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 2023

FINANCIAL HIGHLIGHTS

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

	For the six months ended 30 June		Percentage
	2023	2022	increase/
	(Unaudited)	(Unaudited)	(decrease)
Revenue	**30,003**	65,545	(54.2%)
Gross profit	**4,713**	12,127	(61.1%)
Gross profit margin	**15.7%**	18.5%	(2.8%)
(Loss)/profit attributable to owners of the Company	**(9,367)**	278	N/A
(Loss)/earnings per share for the period *(Macau cents)*	**(2.3)**	0.1	N/A

	As at 30 June 2023	As at 31 December 2022	Percentage
	(Unaudited)	(Audited)	(decrease)
Equity attributable to owners of the Company	**114,145**	123,473	(7.6%)

INTERIM DIVIDEND

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023 together with the comparative figures for the corresponding six months ended 30 June 2022 as set out below:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	**2023** ***MOP'000*** **(Unaudited)**	2022 *MOP'000* (Unaudited)
Revenue	4	**30,003**	65,545
Cost of sales		**(25,290)**	(53,418)
Gross profit		**4,713**	12,127
Other income, gains and losses, net		**854**	1,467
Administrative expenses		**(15,222)**	(12,826)
Reversal of impairment losses on financial assets and contract assets	5	**1,299**	1,213
Changes in fair value of investment properties		**(515)**	(1,133)
Share of loss of an associate		**(6)**	(10)
Finance costs		**(496)**	(657)
(LOSS)/PROFIT BEFORE TAX	5	**(9,373)**	181
Income tax credit	6	**6**	97
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(9,367)**	278
		Macau cents	*Macau cents*
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted			
– For (loss)/profit for the period	8	**(2.3)**	0.1

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023	2022
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	**(9,367)**	278
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value, net of nil tax	**39**	(17)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**39**	(17)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**39**	(17)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(9,328)**	261

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	**30 June 2023** *MOP'000* **(Unaudited)**	31 December 2022 *MOP'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**76,174**	76,632
Investment properties		**24,308**	24,823
Investment in an associate		**6,908**	6,914
Equity investments designated at fair value through other comprehensive income		**1,432**	1,393
Total non-current assets		**108,822**	109,762
CURRENT ASSETS			
Trade receivables	10	**8,122**	21,916
Contract assets		**30,098**	35,789
Prepayments, other receivables and other assets		**8,312**	7,596
Amount due from the ultimate holding company		**1**	1
Pledged bank deposits		**11,128**	14,648
Cash and bank balances		**17,739**	22,386
Total current assets		**75,400**	102,336
CURRENT LIABILITIES			
Trade payables	11	**12,127**	25,694
Contract liabilities		**9,877**	15,321
Other payables and accruals		**13,731**	12,906
Interest-bearing bank borrowings		**30,690**	31,046
Tax payable		**56**	–
Total current liabilities		**66,481**	84,967
NET CURRENT ASSETS		**8,919**	17,369
Total assets less current liabilities		**117,741**	127,131

	30 June 2023 MOP'000 (Unaudited)	31 December 2022 MOP'000 (Audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**3,596**	3,658
Total non-current liabilities	**3,596**	3,658
Net assets	**114,145**	123,473
EQUITY		
Share capital	**4,120**	4,120
Reserves	**110,025**	119,353
Total equity	**114,145**	123,473

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 British Virgin Islands ("**BVI**") with limited liability. The Company's registered office address is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, 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, alteration 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 2023 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 2022.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

The Group has adopted the following new and revised HKFRSs for the first time for the current period's financial information.

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

The adoption of the above new and revised HKFRSs had no significant financial effect on this financial information.

3 OPERATING SEGMENT INFORMATION

Six months ended 30 June 2023

	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				
Sales to external customers	**20,891**	**7,048**	**2,064**	**30,003**
Segment results	**3,561**	**215**	**690**	**4,466**
Corporate expenses				**(14,975)**
Other income, gains and losses, net				**854**
Reversal of impairment losses on financial assets and contract assets				**1,299**
Changes in fair value of investment properties				**(515)**
Share of loss of an associate				**(6)**
Finance costs				**(496)**
Loss before tax				**(9,373)**

Six months ended 30 June 2022

	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				
Sales to external customers	49,959	13,581	2,005	65,545
Segment results	11,844	(70)	185	11,959
Corporate expenses				(12,658)
Other income, gains and losses, net				1,467
Reversal of impairment losses on financial assets and contract assets				1,213
Changes in fair value of investment properties				(1,133)
Share of loss of an associate				(10)
Finance costs				(657)
Profit before tax				181

4 REVENUE

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

	For the six months ended 30 June	
	2023	2022
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Fitting-out, alteration and addition works	**20,891**	49,959
Construction works	**7,048**	13,581
Repair and maintenance services	**2,064**	2,005
	30,003	65,545

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

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	**11,654**	**7,048**	**2,038**	**20,740**
Hong Kong	**9,237**	**–**	**26**	**9,263**
Total revenue from contracts with customers	**20,891**	**7,048**	**2,064**	**30,003**
Timing of revenue recognition				
Services transferred over time	**20,891**	**7,048**	**–**	**27,939**
Services transferred at a point in time	**–**	**–**	**2,064**	**2,064**
Total revenue from contracts with customers	**20,891**	**7,048**	**2,064**	**30,003**

For the six months ended 30 June 2022

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	46,861	13,581	1,874	62,316
Hong Kong	3,098	–	131	3,229
Total revenue from contracts with customers	49,959	13,581	2,005	65,545
Timing of revenue recognition				
Services transferred over time	49,959	13,581	–	63,540
Services transferred at a point in time	–	–	2,005	2,005
Total revenue from contracts with customers	49,959	13,581	2,005	65,545

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 **2023** ***MOP'000*** **(Unaudited)**	2022 *MOP'000* (Unaudited)
Cost of services provided*	**25,290**	53,418
Depreciation of property, plant and equipment	**458**	507
Loss on written-off of items of property, plant and equipment	**–**	31
Reversal of impairment losses on financial assets and contract assets:		
Reversal of impairment losses on trade receivables	**(731)**	(795)
Reversal of impairment losses on contract assets	**(568)**	(418)
	(1,299)	(1,213)
Foreign exchange differences, net	**36**	426

* Included in cost of services provided are the staff costs incurred in the amount of approximately MOP6,695,000 (six months ended 30 June 2022: MOP10,805,000).

6 INCOME TAX

Macau complementary tax has been provided at progressive rates up to 12% on the estimated taxable profits arising in Macau and there are no assessable profits arising in Hong Kong during both current and prior period.

	For the six months ended 30 June	
	2023	2022
	MOP'000	*MOP'000*
	(Unaudited)	(Unaudited)
Current – Macau		
– Charge for the period	**56**	39
Deferred	**(62)**	(136)
Total tax credit for the period	**(6)**	(97)

7 DIVIDENDS

No dividend has been paid or declared by the Group during the six months ended 30 June 2023 and 2022.

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

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 400,000,000 (six months ended 30 June 2022: 400,000,000) in issue during the six months ended 30 June 2023.

The Group's loss for the period attributable to owners of the Company was MOP9,367,000 (six months ended 30 June 2022: profit of MOP278,000).

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022.

9 PROPERTY, PLANT AND EQUIPMENT

Assets with a net book value of MOP31,000 was written off by the Group during the six months ended 30 June 2022, resulting in a net loss on written off of items of property, plant and equipment.

10 TRADE RECEIVABLES

	30 June	31 December
	2023	2022
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Trade receivables	**29,586**	44,111
Impairment	**(21,464)**	(22,195)
	8,122	21,916

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 2023	31 December 2022
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Within 1 month	**2,056**	13,062
1 to 2 months	**2,121**	5,273
2 to 3 months	**786**	233
3 to 6 months	**932**	686
6 months to 1 year	**1,155**	2,662
Over 1 year	**1,072**	–
	8,122	21,916

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 2023	31 December 2022
	MOP'000	*MOP'000*
	(Unaudited)	(Audited)
Within 1 month	**1,301**	5,754
1 to 2 months	**569**	5,815
2 to 3 months	**759**	3,787
Over 3 months	**9,498**	10,338
	12,127	25,694

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 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.

The first hearing date for the lawsuit filed by several flat owners of Sin Fong Garden Building is postponed to start on 17 November 2023. 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 as at 30 June 2023. The Controlling Shareholders 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 2023 and 31 December 2022, 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 MOP1,926,000.

Up to the date of approval 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 2023.

(c) Dispute on payment with a subcontractor

As at 30 June 2023, 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 with interest of MOP2,428,000.

The case is scheduled for first hearing on 6 May 2024. 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 as at 30 June 2023.

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. 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 of (a) fitting-out works; (b) construction works; and (c) repair and maintenance services. During the six months ended 30 June 2023, the total value for the new fitting-out projects awarded to the Group, representing the aggregate awarded contract sum, amounted to approximately MOP27.4 million as compared to the six months ended 30 June 2022 of approximately MOP172.1 million. As at 30 June 2023, the Group had an aggregate value of backlog for fitting-out projects and construction projects of approximately MOP72.7 million as compared to approximately MOP148.0 million as at 30 June 2022.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue during the six months ended 30 June 2023 and 2022 by business segments:

	Six months ended 30 June (Unaudited)			
	2023		2022	
	MOP'000	*%*	*MOP'000*	*%*
Fitting-out works	**20,891**	**69.6**	49,959	76.2
Construction works	**7,048**	**23.5**	13,581	20.7
Repair and maintenance works	**2,064**	**6.9**	2,005	3.1
Total	**30,003**	**100.0**	65,545	100.0

During the six months ended 30 June 2023, the Group's revenue decreased by approximately MOP35.5 million or 54.2%. The decrease was attributable to general weak demand in the market resulting from poor economy and delay in project progress due to latest industry practice requirement.

Gross profit/(loss) and gross profit/(loss) margin

The following table sets forth a breakdown of the Group's gross profit/(loss) and gross profit/(loss) margin during the six months ended 30 June 2023 and 2022 by business segments:

	Six months ended 30 June (Unaudited)			
	2023		2022	
	Gross profit	**Gross profit margin**	Gross profit/(loss)	Gross profit/(loss) margin
	MOP'000	*%*	*MOP'000*	*%*
Fitting-out works	**3,719**	**17.8**	11,978	24.0
Construction works	**293**	**4.2**	(42)	(0.3)
Repair and maintenance works	**701**	**34.0**	191	9.5
Total/overall	**4,713**	**15.7**	12,127	18.5

During the six months ended 30 June 2023, the Group's gross profit decreased by approximately MOP7.4 million or 61.1% from approximately MOP12.1 million for the six months ended 30 June 2022 to approximately MOP4.7 million for the six months ended 30 June 2023. The decrease in gross profit was due to decrease in gross profit margin of fitting-out works and poor economy resulting in weak demand.

The Group's gross profit margin decreased from approximately 18.5% for the six months ended 30 June 2022 to approximately 15.7% for the six months ended 30 June 2023. The decrease in gross profit margin was mainly attributable to decrease gross profit margin of fitting-out works for the six months ended 30 June 2023.

Other income, gains and losses, net

The Group's other income, gains and losses, net, decreased from approximately MOP1.5 million for the six months ended 30 June 2022 to approximately MOP0.9 million for the six months ended 30 June 2023. The decrease was due to consultancy service income decreased.

Administrative expenses

The Group's administrative expenses increased by approximately MOP2.4 million or 18.7% from approximately MOP12.8 million for the six months ended 30 June 2022 to approximately MOP15.2 million for the six months ended 30 June 2023. The increase was due to extra one month salaries paid during the period.

Reversal of impairment losses on financial assets and contract assets

The amount represented the provision made for financial assets and contract assets. The Group has assessed recoverability of financial assets and contract assets from time to time, and adjusted expected credit losses provision when deterioration of credit quality has come to management's attention. For the six months ended 30 June 2023, there was MOP1.3 million reversal (30 June 2022: MOP1.2 million reversal) under current assessment.

Fair value loss on investment properties

The amount approximately MOP0.5 million represented the decrease of market value of the investment properties held as at 30 June 2023 as compared with that as at 31 December 2022.

Finance costs

The Group's finance costs were approximately MOP0.5 million for the six months ended 30 June 2023, compared to that for the six months ended 30 June 2022 of approximately MOP0.7 million. The decrease was due to decrease in bank borrowings.

Income tax credit

The Group had income tax credit of approximately MOP6,000 for the six months ended 30 June 2023. There was approximately MOP0.1 million income tax expense for the six months ended 30 June 2022. There was no material fluctuation.

(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 MOP9.4 million for the six months ended 30 June 2023 as compared to the Group's profit attributable to owners of the Company of approximately MOP0.3 million for the six months ended 30 June 2022.

(Loss)/earnings per Share

The Company's loss per Share for the six months ended 30 June 2023 was Macau cents 2.3 (30 June 2022: earnings per Share Macau cents 0.1), representing a decrease in earnings of Macau cents 2.4 per Share. This was in line with loss making situation.

Interim dividend

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2023 (30 June 2022: 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 headquarter 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 2023, the Group had net current assets of approximately MOP8.9 million, decreased by approximately MOP8.5 million over the net current assets of approximately MOP17.4 million as recorded at 31 December 2022.

As at 30 June 2023, the Group had cash and bank balances of MOP17.7 million (31 December 2022: MOP22.4 million).

As at 30 June 2023, the Group had an aggregate of pledged bank deposits of MOP11.1 million (31 December 2022: MOP14.6 million) that were used to secure banking facilities.

As at 30 June 2023, interest-bearing bank borrowings amounted to MOP30.7 million (31 December 2022: MOP31.0 million) of which MOP4.0 million, MOP2.7 million, MOP8.6 million and MOP15.4 million (31 December 2022: MOP3.6 million, MOP3.1 million, MOP10.1 million and MOP14.2 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. The effective interest rates as at 30 June 2023 (which were also equal to contracted interest rates) was 3.15% to 4.75% (31 December 2022: 3.2% to 4.0%).

The Group continued to maintain a healthy liquidity position. As at 30 June 2023, the Group's current assets and current liabilities were MOP75.4 million (31 December 2022: MOP102.3 million) and MOP66.5 million (31 December 2022: MOP85.0 million), respectively. The Group's current ratio as at 30 June 2023 remained stable at 1.1 (31 December 2022: 1.2). The Group has maintained sufficient liquid assets to finance its operations.

The Group's gearing ratio, calculated by dividing total debts (i.e. interest-bearing bank borrowings) with total equity, was 0.27 as at 30 June 2023 (31 December 2022: 0.25). The increase was primarily due to decrease in equity due to loss making situation.

As at 30 June 2023, the share capital and equity attributable to owners of the Company amounted to MOP4.1 million and MOP114.1 million, respectively (31 December 2022: MOP4.1 million and MOP123.5 million, respectively).

Charge on the Group's assets

As at 30 June 2023, land and building and bank deposits were pledged to secure certain borrowings granted to the Group amounted to MOP75.9 million and MOP11.1 million (31 December 2022: MOP76.3 million and MOP14.6 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.

The first hearing date for the lawsuit filed by several flat owners of Sin Fong Garden Building is postponed to start on 17 November 2023. 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 as at 30 June 2023. 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 2023 and 31 December 2022, 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 MOP1,926,000.

Up to the date of approval 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 2023.

Dispute on payment with a subcontractor

As at 30 June 2023, 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 with interest of MOP2,428,000.

The case is scheduled for first hearing on 6 May 2024. 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 as at 30 June 2023.

As at 30 June 2023, the Group did not have any capital commitments (31 December 2022: Nil).

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

The Group entities collect most of the revenue and settle 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 interim condensed 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. The management closely monitors the subsequent settlement of the counterparties.

In addition to the above, in year 2018, upon the implementation of HKFRS 9, the Group took forward looking approach in assessing credit risk (expected credit losses). General provision on account receivables 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 2023 on trade receivables and contract assets from the Group's five major customers amounting to approximately MOP14.2 million (31 December 2022: MOP38.2 million) and accounted for approximately 37.2% (31 December 2022: 66.3%) 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 2023 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the total number of full-time employees of the Group was 131 (31 December 2022: 138).

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 MOP16.3 million for the six months ended 30 June 2023 (30 June 2022: MOP18.4 million).

The Company adopted a share option scheme so that the Company may grant options to the eligible participants (subject to the new definition under Chapter 17 of the Listing Rules which became effective 1 January 2023) 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.

MARKET REVIEW

After three years of the COVID-19 pandemic, customs closures and quarantine measures have finally come to an end. After the reopening of the border, the flow of people in Macau has doubled, boosting consumption and the overall environment in Macau has started to resume normal from 2023 onwards.

The recovery of various industries in Macau is evident. Among them, the upstream clients of the engineering industry, namely the tourism, gaming, hotel and catering sectors, have shown faster recovery with a noticeable increase in foot traffic. The engineering industry as a whole also shows signs of recovery, although at a slower pace compared to the above sectors. There are a number of factors involved: Firstly, engineering investors are currently in the recovery stage. Even if investors are willing to invest in new project, whether it is a renovation project or a construction project, it takes time for careful planning and preparation in the early stages, including aspects such as design, submission, approval and tender, before the project move into the final stage of construction. Secondly, the Land and Urban Construction Bureau revised the approval system at the end of 2022, stipulating that all alteration works must be reviewed and approved and construction can only be carried out after the issuance of a project license. This system has also led to delay in project progress.

Currently, the Company is preparing for a number of projects. It is believed that the approval process will be completed and construction will commence in the near future. At that time, the Company's performance is expected to increase, which in turn lead to an increase in profit.

OUTLOOK

From 2023 onwards, Macau is gradually stepping out of the shadow of the COVID-19 pandemic and embarking on the path to recovery. The Group will continue to lead the team and work together to enter the second half of 2023.

Currently, the Group is actively preparing for several construction projects. According to the progress of project approval in the first half of the year, it is expected that some projects will be approved in the second half of the year and the increase in project volume will drive the results of the Group to rise. Besides, the Group is also focusing on seeking opportunities in local government projects. Although Chinese construction companies dominate the current government projects, the Group plans to collaborate with Chinese construction companies to jointly participate in government construction, so as to obtain more project opportunities. As for Hong Kong, due to the approval process for projects in Hong Kong is relatively simple, so the pace of recovery of engineering industry in Hong Kong is faster than that in Macau. The performance of the Hong Kong branch in the first half of 2023 was significantly improved compared with the epidemic period. It is believed that, taking advantage of this momentum, our business will continue to flourish in the second half of the year.

In order to achieve sustainable development of Lai Si Construction, the Group has started to develop the Greater Bay Area market and plans to set up and operate a subsidiary in Zhuhai in the second half of the year. The Group has always maintained a cautiously optimistic attitude towards the development in China, and will actively expand its business in the Greater Bay Area. In addition, the Group will continue to expand into overseas markets, focusing on Southeast Asia, and gradually radiate the world.

INTERIM DIVIDEND

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2023.

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

During the six months ended 30 June 2023, 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 2023, 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 2023.

The Company has also adopted the Securities Dealing Code for securities transactions by employees who, because of their office or employment in the Group, are likely to possess inside information of the Company.

No incident of non-compliance of the Securities Dealing Code by the relevant employees was noted by the Company throughout the six months ended 30 June 2023.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") comprises three independent non-executive Directors, namely, Mr. Siu Wing Hay (the chairman of the Audit Committee), Mr. Chan Iok Chun and Dr. Liu Ting Chi.

The Audit Committee has reviewed with the management of the Company the accounting principles and policies adopted by the Group. The interim results announcement of the Group for the six months ended 30 June 2023 has been reviewed by the Audit Committee. The Group's auditor, Messrs. Baker Tilly Hong Kong Limited, has reviewed the unaudited interim condensed consolidated financial information in this announcement.

SCOPE OF WORK OF MESSRS. BAKER TILLY HONG KONG LIMITED

The interim results for the six months ended 30 June 2023 is unaudited, but has been reviewed by the Group's auditor, Baker Tilly Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the 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 2023 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 2023.

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

Macau, 31 August 2023

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. SIU Wing Hay, Mr. CHAN Iok Chun and Dr. LIU Ting Chi.