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 2021

FINANCIAL HIGHLIGHTS

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

	For the six months ended 30 June		
	2021	2020	Percentage
	(Unaudited)	(Unaudited) (restated)	(decrease)
Revenue	**70,149**	77,582	(9.6%)
Gross profit	**11,301**	12,688	(10.9%)
Gross profit margin	**16.1%**	16.4%	(0.3%)
Loss attributable to owners of the Company	**(16,598)**	(19,161)	(13.4%)
Loss per share for the period *(Macau cents)*	**(4.1)**	(4.8)	(14.6%)

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)	Percentage (decrease)
Equity attributable to owners of the Company	**122,284**	138,882	(12.0%)

INTERIM DIVIDEND

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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 2021 together with the comparative figures for the corresponding six months ended 30 June 2020 as set out below:

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

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
	Notes	***MOP'000***	*MOP'000*
		(Unaudited)	(Unaudited) (restated)
CONTINUING OPERATIONS			
Revenue	4	**70,149**	77,582
Cost of sales		**(58,848)**	(64,894)
Gross profit		**11,301**	12,688
Other income, gains and losses, net		**1,797**	1,616
Administrative expenses		**(15,147)**	(18,156)
Impairment losses on financial assets and contract assets		**(12,699)**	(13,396)
Impairment losses on prepayments		**(1,843)**	–
Changes in fair value of investment properties		**1,133**	(1,751)
Finance costs		**(691)**	(850)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	5	**(16,149)**	(19,849)
Income tax (expense)/credit	6	**(136)**	1,954
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(16,285)**	(17,895)
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	7	**(313)**	(1,266)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(16,598)**	(19,161)
		Macau cents	*Macau cents*
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted			
– For loss for the period	9	**(4.1)**	(4.8)
– For loss from continuing operations	9	**(4.1)**	(4.5)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	**30 June 2021** *MOP'000* **(Unaudited)**	31 December 2020 *MOP'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**81,509**	82,100
Investment properties		**26,986**	25,853
Right-of-use assets		**–**	477
Total non-current assets		**108,495**	108,430
CURRENT ASSETS			
Trade receivables	11	**19,508**	12,011
Contract assets		**40,271**	64,835
Prepayments, other receivables and other assets		**16,934**	12,870
Amount due from a director		**698**	698
Amount due from the ultimate holding company		**1**	1
Pledged bank deposits		**14,427**	14,147
Cash and bank balances		**11,182**	22,018
Total current assets		**103,021**	126,580
CURRENT LIABILITIES			
Trade payables	12	**15,729**	24,279
Contract liabilities		**4,608**	2,880
Lease liabilities		**–**	484
Other payables and accruals		**15,360**	12,173
Interest-bearing bank borrowings		**49,373**	51,413
Tax payable		**576**	576
Total current liabilities		**85,646**	92,345
NET CURRENT ASSETS		**17,375**	34,235
TOTAL ASSETS LESS CURRENT LIABILITIES		**125,870**	142,665

	30 June 2021 MOP'000 (Unaudited)	31 December 2020 MOP'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**863**	1,196
Deferred tax liabilities	**2,723**	2,587
Total non-current liabilities	**3,586**	3,783
Net assets	**122,284**	138,882
EQUITY		
Share capital	**4,120**	4,120
Reserves	**118,164**	134,762
Total equity	**122,284**	138,882

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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 Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KYI-1108, 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. The Company and its subsidiaries (collectively, the "**Group**"), are principally engaged in fitting-out, alternation and addition works, construction works and repair and maintenance services.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 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 2020.

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 2020, 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The revised standards have no significant financial effect on the Group's interim condensed consolidated financial information for the six months ended 30 June 2021.

3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2021

	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 from continuing operations	65,282	3,408	1,459	70,149
Segment results	10,980	(53)	83	11,010
Corporate expenses				(14,856)
Other income, gains and losses, net				1,797
Impairment losses on financial assets and contract assets				(12,699)
Impairment losses on prepayments				(1,843)
Changes in fair value of investment properties				1,133
Finance costs				(691)
Loss before tax from continuing operations				(16,149)

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)	Total *MOP'000* (Unaudited) (restated)
Segment revenue *(note 4)*				
Sales to external customers from continuing operations	74,438	365	2,779	77,582
Segment results	11,057	(536)	1,615	12,136
Corporate expenses				(17,604)
Other income, gains and losses, net				1,616
Impairment losses on financial assets and contract assets				(13,396)
Changes in fair value of investment properties				(1,751)
Finance costs				(850)
Loss before tax from continuing operations				(19,849)

4. REVENUE

An analysis of the Group's revenue from continuing operations is as follows:

	For the six months ended 30 June	
	2021	2020
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited) (restated)
Revenue from contracts with customers		
Fitting-out, alteration and addition works	**65,282**	74,438
Construction works	**3,408**	365
Repair and maintenance services	**1,459**	2,779
	70,149	77,582

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2021

Segments	**Fitting-out, alteration and addition works**	**Construction works**	**Repair and maintenance services**	**Total**
	MOP'000	***MOP'000***	***MOP'000***	***MOP'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Geographical markets				
Macau	**56,644**	**3,408**	**1,398**	**61,450**
Hong Kong	**8,638**	**–**	**61**	**8,699**
Total revenue from contracts with customers	**65,282**	**3,408**	**1,459**	**70,149**
Timing of revenue recognition				
Services transferred over time	**65,282**	**3,408**	**–**	**68,690**
Services transferred at a point in time	**–**	**–**	**1,459**	**1,459**
Total revenue from contracts with customers	**65,282**	**3,408**	**1,459**	**70,149**

For the six months ended 30 June 2020

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) (restated)
Geographical markets				
Macau	51,963	365	2,606	54,934
Hong Kong	22,475	–	173	22,648
Total revenue from contracts with customers	74,438	365	2,779	77,582
Timing of revenue recognition				
Services transferred over time	74,438	365	–	74,803
Services transferred at a point in time	–	–	2,779	2,779
Total revenue from contracts with customers	74,438	365	2,779	77,582

5. LOSS BEFORE TAX

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

	For the six months ended 30 June 2021 *MOP'000* (Unaudited)	2020 *MOP'000* (Unaudited) (restated)
Cost of services provided*	**58,848**	64,894
Bank interest income	**(174)**	(137)
Impairment losses on financial assets and contract assets:		
Impairment losses on trade receivables	**1,606**	895
Impairment losses on contract assets	**11,093**	12,501
	12,699	13,396
Foreign exchange differences, net	**911**	(135)

* Included in cost of services provided are the staff costs incurred in the amount of approximately MOP13,417,000 (six months ended 30 June 2020 (restated): MOP11,811,000).

6. INCOME TAX

No provision for Macao complementary tax and Hong Kong profits tax have been made as the Group did not generate any assessable profits arising in Macao and Hong Kong during the period. In prior period, Macao complementary tax has been provided at progressive rates up to 12% on the estimated taxable profits arising in Macao and there were no assessable profits arising in Hong Kong.

	For the six months ended 30 June	
	2021	2020
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
Current – Macau		
Charge for the period	**–**	36
Deferred	**136**	(1,990)
Total tax charge/(credit) for the period from continuing operations	**136**	(1,954)
Total tax charge for the period from a discontinued operation	**–**	–
	136	(1,954)

7. DISCONTINUED OPERATION

On 1 June 2021, the Company decided to terminate its restaurant operations in view of the continuing poor business environment in order to consolidate resources into its primary core business, i.e. fitting-out, alternation and addition works, construction works and repair and maintenance services. Upon the termination, related property, plant and equipment were written off. With the restaurant operations being classified as a discontinued operation, it was no longer included in the note for operating segment information.

The results of the restaurant operations for the period are presented below:

	For the six months ended 30 June	
	2021	2020
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
Revenue	**–**	2,302
Cost of sales	**–**	(1,728)
Other income, gains and losses, net	**(277)**	1
Expenses	**(36)**	(1,642)
Finance costs	**–**	(199)
Loss for the period from the discontinued operation	**(313)**	(1,266)
	Macau cent	*Macau cent*
Loss per share:		
Basic and diluted, from the discontinued operation	**–***	0.3

* The amount represents less than MOP0.1 cent.

8. DIVIDENDS

No dividend has been paid or declared by the Group during the six months ended 30 June 2021 and 2020.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the period attributable to owners of the Company from continuing operations of MOP16,285,000 (six months ended 30 June 2020 (restated): MOP17,895,000) and the loss from a discontinued operation of MOP313,000 (six months ended 30 June 2020: MOP1,266,000), and the weighted average number of ordinary shares in issue during the six months ended 30 June 2021 of 400,000,000 (six months ended 30 June 2020: 400,000,000).

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the capital expenditure for acquisition of property, plant and equipment was approximately MOP354,000 (six months ended 30 June 2020 MOP159,000).

11. TRADE RECEIVABLES

	30 June 2021	31 December 2020
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Trade receivables	**43,212**	34,109
Impairment	**(23,704)**	(22,098)
	19,508	12,011

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 2021	31 December 2020
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Within 1 month	**11,542**	2,554
1 to 2 months	**1,691**	3,140
2 to 3 months	**1,605**	119
3 to 6 months	**833**	600
6 months to 1 year	**3,837**	2,401
Over 1 year	**–**	3,197
	19,508	12,011

12. 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 2021	31 December 2020
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Within 1 month	**3,527**	2,093
1 to 2 months	**1,347**	8,775
2 to 3 months	**1,362**	1,005
Over 3 months	**9,493**	12,406
	15,729	24,279

13. CONTINGENT LIABILITIES

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 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 MOP12,806,000, to be borne jointly by the defendants.

Up to the date of this announcement, trial hearings for the lawsuit filed by the Macau Government were finished in December 2020 and court decisions were made in April 2021. Among the court decisions, it was held that Lai Si was not liable, while the first hearing date for another lawsuit filed by several flat owners of Sin Fong Garden Building is scheduled on 19 October 2021. 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 interim condensed consolidated financial information. The Controlling Shareholders (as defined in the Company's 2020 Annual Report) 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 2021 and 31 December 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, has 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 second trial of one of the fitting-out projects held by the court was completed during the period with the subsidiary of the Group winning the lawsuit, the plaintiff subcontractor may look forward to the Court of Final Appeal. The first hearing date of another fitting-out project was initially scheduled on 9 November 2020 but has been postponed to 7 December 2021. 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 arising from both lawsuits and hence no provision is made in the interim condensed consolidated financial information.

Dispute on payment with a subcontractor

As at 30 June 2021, 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 MOP0.3 million on top of the contracted amount.

Up to the date of this announcement, the case is not yet scheduled for first hearing. It is under the process of evidence disclosing. After consulting the Group's lawyer, the directors of the Company are of the opinion that it is premature to give any opinion on the case and to make any provision in the interim 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; and (iii) repair and maintenance services, mainly in Macau and Hong Kong. During the six months ended 30 June 2021, the Group terminated its restaurant operations in view of the continuing poor business environment so that resources are consolidated for the primary core business, fitting-out/construction works. All of the Group's revenue was derived from projects from both private and public sectors in Macau and Hong Kong.

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 (a) fitting-out works; (b) construction works; and (c) repair and maintenance services. During the six months ended 30 June 2021, the total value for the new fitting-out projects awarded to the Group, representing the aggregate awarded contract sum, amounted to approximately MOP46.5 million as compared to the six months ended 30 June 2020 of approximately MOP136.6 million. As at 30 June 2021, the Group had an aggregate value of backlog for fitting-out projects and construction projects of approximately MOP58.8 million as compared to approximately MOP123.3 million as at 30 June 2020.

FINANCIAL REVIEW

On the basis of total operations for the periods (i.e. including continuing and discontinued operations), financial review are as followed:

Revenue

The following table sets forth a breakdown of the Group's revenue during the six months ended 30 June 2021 and 2020 by business segments:

	Six months ended 30 June (Unaudited)			
	2021		2020	
	MOP'000	*%*	*MOP'000*	*%*
Fitting-out works	**65,282**	**93.1**	74,438	93.2
Construction works	**3,408**	**4.8**	365	0.4
Repair and maintenance works	**1,459**	**2.1**	2,779	3.5
Income from restaurant operations	**–**	**–**	2,302	2.9
Total*	**70,149**	**100.0**	79,884	100.0

* *Including continuing and discontinued operation*

During the six months ended 30 June 2021, the Group's revenue decreased by approximately MOP9.7 million or 12.2%. The decrease was attributable to decrease in fitting-out works of approximately MOP9.2 million or 12.3% 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 2021 and 2020 by business segments:

	Six months ended 30 June (Unaudited)			
	2021		2020	
	Gross profit ***MOP'000***	**Gross profit margin** *%*	Gross profit/ (loss) *MOP'000*	Gross profit/ (loss) margin *%*
Fitting-out works	**11,159**	**17.1**	11,581	15.6
Construction works	**43**	**1.3**	(513)	(140.5)
Repair and maintenance works	**99**	**6.8**	1,620	58.3
Income from restaurant operations	**–**	**–**	574	24.9
Total/overall*	**11,301**	**16.1**	13,262	16.6

* *Including continuing and discontinued operation*

During the six months ended 30 June 2021, the Group's gross profit decreased by approximately MOP2.0 million or 14.8% from approximately MOP13.3 million for the six months ended 30 June 2020 to approximately MOP11.3 million for the six months ended 30 June 2021. The decrease in gross profit was in line with the decrease in revenue. Gross loss in construction works segment for the six months ended 30 June 2020 was recorded due to contract revenue revised downwards.

The Group's gross profit margin decreased from approximately 16.6% for the six months ended 30 June 2020 to approximately 16.1% for the six months ended 30 June 2021. The decrease in gross profit margin was mainly attributable to absence of restaurant operations for the six months ended 30 June 2021.

Other income, gains and losses, net

The Group's other income, gains and losses, net, decreased from approximately MOP1,617,000 for the six months ended 30 June 2020 to approximately MOP1,520,000 for the six months ended 30 June 2021. There was no material fluctuation.

Administrative expenses

The Group's administrative expenses decreased by approximately MOP4.6 million or 23.3% from approximately MOP19.8 million for the six months ended 30 June 2020 to approximately MOP15.2 million for the six months ended 30 June 2021. The decrease were due to termination of restaurant operations and cost saving measures taken during the period.

Impairment losses on financial assets and contract assets, net

The amount approximately MOP12,699,000 (30 June 2020: MOP13,396,000) represented the provision on doubtful account receivables and contract assets by management after considering the status of negotiation with customers.

Impairment losses on prepayments

The amount approximately MOP1,843,000 represented the provision on prepayments for purchase of materials due to suspension of a fitting-out project in Hong Kong.

Fair value gain on investment properties

The amount approximately MOP1,133,000 represented the increase of market value of the investment properties held as at 30 June 2021 as compared with that as at 31 December 2020.

Finance costs

The Group's finance costs were approximately MOP0.7 million for the six months ended 30 June 2021, compared to that for the six months ended 30 June 2020 of approximately MOP1.0 million. There was no significant change.

Income tax expense/(credit)

The Group had income tax expense of approximately MOP0.1 million for the six months ended 30 June 2021. There was approximately MOP2.0 million income tax credit for the six months ended 30 June 2020. The change was due to deferred tax and income tax credit.

Loss 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 MOP16.6 million for the six months ended 30 June 2021 as compared to the Group's loss attributable to owners of the Company of approximately MOP19.2 million for the six months ended 30 June 2020.

Loss per Share

The Company's loss per Share for the six months ended 30 June 2021 was Macau cents 4.1 (30 June 2020: loss per share Macau cents 4.8), representing an reduction loss of Macau cents 0.7. Loss per share 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 2021 (30 June 2020: 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 2021, the Group had net current assets of approximately MOP17.4 million, decreased by approximately MOP16.8 million over the net current assets of approximately MOP34.2 million as recorded at 31 December 2020.

As at 30 June 2021, the Group had cash and bank balances of MOP11.2 million (31 December 2020: MOP22.0 million).

As at 30 June 2021, the Group had an aggregate of pledged bank deposits of MOP14.4 million (31 December 2020: MOP14.1 million) that were used to secure banking facilities.

As at 30 June 2021, interest-bearing bank borrowings amounted to MOP50.2 million (31 December 2020: MOP52.6 million) of which MOP4.8 million, MOP5.0 million, MOP13.7 million and MOP26.7 million (31 December 2020: MOP4.8 million, MOP4.9 million, MOP13.8 million and MOP29.1 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 2021 (which were also equal to contracted interest rates) ranged from 2.5% to 2.6% (31 December 2020: 2.6% to 2.8%).

The Group continued to maintain a healthy liquidity position. As at 30 June 2021, the Group's current assets and current liabilities were MOP103.0 million (31 December 2020: MOP126.6 million) and MOP85.6 million (31 December 2020: MOP92.3 million), respectively. The Group's current ratio as at 30 June 2021 remained stable at 1.2 (31 December 2020: 1.4). 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 0.41 as at 30 June 2021 (31 December 2020: 0.38). The increase was primarily due to loss making situation.

As at 30 June 2021, the share capital and equity attributable to owners of the Company amounted to MOP4.1 million and MOP122.3 million, respectively (31 December 2020: MOP4.1 million and MOP138.9 million, respectively).

Charge on the Group's assets

As at 30 June 2021, land and building, investment properties and bank deposits were pledged to secure certain borrowings granted to the Group amounted to MOP80.8 million, MOP27.0 million and MOP14.4 million (31 December 2020: MOP81.2 million, MOP25.9 million and MOP14.1 million), respectively.

Contingent liabilities and operating lease 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 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 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 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 MOP12,806,000, to be borne jointly by the defendants.

Up to the date of this announcement, trial hearings for the lawsuit filed by the Macau Government were finished in December 2020 and court decisions were made in April 2021. Among the court decisions, it was held that Lai Si was not liable, while the first hearing date for another lawsuit filed by several flat owners of Sin Fong Garden Building is scheduled on 19 October 2021. 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 interim 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 2021 and 31 December 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, has 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 second trial of one of the fitting-out projects held by the court was completed during the period with the subsidiary of the Group winning the lawsuit, the plaintiff subcontractor may look forward to the Court of Final Appeal. The first hearing date of another fitting-out project was initially scheduled on 9 November 2020 but has been postponed to 7 December 2021. 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 arising from both lawsuits and hence no provision is made in the interim condensed consolidated financial information.

Dispute on payment with a subcontractor

As at 30 June 2021, 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 MOP0.3 million on top of the contracted amount.

Up to the date of this announcement, the case is not yet scheduled for first hearing. It is under the process of evidence disclosing. After consulting the Group's lawyer, the directors of the Company are of the opinion that it is premature to give any opinion on the case and to make any provision in the interim condensed consolidated financial information.

As at 30 June 2021, the Group did not have any capital commitments (31 December 2020: 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. The management will continue to closely monitor the negotiation processes and subsequent settlement of the counterparties and revisit the 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 2021 on trade receivables and contract assets from the Group's five major customers amounting to approximately MOP31.8 million (31 December 2020: MOP39.8 million) and accounted for approximately 53.1% (31 December 2020: 51.8%) 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 2021 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the total number of full-time employees of the Group was 147 (31 December 2020: 153).

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 MOP25.5 million for the six months ended 30 June 2021 (30 June 2020: MOP27.2 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 from the Share Offer* *HK$ million*	**Utilised up to 31 December 2020** *HK$ million*	**Utilised during the interim 2021** *HK$ million*	**Unutilised up to 30 June 2021** *HK$ million*	**Expected timeline of full utilisation of the remaining proceeds from the Share Offer as at 30 June 2021**
Finance fitting-out projects in Macau	49.4	38.4	9.0	2.0	By the end of 2022
Finance construction projects in Macau	17.9	15.9	–	2.0	By the end of 2022
Finance the start-up costs of fitting-out business in Hong Kong	9.0	9.0	–	–	N/A
Hire additional staff for the Group's business operation	4.5	4.5	–	–	N/A
General working capital	9.0	9.0	–	–	N/A
Total	89.8	76.8	9.0	4.0	

* The net proceeds from the Share Offer amounted to HK$89.8 million (equivalent to approximately MOP 92.5 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.

During the period ended 30 June 2021, the actual application for the net proceeds from the Listing were used and expected to be used according to the intentions previously disclosed in the Prospectus and there was no material change in the use of proceeds. The unutilised amount is expected to be used in accordance with the Company's plan as disclosed in the Prospectus. Given the impacts of the COVID-19 on the economy, the Company will continue to evaluate and adopt a prudent and flexible approach for utilising the net proceeds effectively and efficiently for the long-term benefit and development of the Group. The expected timeline of full utilisation is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions.

Should there be any material change in the intended use of the net proceeds from the Share Offer as described in the Prospectus, the Company will make appropriate announcement(s) in due course.

MARKET REVIEW

The COVID-19 pandemic which broke out in early 2020 has led a serious economic downturn around the world.

By 2021, the situation of the COVID-19 pandemic is still uncertain, and with the emergence of a variant of the virus, all customs clearance measures and economic activities have not yet fully resumed, with far-reaching effects on the economy of both Hong Kong and Macau. As for the construction industry of Macau, both of fitting out works and construction segments are inevitably affected by the pandemic. The gaming industry has been hit hard by the pandemic, and the gambling licenses of a number of large-scale gaming companies will expire soon, which has prevented them from investing large amount of capital in construction and fitting-out projects, resulting in a reduction in the number of project for gaming companies and a contraction in the private sector market.

However, the Macau government is planning to undertake public construction projects vigorously, including subsidized home-ownership scheme flats, social rental housing units, replacement housing units, apartments for the elderly etc, and reclamation projects in New Town A Zone and B Zone which will be developed by the government in the near future. This is a large-scale project. As a local company with local strengths and edge, we will look for opportunities arising from the project in New Town A Zone and B Zone, and partner with large contractors to jointly engage in the construction project.

OUTLOOK

Driven by the development policy of the Greater Bay Area, Hengqin launched a new regulation in December 2019 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. Therefore, the Company has opened up the qualifications for mutual recognition in Hengqin in early 2021. The Group is gradually adapting to the local environment, and is participating in the projects open for bid with investment by Macau people. Even though the development of the Greater Bay Area is slowing down due to the uncertainty and even deterioration of the COVID-19 pandemic, the Group is still optimistic about the development prospect of the Greater Bay Area and will continue to vigorously explore new markets in Hengqin and actively integrate into the development of the Greater Bay Area in line with the national planning policy.

The Group expects that in the second half of 2021, the global economy will progressively steer out of the doldrums of COVID-19 pandemic, so that the whole economy can gradually recover and hence the construction and engineering market will gradually stabilize. In the meantime, the Group will continue to work hard, persevere and achieve better operating results in the coming future by leveraging upon our strengths and with confidence regardless of the hardship.

INTERIM DIVIDEND

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2021.

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

During the six months ended 30 June 2021, 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 2021, 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 2021.

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 2021.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The interim results for the six months ended 30 June 2021 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 2021 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 2021.

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

Macau, 27 August 2021

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.