segment revenue *(note 4)*				
Sales to external customers	92,124	5,758	3,032	100,914
Segment results	20,238	(298)	1,107	21,047
Corporate expenses				(19,064)
Other income, gains and losses, net				692
Finance costs				(1,023)
Profit before tax				1,652

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Fitting-out, alteration and addition works	**74,438**	92,124
Construction works	**365**	5,758
Repair and maintenance services	**2,779**	3,032
Restaurant operations	**2,302**	–
	79,884	100,914

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

Segments	**Fitting-out, alteration and addition works**	**Construction works**	**Repair and maintenance services**	**Restaurant operations**	**Total**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Geographical markets					
Macau	51,963	365	2,606	2,302	57,236
Hong Kong	22,475	–	173	–	22,648
Total revenue from contracts with customers	74,438	365	2,779	2,302	79,884
Timing of revenue recognition					
Services transferred over time	74,438	365	–	–	74,803
Services transferred at a point in time	–	–	2,779	2,302	5,081
Total revenue from contracts with customers	74,438	365	2,779	2,302	79,884

For the six months ended 30 June 2019

Segments	Fitting-out, alteration and addition works *MOP'000* (Unaudited)	Construction works *MOP'000* (Unaudited)	Repair and maintenance services *MOP'000* (Unaudited)	Total *MOP'000* (Unaudited)
Geographical markets				
Macau	61,903	5,758	2,637	70,298
Hong Kong	30,221	–	395	30,616
Total revenue from contracts with customers	92,124	5,758	3,032	100,914

Segments	Fitting-out, alteration and addition works *MOP'000* (Unaudited)	Construction works *MOP'000* (Unaudited)	Repair and maintenance services *MOP'000* (Unaudited)	Total *MOP'000* (Unaudited)
Timing of revenue recognition				
Services transferred over time	92,124	5,758	–	97,882
Services transferred at a point in time	–	–	3,032	3,032
Total revenue from contracts with customers	92,124	5,758	3,032	100,914

5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2020	2019
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
Cost of services provided*	**66,622**	79,187
Bank interest income	**(137)**	(269)
Impairment of financial and other assets, net:		
Impairment of trade receivables, net	**895**	23
Impairment/(reversal of impairment) of contract assets, net	**12,501**	(25)
	13,396	(2)
Foreign exchange differences, net	**(134)**	146

* Included in cost of services provided are the staff costs incurred in the amount of approximately MOP12,554,000 (six months ended 30 June 2019: MOP13,622,000).

6. INCOME TAX

Macau complementary tax has been provided at progressive rates up to 12% (2019: progressive rates up to 12%) on the estimated taxable profits arising in Macau during the period. Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	For the six months ended 30 June	
	2020	2019
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
Current – Macau		
Charge for the period	**36**	69
Current – Hong Kong		
Charge for the period	**–**	279
Deferred	**(1,990)**	240
Total tax (credit)/charge for the period	**(1,954)**	588

7. DIVIDENDS

No dividend has been paid or declared by the Group during the six months ended 30 June 2020 and 2019.

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amount for the period is based on the (loss)/profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the six months ended 30 June 2020 of 400,000,000 (six months ended 30 June 2019: 400,000,000).

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the capital expenditure for acquisition of property, plant and equipment was approximately MOP159,000 (six months ended 30 June 2019: MOP149,000).

10. TRADE RECEIVABLES

	30 June 2020	31 December 2019
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Trade receivables	**31,982**	42,945
Impairment	**(2,292)**	(1,397)
	29,690	41,548

The Group allows an average credit period of 30 days to its customers. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of existing customers is reviewed by the Group regularly.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020	31 December 2019
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Within 1 month	**2,293**	6,334
1 to 2 months	**495**	3,948
2 to 3 months	**459**	4,464
Over 3 months	**26,443**	26,802
	29,690	41,548

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2020	31 December 2019
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Within 1 month	**4,696**	10,964
1 to 2 months	**1,668**	2,728
2 to 3 months	**1,498**	2,313
Over 3 months	**13,837**	9,935
	21,699	25,940

12. CONTINGENT LIABILITIES

(a) Sin Fong Garden Building

In October 2012, one of the supporting pillars of the residential building called "Sin Fong Garden Building" collapsed due to the loss of stability. Such collapse was accused to be caused by the dismantlement and construction of the foundation work undertaken in an adjacent new residential building project, of which Lai Si Construction & Engineering Company Limited ("Lai Si") was one of the contractors. As a result, in September 2015, several flat owners of Sin Fong Garden Building filed a lawsuit against several defendants including Lai Si, seeking for a compensation for the loss of property, in a total sum of approximately HK$48,950,000, to be borne jointly by the defendants. However, according to the report issued by the team of technical advisers and experts engaged by the Macau Government to study the causes of the incident, the collapse of Sin Fong Garden Building was caused by the substandard supporting pillars of Sin Fong Garden Building, instead of the dismantlement and foundation work undertaken in the adjacent new residential building.

In October 2015, the Macau Government has filed a lawsuit against several defendants including Lai Si, seeking a compensation for the costs incurred by the Macau Government for (i) measures it had taken to prevent Sin Fong Garden Building from being collapsed; (ii) ensuring the safety of citizens and adjacent buildings; and (iii) the technical advisers and experts it had hired to study the causes of the incident, in a total sum of approximately MOP12,806,000, to be borne jointly by the defendants.

Up to the date of approval of this condensed consolidated financial information, the proceedings are scheduled for the trial hearings. The first hearing for the lawsuit filed by the Macau Government has been held and there are still several hearings to be scheduled while the first hearing date for another lawsuit filed by several flat owners of Sin Fong Garden Building is scheduled on 13 October 2020. After consulting the Group's lawyer, the directors of the Company are of the opinion that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation and hence no provision is made in the condensed consolidated financial information. The Controlling Shareholders (as defined in the Company's 2019 Annual Report) have undertaken to indemnify the Group against all losses and liabilities arising from the above proceedings.

(b) Dispute on payment with a subcontractor

As at 30 June 2020, a subsidiary of the Group was a defendant in a lawsuit brought by a subcontractor of two of the Group's fitting-out projects on a total settlement dispute amount of MOP4.6 million. The directors, based on the advice from the Group's legal counsel, believe that the subsidiary has a valid defence against the lawsuit and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

Up to the date of approval of this condensed consolidated financial information, the trial of one of the fitting-out projects held by the Court of First Instance has been completed with the subsidiary of the Group winning the lawsuit and pending whether the plaintiff will raise an appeal by end of September 2020. The first hearing date of another fitting-out project is scheduled on 9 November 2020. After consulting the Group's lawyer, the directors of the Company are of the opinion that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation and hence no provision is made in the condensed consolidated financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On 10 February 2017, the shares (the "**Shares**") of Lai Si Enterprise Holding Limited (the "**Company**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") when 100,000,000 Shares were offered for subscription at HK$1.15 each.

The Company and its subsidiaries (collectively, the "**Group**") provide services of (i) fitting-out works as an integrated fitting-out contractor; (ii) construction works as a main contractor; (iii) repair and maintenance services, mainly in Macau and Hong Kong; and (iv) food catering services through a restaurant in Macau. During the six months ended 30 June 2020, all of the Group's revenue was derived from Macau and Hong Kong and the Group undertook projects from both private and public sectors and ran a restaurant in Macau.

The Group's customers primarily include (i) hotel and casino developers and owners, international retailers and restaurant owners for fitting-out works; (ii) land owners and the Macau Government for construction works; and (iii) operators of hotels and casinos, retail shops and restaurants for repair and maintenance works.

The Group's revenue comprised of (a) fitting-out works; (b) construction works; (c) repair and maintenance services; and (d) income from restaurant operations. During the six months ended 30 June 2020, the total value for the new fitting-out projects awarded to the Group, representing the aggregate awarded contract sum, amounted to approximately MOP136.6 million as compared to the six months ended 30 June 2019 of approximately MOP174.2 million. As at 30 June 2020, the Group had an aggregate value of backlog for fitting-out projects and construction projects of approximately MOP123.3 million as compared to approximately MOP115.9 million as at 30 June 2019.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue during the six months ended 30 June 2020 and 2019 by business segments:

	Six months ended 30 June (Unaudited)			
	2020		2019	
	MOP'000	*%*	*MOP'000*	*%*
Fitting-out works	**74,438**	**93.2**	92,124	91.3
Construction works	**365**	**0.4**	5,758	5.7
Repair and maintenance works	**2,779**	**3.5**	3,032	3.0
Income from restaurant operations	**2,302**	**2.9**	–	–
Total	**79,884**	**100.0**	100,914	100.0

During the six months ended 30 June 2020, the Group's revenue decreased by approximately MOP21.0 million or 20.8%. The decrease was attributable to decrease in fitting-out works of approximately MOP17.7 million or 19.2% and in construction works of approximately MOP5.4 million or 93.7% which was mainly due to the poor operating environment in the overall fitting-out industry in Macau and Hong Kong upon the outbreak of COVID-19 since January 2020.

Gross profit and gross profit margin

The following table sets forth a breakdown of the Group's gross profit and gross profit margin during the six months ended 30 June 2020 and 2019 by business segments:

	Six months ended 30 June (Unaudited)			
	2020		2019	
	Gross profit/ (loss)	**Gross profit/ (loss) margin**	Gross profit/ (loss)	Gross profit/ (loss) margin
	MOP'000	*%*	*MOP'000*	*%*
Fitting-out works	**11,581**	**15.6**	20,879	22.7
Construction works	**(513)**	**(140.5)**	(266)	(4.6)
Repair and maintenance works	**1,620**	**58.3**	1,114	36.7
Income from restaurant operations	**574**	**24.9**	–	–
Total/overall	**13,262**	**16.6**	21,727	21.5

During the six months ended 30 June 2020, the Group's gross profit decreased by approximately MOP8.5 million or 39.0% from approximately MOP21.7 million for the six months ended 30 June 2019 to approximately MOP13.3 million for the six months ended 30 June 2020. The decrease in gross profit was in line with the decrease in revenue. Gross loss in construction works segment was recorded due to contract revenue revised downwards.

The Group's gross profit margin decreased from approximately 21.5% for the six months ended 30 June 2019 to approximately 16.6% for the six months ended 30 June 2020. The decrease in gross profit margin was mainly attributable to lower gross profit margin from fitting-out works.

Other income, gains and losses, net

The Group's other income, gains and losses, net, increased from approximately MOP690,000 for the six months ended 30 June 2019 to approximately MOP1,617,000 for the six months ended 30 June 2020. The increase was mainly due to government subsidies for COVID-19.

Administrative expenses

The Group's administrative expenses increased by approximately MOP0.1 million or 0.3% from approximately MOP19.7 million for the six months ended 30 June 2019 to approximately MOP19.8 million for the six months ended 30 June 2020. There was no significant change.

(Impairment losses)/reversal of impairment losses on financial assets and contract assets, net

The amount approximately MOP13,396,000 represented the provision on doubtful account receivables and contract assets by management after considering COVID-19 impacts.

Fair value losses on investment properties

The amount approximately MOP1,751,000 represented the decrease of market value of the investment properties held as at 30 June 2020 as compared with that as at 31 December 2019.

Finance costs

The Group's finance costs were approximately MOP1.0 million for the six months ended 30 June 2020, compared to that for the six months ended 30 June 2019 of approximately MOP1.0 million. There was no significant change.

Income tax credit/expense

The Group expected to receive income tax credit of approximately MOP2.0 million for the six months ended 30 June 2020. There was approximately MOP0.6 million income tax expense for the six months ended 30 June 2019. The change was due to deferred tax and income tax credit.

(Loss)/profit for the period attributable to owners of the Company

As a combined result of the above, the Group's loss for the period attributable to owners of the Company amounted to approximately MOP19.2 million for the six months ended 30 June 2020 as compared to the Group's profit attributable to owners of the Company of approximately MOP1.1 million for the six months ended 30 June 2019.

(Loss)/earnings per Share

The Company's loss per Share for the six months ended 30 June 2020 was Macau cents 4.8 (30 June 2019: earnings per share Macau cents 0.3), representing a decrease of Macau cents 5.1 which was due to the poor operating environment in the overall fitting-out industry in Macau and Hong Kong upon the outbreak of COVID-19 since January 2020.

Interim dividend

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources and capital structure

The management and control of the Group's financial, capital management and external financing functions are centralised at its headquarters in Macau. The Group adheres to the principle of prudent financial management to minimise financial and operational risks. The Group mainly relies upon internally generated funds and bank borrowings to finance its operations and expansion.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group, and mitigate the effects of fluctuations in cash flows. The management of the Group believes that the Group has sufficient working capital for its future operational requirement.

As at 30 June 2020, the Group had net current assets of approximately MOP94.8 million, decreased by approximately MOP19.0 million over the net current assets of approximately MOP113.8 million as recorded at 31 December 2019.

As at 30 June 2020, the Group had bank balances and cash of MOP44.3 million (31 December 2019: MOP57.9 million).

As at 30 June 2020, the Group had an aggregate of pledged bank deposits of MOP3.6 million (31 December 2019: MOP3.6 million) that were used to secure banking facilities.

As at 30 June 2020, interest-bearing bank borrowings amounted to MOP52.8 million (31 December 2019: MOP54.8 million) of which MOP4.1 million, MOP4.2 million, MOP13.2 million and MOP31.3 million (31 December 2019: MOP4.0 million, MOP4.1 million, MOP13.0 million and MOP33.7 million) will mature within one year, one year to two years, two years to five years and more than five years, respectively. The loans carry interest at variable market rates by reference to the prevailing Prime Rate and Hong Kong Interbank Offered Rate. The effective interest rates as at 30 June 2020 (which were also equal to contracted interest rates) ranged from 2.6% to 4.0% (31 December 2019: 2.6% to 4.5%).

The Group continued to maintain a healthy liquidity position. As at 30 June 2020, the Group's current assets and current liabilities were MOP198.8 million (31 December 2019: MOP217.3 million) and MOP104.0 million (31 December 2019: MOP103.5 million), respectively. The Group's current ratio as at 30 June 2020 remained stable at 1.9 (31 December 2019: 2.1). The Group has maintained sufficient liquid assets to finance its operations.

The Group's gearing ratio, calculated by dividing total debts (including interest-bearing bank borrowings and lease liabilities) with total equity, was 0.32 as at 30 June 2020 (31 December 2019: 0.30). The increase was primarily due to loss making situation.

As at 30 June 2020, the share capital and equity attributable to owners of the Company amounted to MOP4.1 million and MOP204.9 million, respectively (31 December 2019: MOP4.1 million and MOP224.1 million, respectively).

Charge on the Group's assets

As at 30 June 2020, land and building, investment properties and bank deposits were pledged to secure certain borrowings granted to the Group amounted to MOP81.6 million, MOP26.4 million and MOP3.6 million (31 December 2019: MOP82.0 million, MOP28.1 million and MOP3.6 million), respectively.

Contingent liabilities and capital commitments

Sin Fong Garden Building

In October 2012, one of the supporting pillars of the residential building called "Sin Fong Garden Building" collapsed due to the loss of stability. Such collapse was alleged to be caused by the dismantlement and construction of the foundation work undertaken in an adjacent new residential building project, of which Lai Si was one of the contractors. As a result, in September 2015, several flat owners of Sin Fong Garden Building filed a lawsuit against several defendants including Lai Si, seeking for a compensation for the loss of property, in a total sum of approximately HK$49.0 million, to be borne jointly by the defendants. However, according to the report issued by the team of technical advisors and experts engaged by the Macau Government to study the causes of the incident, the collapse of Sin Fong Garden Building was caused by the substandard supporting pillars of Sin Fong Garden Building, instead of the dismantlement and foundation work undertaken in the adjacent new residential building.

In October 2015, the Macau Government has further filed a lawsuit against several defendants including Lai Si, seeking for a compensation for the costs incurred by the Macau Government for (i) measures it had taken to prevent Sin Fong Garden Building from being collapsed; (ii) ensuring the safety of citizens and adjacent buildings; and (iii) the technical advisors and experts it had hired to study the causes of the incident, in a total sum of approximately MOP12.8 million, to be borne jointly by the defendants.

Up to the date of this announcement, the proceedings are scheduled for the trial hearings. The first hearing for the lawsuit filed by the Macau Government has been held and there are still several hearings to be scheduled while the first hearing date for another lawsuit filed by several flat owners of Sin Fong Garden Building is scheduled on 13 October 2020. After consulting the Group's lawyer, the directors of the Company are of the opinion that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation and hence no provision is made to the condensed consolidated financial information. The Controlling Shareholders have undertaken to indemnify the Group against all losses and liabilities arising from the above proceedings.

Dispute on payment with a subcontractor

As at 30 June 2020, a subsidiary of the Group was a defendant in a lawsuit brought by a subcontractor of two of the Group's fitting-out projects on a total settlement dispute amount of MOP4.6 million. The directors, based on the advice from the Group's legal counsel, believe that the subsidiary has a valid defence against the lawsuit and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

Up to the date of this announcement, the trial of one of the fitting-out projects held by the Court of First Instance has been completed with the subsidiary of the Group winning the lawsuit and pending whether the plaintiff will raise an appeal by end of September 2020. The first hearing date of another fitting-out project is scheduled on 9 November 2020. After consulting the Group's lawyer, the directors of the Company are of the opinion that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation and hence no provision is made to the financial information.

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

Exposure to fluctuations in exchange rates and interest rates and corresponding hedging arrangements

The Group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Group is exposed to currency risk primarily through purchase of raw materials and sales proceeds received from customers that are denominated in a currency other than the Group entities' functional currency. The currencies giving rise to this risk are primarily HK$ and RMB. The Directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity.

The Group currently does not have a foreign currency hedging policy. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances, bank overdrafts and bank borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Credit exposure

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees arisen from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable and other receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The policy of allowances for doubtful debts of the Group is based on the evaluation and estimation of collectability and ageing analysis of the outstanding debts. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive, discounted using the original effective interest rate and the carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. Specifically, there are liquidity issues arising from COVID-19 pandemic and management has reassessed the risk factors and forward looking information towards the portfolio of long-aged receivables based on the negotiation processes with customers. Accordingly, an accelerated provision is applied. The management will continue to closely monitor the negotiation processes and subsequent settlement of the counterparties and revisit the accelerated provision during year-end.

In addition to the above, in year 2018, upon the implementation of HKFRS 9, the Group had engaged professional valuer service on the collectibility of the overall account receivables portfolio. The professional valuer took forward looking approach in assessing credit risk (expected credit losses). General provision on account receivable was made accordingly.

In this regard, the management of the Group considers that credit risk is well taken care and addressed.

The Group is exposed to concentration of credit risk as at 30 June 2020 on trade receivables and contract assets from the Group's five major customers amounting to approximately MOP47.8 million (31 December 2019: MOP21.0 million) and accounted for approximately 36.7% (31 December 2019: 14.6%) of the Group's total trade receivables and contract assets. The major customers of the Group are certain reputable organisations. The management of the Group considers that the credit risk is limited in this regard.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Liquid funds were also under the scope of review by the professional valuer as in account receivables.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events after 30 June 2020 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the total number of full-time employees of the Group was 166 (31 December 2019: 184).

The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work.

The Group's gross staff costs from operations (including the directors' emoluments) was MOP27.2 million for the six months ended 30 June 2020 (30 June 2019: MOP25.3 million).

The Company adopted a share option scheme so that the Company may grant options to the eligible participants as incentives or rewards for their contribution to the Group.

Since the listing of the Shares, no share option had been granted under the share option scheme.

USE OF PROCEEDS FROM THE SHARE OFFER

The Shares have been listed and traded on the Main Board of the Stock Exchange since 10 February 2017.

The net proceeds from the Placing and Public Offer (the "**Share Offer**") (as defined in the prospectus of the Company dated 27 January 2017 (the "**Prospectus**")) amounted to approximately HK$89.8 million (equivalent to approximately MOP92.5 million) (after deducting underwriting fees and commissions and all related expenses). Such net proceeds are intended to be applied in accordance with the proposed application as disclosed in the Prospectus and as stated in the Company's announcement dated 7 August 2020.

	Net proceeds (HK$ million)		
Items	**Available**	**Utilised**	**Unutilised**
Finance fitting-out projects in Macau	49.4	38.4	11.0
Finance construction projects in Macau	17.9	15.9	2.0
Finance the start-up costs of fitting-out business in Hong Kong	9.0	9.0	–
Hire additional staff for the Group's business operation	4.5	4.5	–
General working capital	9.0	9.0	–
	89.8	76.8	13.0

As at 30 June 2020, the unutilised net proceeds from the Share Offer were deposited in the bank accounts of the Group.

MARKET REVIEW

Various uncertainties surrounding the global economy in 2019, such as the global economic slowdown and the tension of Sino-US trade war, still persist in 2020. Moreover, factors including the postponement of licence renewal of a number of large-scale gaming companies in Macau, government and private renovation, construction projects in succession, and large-scale social movement took place in Hong Kong, have led to a less optimistic prospects for the market of fitting-out works in Macau and Hong Kong. In addition, the COVID-19 pandemic has unfortunately hit all over the world since early 2020, Hong Kong and Macau have also been deeply affected, which resulted in serious economic downturn, the challenges faced by the market of fitting-out works have been further aggravated in the first half of the year. However, leveraging the rich experience of the headquarter in Macau in the construction industry over the years and its competitive edge of market position, we have the pleasure to undertake several major projects and maintained stable business results. Comparing with the headquarter, the performance of our Hong Kong branch was relatively low due to the critical impact of social events and pandemic on the overall Hong Kong economy.

Despite the negative impact on the construction market in Hong Kong and Macau, the Group will continue to actively expand its business in other Southeast Asian countries to strengthen and reinforce its competitiveness in the construction industry. The Group expects to set up branches and undertake new projects in other Southeast Asian countries in the second half of 2020.

OUTLOOK

The Group has always been pursuing a diversified development of its business. Apart from the core business of fitting-out works, the Group is seeking for additional space of development and exploring other businesses, such as catering, retailing, trading, etc. Furthermore, the planning of Guangdong-Hong Kong-Macau Greater Bay Area ("**Greater Bay Area**") is in full swing, which aims to promote the economic integration between Guangdong Province and the two Special Administrative Regions and enhance cooperation among the province and regions, thus to encourage more investment projects and commercial activities to take place in the Greater Bay Area, which in turn injects impetus for the property market and drives the development in fitting-out and construction industries. Driven by the development policy of the Greater Bay Area¸ Hengqin, Macau, launched a new regulation in December last year enabling constructors from Hong Kong and Macau to directly practise and engage in project construction in the local area after having completed the legal record filing procedures. For the Group, this regulation is not only a significant business opportunity, but also a chance to expand the market scope of its business. The Group has always been optimistic about the future development of the Greater Bay Area, we will also seize this opportunity to align ourselves with the national planning strategy and actively participate in the development of the Greater Bay Area.

The Group also expects that in the second half of 2020, the global economy will progressively steer out of the doldrums of COVID-19 pandemic, hence the construction and engineering market will gradually stabilise as the whole economy recovers.

INTERIM DIVIDEND

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2020.

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2020, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions (the "**Securities Dealing Code**"). Specific enquiry has been made with all the Directors and all of them confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the six months ended 30 June 2020.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management of the Company the accounting principles and policies adopted by the Group, and the financial information of the Group and the unaudited interim results announcement of the Company for the six months ended 30 June 2020.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The interim results for the six months ended 30 June 2020 is unaudited, but has been reviewed by the Group's auditor, Ernst & Young, 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 HKICPA, whose unmodified review report will be included in the interim report to be sent to the shareholders of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.lai-si.com). The interim report of the Company for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be published on the above websites and despatched to the shareholders of the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners and other professional parties for their support during the six months ended 30 June 2020.

By order of the Board
Lai Si Enterprise Holding Limited
LAI Ieng Man
Executive Director and Chairman

Macau, 26 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. LAI Ieng Man, Mr. LAI Meng San, Ms. LAI Ieng Wai and Ms. CHEONG Weng Si, and the independent non-executive directors of the Company are Mr. CHAN Chun Sing, Mr. CHAN Iok Chun and Ms. LAM Mei Fong.