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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 2022**

FINANCIAL HIGHLIGHTS

(in Macau Patacas (“MOP”) thousand, unless otherwise stated)

	For the six months ended 30 June		Percentage increase/ (decrease)
	2022 (Unaudited)	2021 (Unaudited)	
Revenue	65,545	70,149	(6.6%)
Gross profit	12,127	11,301	7.3%
Gross profit margin	18.5%	16.1%	2.4%
Profit/(loss) attributable to owners of the Company	278	(16,598)	(101.7%)
Earnings/(loss) per share for the period <i>(Macau cents)</i>	0.1	(4.1)	(102.4%)
	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)	Percentage increase
Equity attributable to owners of the Company	118,405	118,144	0.2%

INTERIM DIVIDEND

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022 together with the comparative figures for the corresponding six months ended 30 June 2021 as set out below:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2022

		For the six months ended 30 June	
	<i>Notes</i>	2022	2021
		MOP'000	MOP'000
		(Unaudited)	(Unaudited)
CONTINUING OPERATIONS			
Revenue	4	65,545	70,149
Cost of sales		(53,418)	(58,848)
		<hr/>	<hr/>
Gross profit		12,127	11,301
Other income, gains and losses, net		1,467	1,797
Administrative expenses		(12,826)	(15,147)
Reversal of/(impairment losses) on financial assets and contract assets		1,213	(12,699)
Impairment losses on prepayments		–	(1,843)
Changes in fair value of investment properties		(1,133)	1,133
Share of loss of an associate		(10)	–
Finance costs		(657)	(691)
		<hr/>	<hr/>
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	5	181	(16,149)
Income tax credit/(expense)	6	97	(136)
		<hr/>	<hr/>
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		278	(16,285)
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	7	–	(313)
		<hr/>	<hr/>
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		278	(16,598)
		<hr/> <hr/>	<hr/> <hr/>
		<i>Macau cents</i>	<i>Macau cents</i>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted			
– For profit/(loss) for the period	9	0.1	(4.1)
– For profit/(loss) from continuing operations	9	0.1	(4.1)
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>278</u>	<u>(16,598)</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive 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	<u>(17)</u>	<u>–</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(17)</u>	<u>–</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(17)</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u><u>261</u></u>	<u><u>(16,598)</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Note</i>	30 June 2022	31 December 2021
		MOP'000	MOP'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	80,370	80,908
Investment properties		25,853	26,986
Investment in an associate		6,910	6,920
Equity investments designated at fair value through other comprehensive income		1,363	1,380
Total non-current assets		114,496	116,194
CURRENT ASSETS			
Inventories		–	3,360
Trade receivables	11	40,007	27,056
Contract assets		37,151	26,720
Prepayments, other receivables and other assets		14,954	16,534
Amount due from a director		698	698
Amount due from the ultimate holding company		1	1
Pledged bank deposits		15,079	14,463
Cash and bank balances		2,337	11,502
Total current assets		110,227	100,334
CURRENT LIABILITIES			
Trade payables	12	17,198	24,252
Contract liabilities		19,294	13,246
Other payables and accruals		10,501	10,234
Interest-bearing bank borrowings		56,426	47,309
Tax payable		59	20
Total current liabilities		103,478	95,061
NET CURRENT ASSETS		6,749	5,273
Total assets less current liabilities		121,245	121,467

	30 June 2022 MOP'000 (Unaudited)	31 December 2021 MOP'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	176	523
Deferred tax liabilities	<u>2,664</u>	<u>2,800</u>
Total non-current liabilities	<u>2,840</u>	<u>3,323</u>
Net assets	<u>118,405</u>	<u>118,144</u>
EQUITY		
Share capital	4,120	4,120
Reserves	<u>114,285</u>	<u>114,024</u>
Total equity	<u>118,405</u>	<u>118,144</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 2022 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 2021.

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 2021, 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	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The revised standards have no significant financial effect on the Group’s interim condensed consolidated financial information for the six months ended 30 June 2022.

3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2022

	Fitting-out, alteration and addition works <i>MOP'000</i> (Unaudited)	Construction works <i>MOP'000</i> (Unaudited)	Repair and maintenance services <i>MOP'000</i> (Unaudited)	Total <i>MOP'000</i> (Unaudited)
Segment revenue <i>(note 4)</i>				
Sales to external customers from continuing operations	<u>49,959</u>	<u>13,581</u>	<u>2,005</u>	<u>65,545</u>
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				<u>(657)</u>
Profit before tax from continuing operations				<u><u>181</u></u>

Six months ended 30 June 2021

	Fitting-out, alteration and addition works <i>MOP'000</i> (Unaudited)	Construction works <i>MOP'000</i> (Unaudited)	Repair and maintenance services <i>MOP'000</i> (Unaudited)	Total <i>MOP'000</i> (Unaudited)
Segment revenue				
<i>(note 4)</i>				
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				<u>(16,149)</u>

4. REVENUE

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

	For the six months ended 30 June	
	2022	2021
	<i>MOP'000</i>	<i>MOP'000</i>
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Fitting-out, alteration and addition works	49,959	65,282
Construction works	13,581	3,408
Repair and maintenance services	2,005	1,459
	<u>65,545</u>	<u>70,149</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2022

Segments	Fitting-out, alteration and addition works	Construction works	Repair and maintenance services	Total
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Geographical markets				
Macau	46,861	13,581	1,874	62,316
Hong Kong	3,098	–	131	3,229
	<u>49,959</u>	<u>13,581</u>	<u>2,005</u>	<u>65,545</u>
Total revenue from contracts with customers				
	<u>49,959</u>	<u>13,581</u>	<u>2,005</u>	<u>65,545</u>
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
	<u>–</u>	<u>–</u>	<u>2,005</u>	<u>2,005</u>
Total revenue from contracts with customers				
	<u>49,959</u>	<u>13,581</u>	<u>2,005</u>	<u>65,545</u>

For the six months ended 30 June 2021

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

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	<i>MOP'000</i>	<i>MOP'000</i>
	(Unaudited)	(Unaudited)
Cost of services provided*	53,418	58,848
Bank interest income	(105)	(174)
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	(795)	1,606
(Reversal of)/impairment losses on contract assets	(418)	11,093
	<u>(1,213)</u>	<u>12,699</u>
Foreign exchange differences, net	<u>426</u>	<u>911</u>

* Included in cost of services provided are the staff costs incurred in the amount of approximately MOP10,805,000 (six months ended 30 June 2021: MOP13,417,000).

6. INCOME TAX

In current period, 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. In prior period, no provision for Macau complementary tax and Hong Kong profits tax have been made as the Group did not generate any assessable profits arising in Macau and Hong Kong during the period.

	For the six months ended	
	30 June	
	2022	2021
	MOP'000	<i>MOP'000</i>
	(Unaudited)	(Unaudited)
Current – Macau		
Charge for the period	39	–
Deferred	(136)	136
	<hr/>	<hr/>
Total tax (credit)/charge for the period from continuing operations	(97)	136
Total tax charge for the period from a discontinued operation	–	–
	<hr/>	<hr/>
	(97)	136
	<hr/> <hr/>	<hr/> <hr/>

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	
	<i>MOP'000</i>	
	(Unaudited)	
Revenue		–
Cost of sales		–
Other income, gains and losses, net		(277)
Expenses		(36)
Finance costs		–
		<hr/>
Loss for the period from the discontinued operation		(313)
		<hr/> <hr/>
		<i>Macau cent</i>
Loss per share:		
Basic and diluted, from the discontinued operation		–*
		<hr/> <hr/>

* 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 2022 and 2021.

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) 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 2021: 400,000,000) in issue during the six months ended 30 June 2022.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2022	2021
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation:		
From continuing operations	278	(16,285)
From a discontinued operation	—	(313)
	<hr/>	<hr/>
Profit/(loss) attributable to owners of the Company	278	(16,598)
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The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021.

10. 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.

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

11. TRADE RECEIVABLES

	30 June	31 December
	2022	2021
	MOP'000	MOP'000
	(Unaudited)	(Audited)
Trade receivables	61,381	49,225
Impairment	(21,374)	(22,169)
	<hr/>	<hr/>
	40,007	27,056
	<hr/> <hr/>	<hr/> <hr/>

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 2022	31 December 2021
	<i>MOP'000</i>	<i>MOP'000</i>
	(Unaudited)	(Audited)
Within 1 month	23,900	21,191
1 to 2 months	13,153	1,628
2 to 3 months	795	1,124
3 to 6 months	1,207	2,273
6 months to 1 year	952	808
Over 1 year	–	32
	40,007	27,056

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 2022	31 December 2021
	<i>MOP'000</i>	<i>MOP'000</i>
	(Unaudited)	(Audited)
Within 1 month	3,363	6,038
1 to 2 months	1,581	6,751
2 to 3 months	956	2,216
Over 3 months	11,298	9,247
	17,198	24,252

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.

The first hearing date for the lawsuit filed by several flat owners of Sin Fong Garden Building is postponed to 17 November 2022. After consulting the Group's lawyer, the Directors 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 2022. The Controlling Shareholders (as defined in the Company's 2021 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 31 December 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 MOP4,627,000. 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.

On 29 November 2021, the Court of Final Appeal has made the final verdict for lawsuit amounting MOP2,932,000 and the subsidiary of the Group has won the litigation. On 7 February 2022, Primary Court of Macau has made the verdict for a lawsuit amounting MOP1,695,000 and the subsidiary of the Group has won the litigation, and the plaintiff subcontractor decided not to look forward to the Court of First Instance on 17 May 2022.

Dispute on payment with a subcontractor

As at 30 June 2022 and 31 December 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 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 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 2022.

Dispute with Mr. Chan Chi Hung

On 3 November 2021, the Company and two Directors, were served on a sealed copy of an amended writ of summons (the "Amended Writ") issued in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "Court"). The plaintiff named in the Amended Writ is Mr. Chan Chi Hung, and the Company being one of the defendants. The plaintiff claims against the Company for damages of approximately HK\$172,500,000 for alleged breach of oral agreement by, amongst others, the Company related to advisory services provided by the plaintiff for the initial listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited in February 2017.

On 3 May 2022, the Company submitted the strike out application and the hearing for the strike out application will be heard by the Court on 7 November 2022. After consulting the Group's lawyer, the Directors 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 2022.

Dispute on payment with a subcontractor

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

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 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 2022.

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 (a) fitting-out works; (b) construction works; and (c) repair and maintenance services. During the six months ended 30 June 2022, the total value for the new fitting-out projects awarded to the Group, representing the aggregate awarded contract sum, amounted to approximately MOP172.1 million as compared to the six months ended 30 June 2021 of approximately MOP46.5 million. As at 30 June 2022, the Group had an aggregate value of backlog for fitting-out projects and construction projects of approximately MOP148.0 million as compared to approximately MOP58.8 million as at 30 June 2021.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue during the six months ended 30 June 2022 and 2021 by business segments:

	Six months ended 30 June (Unaudited)			
	2022		2021	
	<i>MOP'000</i>	%	<i>MOP'000</i>	%
Fitting-out works	49,959	76.2	65,282	93.1
Construction works	13,581	20.7	3,408	4.8
Repair and maintenance works	2,005	3.1	1,459	2.1
Total	65,545	100.0	70,149	100.0

During the six months ended 30 June 2022, the Group's revenue decreased by approximately MOP4.6 million or 6.6%. The decrease was attributable to the continuing 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 2022 and 2021 by business segments:

	Six months ended 30 June (Unaudited)			
	2022		2021	
	Gross profit/ (loss) <i>MOP'000</i>	Gross profit/ (loss) margin %	Gross profit/ (loss) <i>MOP'000</i>	Gross profit/ (loss) margin %
Fitting-out works	11,978	24.0	11,159	17.1
Construction works	(42)	(0.3)	43	1.3
Repair and maintenance works	191	9.5	99	6.8
Total/overall	12,127	18.5	11,301	16.1

During the six months ended 30 June 2022, the Group's gross profit increased by approximately MOP0.8 million or 7.3% from approximately MOP11.3 million for the six months ended 30 June 2021 to approximately MOP12.1 million for the six months ended 30 June 2022. The increase in gross profit was due to increase in gross profit margin of fitting-out works.

The Group's gross profit margin increased from approximately 16.1% for the six months ended 30 June 2021 to approximately 18.5% for the six months ended 30 June 2022. The increase in gross profit margin was mainly attributable to increase gross profit margin of fitting-out works for the six months ended 30 June 2022.

Other income, gains and losses, net

The Group's other income, gains and losses, net, decreased from approximately MOP1.8 million for the six months ended 30 June 2021 to approximately MOP1.5 million for the six months ended 30 June 2022. There was no material fluctuation.

Administrative expenses

The Group's administrative expenses decreased by approximately MOP2.3 million or 15.3% from approximately MOP15.2 million for the six months ended 30 June 2021 to approximately MOP12.8 million for the six months ended 30 June 2022. The decrease were due to cost saving measures taken during the period.

Reversal of impairment losses on financial assets and contract assets, net

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 2022, there was MOP1.2 million reversal (30 June 2021: MOP12.7 million losses) under current assessment.

Impairment losses on prepayments

The amount approximately MOP1.8 million for the six months ended 30 June 2021 represented the provision on prepayments for purchase of materials due to suspension of a fitting-out project in Hong Kong. There was no such impairment loss for the six months ended 30 June 2022.

Fair value loss on investment properties

The amount approximately MOP1.1 million represented the decrease of market value of the investment properties held as at 30 June 2022 as compared with that as at 31 December 2021.

Finance costs

The Group's finance costs were approximately MOP0.7 million for the six months ended 30 June 2022, compared to that for the six months ended 30 June 2021 of approximately MOP0.7 million. There was no significant change.

Income tax (credit)/expense

The Group had income tax credit of approximately MOP0.1 million for the six months ended 30 June 2022. There was approximately MOP0.1 million income tax expense for the six months ended 30 June 2021. The change was due to deferred tax.

Profit/(loss) for the period attributable to owners of the Company

As a combined result of the above, the Group's profit for the period attributable to owners of the Company amounted to approximately MOP0.3 million for the six months ended 30 June 2022 as compared to the Group's loss attributable to owners of the Company of approximately MOP16.6 million for the six months ended 30 June 2021.

Earnings/(loss) per Share

The Company's earnings per Share for the six months ended 30 June 2022 was Macau cents 0.1 (30 June 2021: loss per Share Macau cents 4.1), representing an increase in earnings of Macau cents 4.2 per Share. Even though the poor operating environment continued in the overall fitting-out industry in Macau and Hong Kong upon the outbreak of COVID-19 since January 2020, there was bounce back from loss per Share to earnings per Share. This was in line with improvement in financial performance.

Interim dividend

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2022 (30 June 2021: 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 2022, the Group had net current assets of approximately MOP6.7 million, increased by approximately MOP1.5 million over the net current assets of approximately MOP5.3 million as recorded at 31 December 2021.

As at 30 June 2022, the Group had cash and bank balances of MOP2.3 million (31 December 2021: MOP11.5 million).

As at 30 June 2022, the Group had an aggregate of pledged bank deposits of MOP15.1 million (31 December 2021: MOP14.5 million) that were used to secure banking facilities.

As at 30 June 2022, interest-bearing bank borrowings amounted to MOP56.6 million (31 December 2021: MOP47.8 million) of which MOP16.2 million, MOP4.5 million, MOP13.9 million and MOP22.0 million (31 December 2021: MOP4.9 million, MOP4.9 million, MOP13.7 million and MOP24.3 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 2022 (which were also equal to contracted interest rates) ranged from 2.6% to 4.0% (31 December 2021: 2.5% to 4.0%).

The Group continued to maintain a healthy liquidity position. As at 30 June 2022, the Group's current assets and current liabilities were MOP110.2 million (31 December 2021: MOP100.3 million) and MOP103.5 million (31 December 2021: MOP95.1 million), respectively. The Group's current ratio as at 30 June 2022 remained stable at 1.1 (31 December 2021: 1.1). 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 0.48 as at 30 June 2022 (31 December 2021: 0.41). The increase was primarily due to increase bank borrowings.

As at 30 June 2022, the share capital and equity attributable to owners of the Company amounted to MOP4.1 million and MOP118.4 million, respectively (31 December 2021: MOP4.1 million and MOP118.1 million, respectively).

Charge on the Group's assets

As at 30 June 2022, land and building, investment properties and bank deposits were pledged to secure certain borrowings granted to the Group amounted to MOP80.0 million, MOP25.8 million and MOP15.1 million (31 December 2021: MOP80.4 million, MOP27.0 million and MOP14.5 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 17 November 2022. After consulting the Group’s lawyer, the Directors 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 2022. The Controlling Shareholders (as defined in the Company’s 2021 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 31 December 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 MOP4,627,000. 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.

On 29 November 2021, the Court of Final Appeal has made the final verdict for lawsuit amounting MOP2,932,000 and the subsidiary of the Group has won the litigation. On 7 February 2022, Primary Court of Macau has made the verdict for a lawsuit amounting MOP1,695,000 and the subsidiary of the Group has won the litigation, and the plaintiff subcontractor decided not to look forward to the Court of First Instance on 17 May 2022.

Dispute on payment with a subcontractor

As at 30 June 2022 and 31 December 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 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 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 2022.

Dispute with Mr. Chan Chi Hung

On 3 November 2021, the Company and two Directors, were served on a sealed copy of an amended writ of summons (the "Amended Writ") issued in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "Court"). The plaintiff named in the Amended Writ is Mr. Chan Chi Hung, and the Company being one of the defendants. The plaintiff claims against the Company for damages of approximately HK\$172,500,000 for alleged breach of oral agreement by, amongst others, the Company related to advisory services provided by the plaintiff for the initial listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited in February 2017.

On 3 May 2022, the Company submitted the strike out application and the hearing for the strike out application will be heard by the Court on 7 November 2022. After consulting the Group's lawyer, the Directors 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 2022.

Dispute on payment with a subcontractor

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

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 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 2022.

As at 30 June 2022, the Group did not have any capital commitments (31 December 2021: 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. 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 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 2022 on trade receivables and contract assets from the Group's five major customers amounting to approximately MOP46.3 million (31 December 2021: MOP23.1 million) and accounted for approximately 61.1% (31 December 2021: 43.0%) 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 2022 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the total number of full-time employees of the Group was 157 (31 December 2021: 146).

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 MOP18.4 million for the six months ended 30 June 2022 (30 June 2021: MOP25.5 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* <i>HK\$ million</i>	Utilised up to 31 December 2021 <i>HK\$ million</i>	Utilised during the interim 2022 <i>HK\$ million</i>	Unutilised up to 30 June 2022 <i>HK\$ million</i>	Expected timeline of full utilisation of the remaining proceeds from the Share Offer as at 30 June 2022
Finance fitting-out projects in Macau	49.4	49.4	–	–	N/A
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	<u>89.8</u>	<u>87.8</u>	<u>–</u>	<u>2.0</u>	

* 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 six months ended 30 June 2022, 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 has continued for almost three years since its outbreak in early 2020, under which the world has been impacted and hence, resulting in a severe economic downturn. In the first half of 2022, the development of the pandemic in Macau should have stabilised and gradually emerged from the uncertainties. However, in late June 2022, the pandemic turned erratic and suddenly broke out, causing the various activities throughout Macau to be kept at the minimum level and reducing the output of many Macau businesses to zero.

At present, all customs clearance measures and economic activities have not yet been fully resumed, which has seriously affected the Macau economy. In particular, the gaming industry, one of the pillar industries in Macau, has suffered a significant decline in gaming revenue amid the pandemic; and the construction industry, a complementary industry to the gaming industry, has also been facing an unprecedented crisis accordingly. Since the large-scale gaming companies are now subject to the pending license renewal, which has prevented the companies from investing a large amount of capital in construction and fitting-out projects, resulting in a significant reduction in the number of projects for gaming companies as a whole and a contraction in the private sector market.

Although other businesses developed by the Group have not been satisfactory due to the pandemic, we maintained local strengths and edge as a local construction company. As the Macau government's public construction projects are now in full swing, we are looking for opportunities arising from New Town Zone A and other government projects, and plan to partner with other major contractors to jointly engage in these construction projects.

OUTLOOK

Under the doldrums of the COVID-19 pandemic, Macau's economy has suffered a serious downturn and all sectors have been hard hit, with the construction industry not being spared. The construction industry, being a complementary industry to the gaming industry, has also seen a significant reduction in related construction work due to the renewal of gambling licenses. In addition, most Macau corporates are also facing a shortage of foreign labour quotas. In the second half of 2022, the Macau government will eventually open bidding for gambling licenses, and the Group expects to see an increase in the volume of work for gaming companies upon the bidding is settled, which will certainly boost the Group's results.

At present, due to the contraction in the private sector market, Macau's construction market has evolved to be oriented towards government projects. As such, the Group has been proactively seeking opportunities arising from the burgeoning projects in New Town A Zone. The Group believes that with our reputation and competitiveness in the Macau construction industry, we will be able to leverage on government projects to enhance our performance and revenue.

The Group expects the global economy to gradually recover in the second half of 2022 as the world emerges from the doldrums of the COVID-19 pandemic, and the construction market to gradually stabilise while simultaneously seeking opportunities in overseas markets. In addition, 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 2022.

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

During the six months ended 30 June 2022, 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 2022, 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 2022.

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 2022.

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 Lok 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 2022 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 2022 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 2022 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 2022.

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

Macau, 30 August 2022

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.