

Hong Kong | Macau



Lai Si Enterprise Holding Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code:2266)

Interim Report 2020



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LAI Ieng Man (*Chairman*)
Mr. LAI Meng San (*Chief Executive Officer*)
Ms. LAI Ieng Wai
Ms. CHEONG Weng Si

Independent Non-Executive Directors

Mr. CHAN Chun Sing
Mr. CHAN Iok Chun
Ms. LAM Mei Fong

AUDIT COMMITTEE

Mr. CHAN Chun Sing (*Chairman*)
Mr. CHAN Iok Chun
Ms. LAM Mei Fong

REMUNERATION COMMITTEE

Ms. LAM Mei Fong (*Chairman*)
Mr. LAI Ieng Man
Mr. LAI Meng San
Mr. CHAN Chun Sing
Mr. CHAN Iok Chun

NOMINATION COMMITTEE

Mr. LAI Ieng Man (*Chairman*)
Ms. LAI Ieng Wai
Mr. CHAN Chun Sing
Mr. CHAN Iok Chun
Ms. LAM Mei Fong

COMPANY SECRETARY

Mr. LO Hon Kit, CPA

AUTHORISED REPRESENTATIVES

Mr. LAI Meng San
Mr. LO Hon Kit, CPA

REGISTERED OFFICE

P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTER IN MACAU

Lai Si Enterprise Centre
Rua Da Ribeira Do Patane No. 54
Macau

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 401, 4th Floor
The L.Plaza
Nos. 367-375
Queen's Road Central
Sheung Wan
Hong Kong

AUDITOR

Ernst & Young

CORPORATE INFORMATION (continued)

PRINCIPAL BANKERS

Bank of China Macau Branch
Tai Fung Bank Limited
Luso International Banking Ltd.

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

2266

COMPANY'S WEBSITE

www.lai-si.com

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 “Listing”).

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Gross profit and gross profit margin

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

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

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

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

Other income, gains and losses, net

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Administrative expenses

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

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

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

Fair value losses on investment properties

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

Finance costs

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

Income tax credit/expense

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

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

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

(Loss)/earnings per Share

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

Interim dividend

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources and capital structure

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CORPORATE FINANCE AND RISK MANAGEMENT (continued)

Charge on the Group's assets

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

Contingent liabilities and capital commitments

Sin Fong Garden Building

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CORPORATE FINANCE AND RISK MANAGEMENT (continued)

Contingent liabilities and capital commitments (continued)

Dispute on payment with a subcontractor

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

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

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

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

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

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

Interest rate risk

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CORPORATE FINANCE AND RISK MANAGEMENT (continued)

Credit exposure

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

EVENTS AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

USE OF PROCEEDS FROM THE SHARE OFFER

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

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

	Net proceeds from the Share Offer* HK\$ million	Utilised up to 31 December 2019 HK\$ million	Utilised during the Interim 2020 HK\$ million	Unutilised up to 30 June 2020 HK\$ million	Expected timeline of full utilisation of the remaining proceeds from the Share Offer as at 30 June 2020
Finance fitting-out projects in Macau	49.4	34.4	4.0	11.0	By the end of 2022
Finance construction projects in Macau	17.9	15.9	-	2.0	By the end of 2022
Finance the start-up costs of fitting-out business in Hong Kong	9.0	9.0	-	-	N/A
Hire additional staff for the Group’s business operation	4.5	4.5	-	-	N/A
General working capital	9.0	9.0	-	-	N/A
Total	89.8	72.8	4.0	13.0	

* The net proceeds from the Share Offer amounted to HK\$89.8 million (equivalent to approximately MOP 92.5 million) (after deducting underwriting fees and commissions and all related expenses). Such net proceeds are intended to be applied in accordance with the proposed application as disclosed in the Prospectus.

During the period ended 30 June 2020, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

MARKET REVIEW

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

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

OUTLOOK

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

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

OTHER INFORMATION

INTERIM DIVIDEND

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2020, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

I. Interests in the Company

Name of Director	Nature of interest	Number of Shares interested	Percentage of interest
Mr. Lai leng Man	Interest in controlled corporation ^(Note)	300,000,000	75%

Note: As Mr. Lai leng Man is entitled to control one-third or more of the voting power at general meetings of SHKMCL, Mr. Lai is deemed to be interested in these 300,000,000 Shares under the SFO.

II. Interests in the associated corporation of the Company

Name of Directors	Name of associated corporation	Nature of interest	Number of shares interested	Percentage of interest
Mr. Lai leng Man	SHKMCL	Beneficial interest	50	50%
Mr. Lai Meng San	SHKMCL	Beneficial interest	30	30%
Ms. Lai leng Wai	SHKMCL	Beneficial interest	20	20%

OTHER INFORMATION (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY (continued)

Save as disclosed above, as at 30 June 2020, there were no other interests or short positions of the Directors or the chief executive of the Company in the shares or underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) or pursuant to section 352 of the SFO, required to be recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Nature of interest	Number of Shares held	Percentage of interest
SHKMCL ^(Note)	Beneficial interest	300,000,000	75%

Note: SHKMCL is owned as to 50% by Mr. Lai leng Man, 30% by Mr. Lai Meng San and 20% by Ms. Lai leng Wai.

Save as disclosed above, as at 30 June 2020, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

SHARE OPTION SCHEME

The Company has adopted a Share Option Scheme on 18 January 2017 to enable the Company to grant share options to eligible persons so as to recognise and acknowledge the contributions they have or may have made to the Group. Since the listing of the Shares, no share option had been granted under the Share Option Scheme.

OTHER INFORMATION (continued)

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, below was the change in the information of the Director:

- (1) Mr. Lai Meng San was elected as the Chief Officer of the Macau Construction Association Youth Council on 21 July 2020.

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

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

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2020, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions (the "**Securities Dealing Code**"). Specific enquiry has been made with all the Directors and all of them confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the six months ended 30 June 2020.

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 aware by the Company throughout the six months ended 30 June 2020.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") comprises of three independent non-executive Directors, namely, Mr. Chan Chun Sing (the chairman of the Audit Committee), Mr. Chan Lok Chun and Ms. Lam Mei Fong.

The Audit Committee has reviewed with the management of the Company the accounting principles and policies adopted by the Group. The interim report of the Group for the six months ended 30 June 2020 has been reviewed by the Audit Committee. The Group's auditor, Messrs. Ernst & Young, has reviewed the unaudited interim condensed consolidated financial information in this interim report.

INDEPENDENT REVIEW REPORT



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To the board of directors of Lai Si Enterprise Holding Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 17 to 38, which comprises the condensed consolidated statement of financial position of Lai Si Enterprise Holding Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
26 August 2020

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2020

	Notes	30 June 2020 MOP'000 (Unaudited)	31 December 2019 MOP'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	83,822	84,617
Investment properties		26,368	28,119
Right-of-use assets		11,960	12,414
Total non-current assets		122,150	125,150
CURRENT ASSETS			
Trade receivables	10	29,690	41,548
Contract assets	11	100,471	101,980
Prepayments, other receivables and other assets		20,229	11,557
Amount due from a director	16(b)	492	698
Amount due from the ultimate holding company	16(b)	1	1
Pledged bank deposits		3,600	3,600
Cash and bank balances		44,339	57,920
Total current assets		198,822	217,304
CURRENT LIABILITIES			
Trade payables	12	21,699	25,940
Contract liabilities		5,222	3,445
Lease liabilities		2,601	2,091
Other payables and accruals		19,615	15,215
Interest-bearing bank borrowings		52,805	54,791
Tax payable		2,064	2,028
Total current liabilities		104,006	103,510
NET CURRENT ASSETS		94,816	113,794
TOTAL ASSETS LESS CURRENT LIABILITIES		216,966	238,944

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 JUNE 2020

	Note	30 June 2020 MOP'000 (Unaudited)	31 December 2019 MOP'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,914	3,904
Lease liabilities		10,139	10,966
Total non-current liabilities		12,053	14,870
Net assets		204,913	224,074
EQUITY			
Share capital	13	4,120	4,120
Reserves		200,793	219,954
Total equity		204,913	224,074

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to owners of the Company							Total
	Share capital MOP'000	Share premium* MOP'000	Legal reserve* MOP'000 (Note (a))	Other reserve* MOP'000 (Note (b))	Merger reserve* MOP'000 (Note (c))	Asset revaluation reserve* MOP'000 (Note (d))	Retained profits* MOP'000	
At 1 January 2020 (audited)	4,120	105,390	50	(5,098)	85	20,499	99,028	224,074
Loss for the period and total comprehensive loss for the period	-	-	-	-	-	-	(19,161)	(19,161)
At 30 June 2020 (unaudited)	4,120	105,390	50	(5,098)	85	20,499	79,867	204,913
At 1 January 2019 (audited)	4,120	105,390	38	(5,098)	85	20,499	92,655	217,689
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	1,064	1,064
At 30 June 2019 (unaudited)	4,120	105,390	38	(5,098)	85	20,499	93,719	218,753

Notes:

- (a) In accordance with Article 377 of the Commercial Code of the Macau Special Administrative Region, the subsidiaries registered in Macau are required to transfer part of their profits of each accounting period of not less than 25% to legal reserve, until the amount reaches half of the respective share capital. This reserve is not distributable to the respective shareholders.
- (b) Other reserve represents the fair value adjustments recognised in equity as deemed distribution to the Controlling Shareholders (as defined in the Group's 2017 Annual Report) for advances to certain related parties in which the Controlling Shareholders have joint control or control.
- (c) Merger reserve represented the difference between the aggregate share capital of Lai Si (HK), Lai Si and Well Team (as defined in Note 1) amounting to MOP85,000 (which were transferred from the Controlling Shareholders to LSHKHL, LSMAHL and WTMAHL (as defined in Note 1) pursuant to the reorganisation (as defined and set out in the Group's 2017 Annual Report) and the aggregate cash consideration of MOP30.
- (d) The asset revaluation reserve, net of tax, arose from a change in use from owner-occupied properties to investment properties carried at fair value in 2018.
- * These reserve accounts comprise the consolidated reserves of MOP200,793,000 (31 December 2019: MOP219,954,000) in the condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	2020 MOP'000 (unaudited)	2019 MOP'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(21,115)	1,652
Adjustments for:			
Finance costs		1,049	1,023
Interest income	5	(137)	(269)
Depreciation of property, plant and equipment		954	1,217
Depreciation of right-of-use assets		1,407	685
Impairment/(reversal of impairment) on financial assets and contract assets, net	5	13,396	(2)
Changes in fair value of investment properties		1,751	-
		(2,695)	4,306
Decrease/(increase) in trade receivables		10,963	(7,489)
(Increase)/decrease in contract assets		(10,992)	9,495
Increase in prepayments, other receivables and other assets		(9,077)	(8,759)
Decrease in an amount due from a director		206	8
Decrease in trade payables		(4,241)	(2,252)
Increase in contract liabilities		1,777	6,910
Increase/(decrease) in other payables and accruals		4,400	(1,165)
		(9,659)	1,054
Cash (used in)/generated from operations		(9,659)	1,054
Payment for assignment fee of a lease		-	(206)
Prepayment for lease rental fee		-	(206)
		(9,659)	642
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		542	269
Purchase of items of property, plant and equipment	9	(159)	(149)
Decrease in bank deposits with original maturity over three months		31,930	-
		32,313	120
Net cash flows from investing activities		32,313	120

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	2020 MOP'000 (unaudited)	2019 MOP'000 (unaudited)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayment of bank borrowings	(1,986)	(4,955)
Principal portion of lease payments	(1,270)	(238)
Interest element of lease payments	(212)	(7)
Interest paid	(837)	(908)
Net cash flows used in financing activities	(4,305)	(6,108)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	18,349	(5,346)
Cash and cash equivalents at beginning of period	22,390	51,898
CASH AND CASH EQUIVALENTS AT END OF PERIOD	40,739	46,552
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the statement of financial position	44,339	46,552
Bank deposits with original maturity over three months	(3,600)	-
Cash and cash equivalents as stated in the statement of cash flows	40,739	46,552

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries, collectively the “Group”, are principally engaged in fitting-out, alternation and addition works, construction works, repair and maintenance services and provision of catering services.

In the opinion of the directors, 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.

Information about subsidiaries

Particulars of all the Company’s subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Registered capital/issued and fully paid-up share capital	Percentage of equity attributable to the Company		Principal activities
			2020	2019	
LSMA Holding Limited* (“LSMAHL”)	The BVI	United States Dollars (“USD”) 10	100%	100%	Investment holding
WTMA Holding Limited* (“WTMAHL”)	The BVI	USD10	100%	100%	Investment holding
LSHK Holding Limited* (“LSHKHL”)	The BVI	USD10	100%	100%	Investment holding
Lai Si Construction & Engineering Company Limited (“Lai Si”)	Macau	MOP50,000	100%	100%	Construction works, fitting-out works and provision of repair and maintenance services

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of all the Company's subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Registered capital/issued and fully paid-up share capital	Percentage of equity attributable to the Company		Principal activities
			2020	2019	
Well Team Engineering Company Limited ("Well Team")	Macau	MOP25,000	100%	100%	Holding of an office building
Lai Si Mechanical and Electrical Engineering Company Limited	Macau	MOP25,000	100%	100%	Mechanical and electrical engineering and provision of repair and maintenance services
High Class Investment Company Limited	Macau	MOP25,000	100%	100%	Investment on catering services
Lai Si Construction (Hong Kong) Company Limited ("Lai Si (HK)")	Hong Kong	HK\$10,000	100%	100%	Construction works, fitting-out works and provision of repair and maintenance services

* Directly held by the Company

2.1 BASIS OF PREPARATION

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

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

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

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2020

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

Six months ended 30 June 2019

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

4. REVENUE

An analysis of revenue is as follows:

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

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

4. REVENUE *(continued)*

Disaggregated revenue information for revenue from contracts with customers *(continued)*

For the six months ended 30 June 2019

Segments	Fitting-out, alteration and addition works MOP'000 (Unaudited)	Construction works MOP'000 (Unaudited)	Repair and maintenance services MOP'000 (Unaudited)	Total MOP'000 (Unaudited)
Geographical markets				
Macau	61,903	5,758	2,637	70,298
Hong Kong	30,221	-	395	30,616
<hr/>				
Total revenue from contracts with customers	92,124	5,758	3,032	100,914
<hr/>				
Timing of revenue recognition				
Services transferred over time	92,124	5,758	-	97,882
Services transferred at a point in time	-	-	3,032	3,032
<hr/>				
Total revenue from contracts with customers	92,124	5,758	3,032	100,914

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

5. (LOSS)/PROFIT BEFORE TAX

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

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

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

6. INCOME TAX

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

7. DIVIDENDS

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

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

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

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

9. PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

10. TRADE RECEIVABLES

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

The Group allows an average credit period of 30 days to its customers. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of existing customers is reviewed by the Group regularly. During the six months ended 30 June 2020, impairment of trade receivables was approximately MOP895,000 (six months ended 30 June 2019: MOP23,000). The increase was primarily due to the impact of expectations of current and future collection trends in the light of the COVID-19 pandemic, as well as the specific review of customer accounts.

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

11. CONTRACT ASSETS

	30 June 2020 MOP'000 (Unaudited)	31 December 2019 MOP'000 (Audited)
Contract assets arising from:		
Fitting-out, alteration and addition works	101,290	91,128
Construction works	12,062	11,232
Impairment	113,352 (12,881)	102,360 (380)
	100,471	101,980

Contract assets are initially recognised for revenue earned from the provision of related fitting-out, alteration and addition works and construction works as the receipt of consideration is conditional on successful completion of the works. Included in contract assets for fitting-out, alteration and addition works and construction works are retention receivables. Upon completion of the work and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. During the six months ended 30 June 2020, impairment of contract assets was approximately MOP12,501,000 (six months ended 30 June 2019: a reversal of impairment of MOP25,000). The increase was primarily due to the impact of expectations of current and future collection trends in the light of the COVID-19 pandemic, as well as the specific review of customer accounts.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

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

13. SHARE CAPITAL

	30 June 2020 MOP'000 (Unaudited)	31 December 2019 MOP'000 (Audited)
Issued and fully paid: 400,000,000 (2019: 400,000,000) ordinary shares	4,120	4,120

No movements in the Company's share capital during the six months ended 30 June 2020.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

14. 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 advisers and experts engaged by the Macau Government to study the causes of the incident, the collapse of Sin Fong Garden Building was caused by the substandard supporting pillars of Sin Fong Garden Building, instead of the dismantlement and foundation work undertaken in the adjacent new residential building.

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

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

(b) Dispute on payment with a subcontractor

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

15. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to secure the bank borrowings, bank overdrafts and credit facilities granted to the Group:

	30 June 2020 MOP'000 (Unaudited)	31 December 2019 MOP'000 (Audited)
Investment properties	26,368	28,119
Land and buildings included in property, plant and equipment	81,578	81,980
Pledged bank deposits (Note)	3,600	3,600
	111,546	113,699

Note: Pledged bank deposits related to sales proceeds received from certain fitting-out works projects were pledged to secure the Group's banking facilities.

16. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in this condensed consolidated financial information, the Group had the following transactions with related parties during the period:

	For the six months ended 30 June	
	2020 MOP'000 (Unaudited)	2019 MOP'000 (Unaudited)
Mr. Lai Ieng Man (Note i)		
- Fitting-out work provided*	1,535	-
- Rental expenses*	206	-
Treasure Lake Greenfood Kitchen Catering Management Company Limited (Note ii)		
- Fitting-out work provided*	-	953
Combo Restaurant Management Company Limited (Note iii)		
- Food and beverage services received*	-	173
- Rental income*	-	27

The above transactions were conducted on terms and conditions mutually agreed between the relevant parties.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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16. RELATED PARTY TRANSACTIONS *(continued)*

- (a) In addition to the transactions detailed elsewhere in this condensed consolidated financial information, the Group had the following transactions with related parties during the period:
(continued)

Notes:

- (i) Mr. Lai Ieng Man is an executive director and Controlling Shareholder of the Company.
 - (ii) Mr. Lai Meng San, an executive director and Controlling Shareholder of the Company, held a 33% equity interest in this related company up until 21 May 2020.
 - (iii) Ms. Cheong Weng Si, an executive director of the Company, held a 30% equity interest in this related company up till 2 December 2019.
- * These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

- (b) Outstanding balances with related parties

- (i) The Group had an outstanding balance due from its director, Mr. Lai Ieng Man, of approximately MOP492,000 (31 December 2019: MOP698,000) which is non-trade in nature, unsecured, non-interest-bearing and repayable on demand.
- (ii) The Group had an outstanding balance due from its ultimate holding company of approximately MOP1,000 (31 December 2019: MOP1,000) which is unsecured, non-interest-bearing and repayable on demand.

- (c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2020	2019
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Fees	90	125
Salaries and other allowances	5,416	5,346
Discretionary bonus	1,281	1,036
Pension scheme contribution	31	26
Total compensation paid to key management personnel	6,818	6,533

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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17. PERFORMANCE BOND

As at 30 June 2020, the Group has issued performance bonds in respect of contracts from fitting-out, alteration and addition works through a bank amounting to MOP3,600,000 (31 December 2019: MOP3,600,000) which are secured by pledged bank deposits as disclosed in note 15.

18. IMPACT OF COVID-19

Since January 2020, the COVID-19 has started to spread throughout China and other parts of the world. In order to prevent the spread of the COVID-19, certain travel restrictions to Macau and Hong Kong have been imposed by the Macau and Hong Kong Governments and the economies of both Macau and Hong Kong have been slowed down. Considering the liquidity issues arising from the impact of the COVID-19 pandemic, customers have cost initiatives for delaying settlements and re-negotiating with the Group for discounts on original contract prices. As a result, management of the Group has reassessed the risk factors and forward looking information towards the portfolio of long-aged receivables and significant outstanding contract assets based on the negotiation processes with customers. Accordingly, an accelerated provision is applied and a total of impairment losses of approximately MOP13,396,000 has been recognised (six months ended 30 June 2019: a reversal of impairment losses of MOP2,000).