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LS 黎氏建築 Lai Si Construction

Lai Si Enterprise Holding Limited

黎氏企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2266)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

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

	For the year ended 31 December		Year-on-year increase/
	2018	2017	(decrease)
Revenue	**173,740**	274,400	(36.7%)
Gross profit	**38,824**	57,506	(32.5%)
Gross profit margin	**22.3%**	21.0%	1.3%
Profit attributable to owners of the Company (excluding listing expenses)	**2,318**	21,098	(89.0%)
Listing expenses	**–**	3,013	(100.0%)
Profit attributable to owners of the Company	**2,318**	18,085	(87.2%)
Equity attributable to owners of the Company	**217,689**	195,218	11.5%
Basic and diluted earnings per share *(MOP cents)*	**0.6**	4.6	(87.0%)

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2018.

The board (the "**Board**") of directors (the "**Directors**") of Lai Si Enterprise Holding Limited (the "**Company**") is pleased to announce the consolidated financial information of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 together with the comparative figures for the corresponding year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

		Year ended 31 December	
		2018	2017
	Notes	***MOP'000***	*MOP'000*
REVENUE	4	**173,740**	274,400
Cost of sales		**(134,916)**	(216,894)
Gross profit		**38,824**	57,506
Other income, gains and losses, net		**1,959**	741
Administrative expenses		**(34,437)**	(33,330)
Listing expenses		**–**	(3,013)
Finance costs		**(2,482)**	(3,107)
PROFIT BEFORE TAX	5	**3,864**	18,797
Income tax expense	6	**(1,546)**	(712)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**2,318**	18,085
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation		**23,294**	–
Income tax effect		**(2,795)**	–

		Year ended 31 December	
		2018	2017
	Notes	***MOP'000***	*MOP'000*
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**20,499**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**22,817**	18,085
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted			
– For profit for the year	8	**MOP0.6 cents**	MOP4.6 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 MOP'000	2017 MOP'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**83,862**	88,766
Investment properties		**26,780**	–
Total non-current assets		**110,642**	88,766
CURRENT ASSETS			
Trade receivables	10	**53,055**	88,937
Contract assets		**94,733**	–
Amounts due from customers for contract work		**–**	66,178
Prepayments, other receivables and other assets		**12,713**	15,639
Amount due from a director		**680**	488
Amount due from the ultimate holding company		**1**	1
Pledged bank deposits		**3,600**	9,538
Cash and bank balances		**51,898**	100,964
Total current assets		**216,680**	281,745
CURRENT LIABILITIES			
Amounts due to customers for contract work		**–**	1,632
Trade payables	11	**26,166**	48,154
Contract liabilities		**4,378**	–
Other payables and accruals		**12,069**	18,039
Bank overdrafts		**–**	35,559
Interest-bearing bank borrowings		**61,694**	68,719
Tax payable		**1,962**	3,190
Total current liabilities		**106,269**	175,293
NET CURRENT ASSETS		**110,411**	106,452

	2018	2017
	MOP'000	*MOP'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**221,053**	195,218
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**3,364**	–
Net assets	**217,689**	195,218
EQUITY		
Share capital	**4,120**	4,120
Reserves	**213,569**	191,098
Total equity	**217,689**	195,218

NOTES TO FINANCIAL STATEMENTS
31 December 2018

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Macau patacas ("MOP") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 9 *Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement			HKFRS 9 measurement	
		Category	Amount	ECL	Amount	Category
	Notes		*MOP'000*	*MOP'000*	*MOP'000*	
Financial assets						
Trade receivables	(i)	L&R[1]	83,430	(214)	83,216	AC[2]
Financial assets included in prepayments, other receivables and other assets		L&R	42	–	42	AC
Amount due from a director		L&R	488	–	488	AC
Amount due from the ultimate holding Company		L&R	1	–	1	AC
Pledged bank deposits		L&R	9,538	–	9,538	AC
Cash and bank balances		L&R	100,964	–	100,964	AC
			194,463	(214)	194,249	
Other assets						
Contract assets	(i)		71,685	(132)	71,553	AC

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

Notes:

(i) The gross carrying amounts of the loans and receivables and the contract assets under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of HKFRS 15 are included in note (b) below.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017	Re-measurement	ECL allowances under HKFRS 9 at 1 January 2018
	MOP'000	*MOP'000*	*MOP'000*
Trade receivables	2,172	214	2,386
Contract assets	–	132	132
	2,172	346	2,518

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits
	MOP'000
Balance as at 31 December 2017 under HKAS 39	90,683
Recognition of expected credit losses for trade receivables under HKFRS 9	(214)
Recognition of expected credit losses for contract assets under HKFRS 9	(132)
Balance as at 1 January 2018 under HKFRS 9	90,337

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Notes	Increase/ (decrease) *MOP'000*
Assets		
Amounts due from customers for contract work	(i)	(66,178)
Trade receivables	(i)	(5,507)
Contract assets	(i)	71,685
Total assets		–
Liabilities		
Amounts due to customers for contract work	(ii)	(1,632)
Contract liabilities	(ii)	1,632
Total liabilities		–

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on the consolidated statement of profit or loss and other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
			Previous	Increase/
		HKFRS 15	HKFRS	(decrease)
	Notes	*MOP'000*	*MOP'000*	*MOP'000*
Current assets				
Amounts due from customers for contract work	(i)	–	74,493	(74,493)
Trade receivables	(i)	53,055	73,295	(20,240)
Contract assets	(i)	94,733	–	94,733
Current liabilities				
Amounts due to customers for contract work	(ii)	–	4,378	(4,378)
Contract liabilities	(ii)	4,378	–	4,378

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 are described below:

(i) Fitting-out, alternation and addition works and construction works

Before the adoption of HKFRS 15, contract cost was recognised as an asset provided it was probable that they would be recovered. Such cost represented an amount due from the customers and was recorded as amounts due from customers for contract work in the statement of financial position before the construction services were billed to customers. Upon the adoption of HKFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified MOP66,178,000 from amounts due from customers for contact work to contract assets as at 1 January 2018.

Before the adoption of HKFRS 15, retention receivables arising from construction contracts, that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in trade receivables. Upon adoption of HKFRS 15, retention receivables are reclassified to contract assets. Accordingly, the Group reclassified MOP5,507,000 from trade receivables to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of HKFRS 15 resulted in a decrease in trade receivables of MOP20,240,000, a decrease in amounts due from customers for contract work of MOP74,493,000 and an increase in contract assets of MOP94,733,000.

(ii) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as amounts due to customers for contract work. Under HKFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of HKFRS 15, the Group reclassified MOP1,632,000 from amounts due to customers for contract work to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, MOP4,378,000 was classified as contract liabilities in relation to the consideration received from customers in advance for fitting-out, alternation and addition works and contract works.

2.1 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

No early adoption has been made by the Group on the new and revised HKFRSs that have been issued but are not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has three reportable operating segments as follows:

(a) fitting-out, alteration and addition works segment engages in fitting-out works as an integrated fitting-out contractor;

(b) construction works segment engages in construction works, acting as a main contractor; and

(c) repair and maintenance segment provides repair and maintenance services on an ad-hoc basis.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment's operating results, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that other income, gains and losses, net, finance costs and corporate expenses are excluded from such measurement. No analysis of segment asset and segment liability is presented as management does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Year ended 31 December 2018	**Fitting-out, alternation and addition works**	**Construction works**	**Repair and maintenance services**	**Total**
	MOP'000	***MOP'000***	***MOP'000***	***MOP'000***
Segment revenue *(note 4)*				
Sales to external customers	**166,992**	**3,931**	**2,817**	**173,740**
Segment results	**37,439**	**(626)**	**1,546**	**38,359**
Corporate expenses				**(33,972)**
Other income, gains and losses, net				**1,959**
Finance costs				**(2,482)**
Profit before tax				**3,864**

Year ended 31 December 2017	Fitting-out, alternation and addition works	Construction works	Repair and maintenance services	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Segment revenue				
Sales to external customers	236,131	35,335	2,934	274,400
Segment results	41,787	12,791	1,322	55,900
Corporate expenses				(31,724)
Other income, gains and losses, net				741
Listing expenses				(3,013)
Finance costs				(3,107)
Profit before tax				18,797

Geographical information

(a) Revenue from external customers

	2018	2017
	MOP'000	*MOP'000*
Macau	**113,315**	190,715
Hong Kong	**60,425**	83,685
	173,740	274,400

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2018	2017
	MOP'000	*MOP'000*
Macau	**110,543**	88,740
Hong Kong	**99**	26
	110,642	88,766

The non-current asset information above is based on the locations of the assets.

4. REVENUE

An analysis of revenue is as follows:

	2018	2017
	MOP'000	*MOP'000*
Revenue from contracts with customers		
Fitting-out, alternation and addition works	**166,992**	236,131
Construction works	**3,931**	35,335
Repair and maintenance services	**2,817**	2,934
	173,740	274,400

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2018	2017
	MOP'000	*MOP'000*
Cost of services provided*	**134,916**	216,894
Depreciation	**2,398**	1,288
Minimum lease payments under operating leases	**694**	457
Auditor's remuneration	**1,475**	1,200
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**14,596**	12,150
Pension scheme contributions	**404**	602

* Included in cost of services provided are the staff costs incurred in the amount of approximately MOP21,854,000 (2017: MOP41,447,000).

6. INCOME TAX

Macau complementary tax has been provided at progressive rates up to 12% (2017: progressive rates up to 12%) on the estimated taxable profits arising in Macau during the year. Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2018	2017
	MOP'000	*MOP'000*
Current – Macau		
Charge for the year	**895**	2,403
Under/(over) provision in prior years	**46**	(2,722)
Current – Hong Kong		
Charge for the year	**36**	1,031
Deferred	**569**	–
Total tax charge for the year	**1,546**	712

7. DIVIDENDS

No dividend has been paid or declared by the Group during the years ended 31 December 2018 and 2017.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount for the year ended 31 December 2018 is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 400,000,000 in issue during the year.

The calculation of the basic earnings per share amount for the year ended 31 December 2017 is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the year ended 31 December 2017 of 389,041,096 on the assumption that the reorganisation and the capitalisation issue completed in 2017 have been completed on 1 January 2016.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

9. PROPERTY, PLANT AND EQUIPMENT

Certain of the Group's leasehold land and buildings with a net carrying amount of approximately MOP3,486,000 were transferred to investment properties during the year and the fair value of such leasehold land and building at the date of transfer was approximately MOP26,780,000.

10. TRADE RECEIVABLES

	2018	2017
	MOP'000	*MOP'000*
Trade receivables	**54,428**	69,699
Impairment	**(1,373)**	(2,172)
	53,055	67,527
Retention receivables	**–**	21,410
	53,055	88,937

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.

Included in the Group's trade receivables is an amount due from the Group's related party of MOP14,600,000 (2017: MOP17,922,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

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:

	2018	2017
	MOP'000	*MOP'000*
Within 1 month	**29,645**	40,599
1 to 2 months	**1,161**	10,623
2 to 3 months	**138**	3,690
Over 3 months	**22,111**	12,615
	53,055	67,527

Retention receivables are unsecured, interest-free and recoverable at the end of the defects liability period of individual contracts, ranging from 2 months to 2 years from the date of the completion of the respective project.

The due date for settlement of the Group's retention receivables, based on the expiry of the defects liability period, at the end of the reporting period is as follows:

	2018	2017
	MOP'000	*MOP'000*
On demand or within one year	**–**	10,227
After one year	**–**	11,183
	–	21,410

11. TRADE PAYABLES

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

	2018	2017
	MOP'000	*MOP'000*
Within 1 month	**13,066**	28,259
1 to 2 months	**1,592**	5,050
2 to 3 months	**1,395**	2,295
Over 3 months	**10,113**	12,550
	26,166	48,154

Included in the trade payables are trade payables of MOP75,000 (2017: MOP67,000) due to a related party which are repayable within 90 days, which represents credit terms similar to those offered by the related party to their major customers.

The trade payables are non-interest-bearing and are normally settled on 60-day terms. As at 31 December 2018, retention payables included in trade payables amounted to MOP4,541,000 (2017: MOP3,822,000) which are interest-free and payable at the end of the defects liability period of individual contracts within 1 year from the completion date of the respective project.

12. CONTINGENT LIABILITIES

(a) Sin Fong Garden Building

In October 2012, one of the supporting pillars of the residential building called "Sin Fong Garden Building" collapsed due to the loss of stability. Such collapse was accused to be caused by the dismantlement and construction of the foundation work undertaken in an adjacent new residential building project, of which Lai Si was one of the contractors. As a result, in September 2015, several flat owners of Sin Fong Garden Building filed a lawsuit against several defendants including Lai Si, seeking for a compensation for the loss of property, in a total sum of approximately HK$48,950,000, to be borne jointly by the defendants. However, according to the report issued by the team of technical 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 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 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 these financial statements, the proceedings are scheduled for the trial hearings. The first hearing dates for the lawsuit filed by the Macau Government are scheduled on 4 and 5 December 2019 while the date for another lawsuit filed by several flat owners of Sin Fong Garden Building is yet to be confirmed. 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 consolidated financial statements. 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 31 December 2018, 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 defense 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 these financial statements, the proceedings are not yet scheduled for the trial hearings. 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 consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On 10 February 2017 (the "**Listing Date**"), the Company's shares (the "**Shares**") were listed on the Main Board of the Stock Exchange when 100,000,000 Shares were offered for subscription at HK$1.15 each.

Business review

The Group provides 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 in Macau and Hong Kong. During the year ended 31 December 2018, all of the Group's revenue was derived in Macau and Hong Kong and the Group undertook projects from both private and public sectors.

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

The Group's revenue comprised of (a) fitting-out works; (b) construction works; and (c) repair and maintenance services. During the year ended 31 December 2018, the total value for the new fitting-out projects awarded to the Group, representing the aggregate awarded contract sum, amounted to approximately MOP153.7 million as compared to the year ended 31 December 2017 of approximately MOP205.7 million. As at 31 December 2018, the Group had an aggregate value of backlog for fitting-out projects and construction projects of approximately MOP33.4 million as compared to approximately MOP42.4 million for the year ended 31 December 2017.

Financial review

The following table sets forth a breakdown of the Group's revenue during the years ended 31 December 2018 and 2017 by business segments:

	Year ended 31 December			
	2018		2017	
	MOP'000	*%*	*MOP'000*	*%*
Fitting-out works	**166,992**	**96.1**	236,131	86.1
Construction works	**3,931**	**2.3**	35,335	12.9
Repair and maintenance services	**2,817**	**1.6**	2,934	1.0
Total	**173,740**	**100.0**	274,400	100.0

During the year ended 31 December 2018, the Group's revenue decreased by approximately MOP100.7 million or 36.7%. The decrease were attributable to the decrease in revenue from fitting-out works by approximately MOP69.1 million or 29.3% and decrease in revenue from construction works by approximately MOP31.4 million or 88.9%.

The Group's fitting-out projects can be broadly divided into three categories by type of customers, namely (i) hotel and casino; (ii) retail shops and restaurants; and (iii) others, such as the Macau Government. The following table sets forth a breakdown of the Group's revenue attributable to fitting-out works during the years ended 31 December 2018 and 2017 by type of customers:

	Year ended 31 December			
	2018		2017	
	MOP'000	*%*	*MOP'000*	*%*
Hotel and casino	**37,950**	**22.7**	82,469	34.9
Retail shops and restaurants	**79,983**	**47.9**	72,922	30.9
Others	**49,059**	**29.4**	80,740	34.2
Total	**166,992**	**100.0**	236,131	100.0

The decrease in fitting-out works revenue during the year ended 31 December 2018 was mainly attributable to the decrease in revenue from hotel and casino and others by approximately MOP44.5 million or 54.0% and approximately MOP31.7 million or 39.2%, respectively. The overall decrease in fitting-out works revenue was mainly due to the poor operating environment in the overall fitting-out industry in Macau. Fitting-out works revenue from other customer decreased was mainly related to the completion of a contract awarded from the Hong Kong Football Club.

The decrease in revenue of construction works was mainly attributable to the decrease in revenue derived from heritage conservation of approximately MOP22.2 million or 96.0% and decrease in revenue from general construction of approximately MOP9.2 million or 75.5% as compared to the previous year.

Gross profit

The following table sets forth a breakdown of the Group's gross profit and gross profit margin during the years ended 31 December 2018 and 2017 by business segments:

	Year ended 31 December			
	2018		2017	
	Gross profit MOP'000	***Gross profit margin %***	*Gross profit MOP'000*	*Gross profit margin %*
Fitting-out works	**37,836**	**22.6**	43,234	18.3
Construction works	**(577)**	**(14.7)**	12,937	36.6
Repair and maintenance services	**1,565**	**55.6**	1,335	45.5
Total/overall	**38,824**	**22.3**	57,506	21.0

During the year ended 31 December 2018, the Group's gross profit decreased by approximately MOP18.7 million or approximately 32.5% from approximately MOP57.5 million for the year ended 31 December 2017 to approximately MOP38.8 million for the year ended 31 December 2018. The decrease in gross profit was mainly due to the decrease in fitting-out works projects and construction works projects.

The Group's gross profit margin increased from approximately 21.0% for the year ended 31 December 2017 to approximately 22.3% for the year ended 31 December 2018. The gross profit margin did not have large difference for the 2 years. Gross loss of construction works was due to contract works cost finally confirmed.

Other income, gains and losses, net

The Group's other income and gains increased by approximately MOP1.2 million or 164.4% from approximately MOP0.7 million for the year ended 31 December 2017 to approximately MOP2.0 million for the year ended 31 December 2018. Such increase was mainly attributable to increase in rental income received from investment properties and reversal of impairment losses.

Administrative expenses

The Group's administrative expenses increased by approximately MOP1.1 million or 3.3% from approximately MOP33.3 million for the year ended 31 December 2017 to approximately MOP34.4 million for the year ended 31 December 2018. Such increase was not material.

Listing expenses

The Group did not incur listing expenses for the year ended 31 December 2018 (2017: MOP3.0 million).

Finance costs

The Group's finance costs decreased by approximately MOP0.6 million or 20.1% from approximately MOP3.1 million for the year ended 31 December 2017 to approximately MOP2.5 million for the year ended 31 December 2018. Such decrease was mainly attributable to the decrease in bank overdrafts during the year ended 31 December 2018.

Income tax expense

The Group's income tax expense increased from approximately MOP0.7 million for the year ended 31 December 2017 to approximately MOP1.5 million for the year ended 31 December 2018. The Group's effective tax rate increased from approximately 3.8% for the year ended 31 December 2017 to approximately 40.0% for the year ended 31 December 2018. The increase was mainly attributable to the reversal of over-provision of prior years' taxation of approximately MOP2.7 million for the year ended 31 December 2017. While there was no such over-provision reversal for year ended 31 December 2018.

Profit and total comprehensive income for the year attributable to owners of the Company

As a result of the above, the Group's profit for the year attributable to owners of the Company decreased by approximately MOP15.8 million or 87.2% from approximately MOP18.1 million for the year ended 31 December 2017 to approximately MOP2.3 million for the year ended 31 December 2018.

Other comprehensive income increased by MOP20.4 million due to assets revaluation.

Basic earnings per share

The Company's basic earnings per share for the year ended 31 December 2018 was MOP0.6 cents (2017: MOP4.6 cents), representing a decrease of MOP4.0 cents or 87.0% which is in line with the profit for the year attributable to owners of the Company when compared to the year ended 31 December 2017.

Final dividend

The Board does not recommend the payment of final dividend for the year ended 31 December 2018 (2017: Nil).

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources and capital structure

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

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

As at 31 December 2018, the Group's current assets exceeded its current liabilities by MOP110,411,000.

As at 31 December 2018, the Group had net bank balances and cash of MOP51.9 million (2017: MOP65.4 million), which comprised bank balances and cash of MOP51.9 million (2017: MOP101.0 million) and nil bank overdrafts (2017: MOP35.6 million).

As at 31 December 2018, the Group had an aggregate of pledged bank deposits of MOP3.6 million (2017: MOP9.5 million) that were used to secure banking facilities.

As at 31 December 2018, bank and other borrowings amounted to MOP61.7 million (2017: MOP68.7 million) of which MOP6.8 million, MOP3.8 million, MOP12.2 million and MOP38.9 million (2017: MOP10.1 million, MOP4.0 million, MOP12.5 million and MOP42.1 million) will mature within one year, one year to two years, two years to five years and more than five years, respectively.

The variable rate bank borrowings amounting to MOP45,379,000 as at 31 December 2018 (2017: MOP51,397,000), carry interests at Prime Rate minus from 2.25% to 2.65% (2017: minus from 2.25% to 2.65%) per annum. The remaining variable rate bank borrowing amounting to MOP16,315,000 as at 31 December 2018 (2017: MOP17,322,000) carries interests at three months Hong Kong Interbank Offered Rate (HIBOR) plus 2.3% (2017: 2.3%) per annum. The effective interest rates on the borrowings as at 31 December 2018 (which are also equal to contracted interest rate) range from 2.7% to 4.4% (2017: 2.6% to 3.3%).

The Group's borrowings are denominated in both MOP and Hong Kong dollar ("**HK$**"). These bank borrowings are under banking facilities for drawing loans and issuing performance bonds. The banking facilities are secured by a legal charge over an office building held by the Group (included in property, plant and equipment), pledged bank deposits and promissory notes endorsed by Lai Si and Well Team which were guaranteed by the Company.

The Group continued to maintain a healthy liquidity position. As at 31 December 2018, the Group's current assets and current liabilities were MOP216.7 million (2017: MOP281.7 million) and MOP106.3 million (2017: MOP175.3 million), respectively. The Group's current ratio increased to 2.0 (2017: 1.6) mainly due to decrease in bank borrowings and bank overdrafts. The Group has maintained sufficient liquid assets to finance its operations.

Gearing ratio calculated by dividing total debts (including bank and other borrowings) with total equity was 0.28 as at 31 December 2018 (2017: 0.53). The decrease in gearing ratio was primarily due to decrease in bank borrowings and bank overdrafts.

As at 31 December 2018, the share capital and equity attributable to owners of the Company amounted to MOP4,120,000 and MOP217.7 million, respectively (2017: MOP4,120,000 and MOP195.2 million, respectively).

Charge on the Group's assets

As at 31 December 2018, the leasehold land and building, investment properties and bank deposits pledged to secure certain borrowings granted to the Group amounted to MOP82.2 million, MOP26.7 million and MOP3.6 million (2017: MOP87.5 million, nil and MOP9.5 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 caused to be accused by the dismantlement and construction of the foundation work undertaken in an adjacent new residential building project, of which Lai Si was one of the contractors. As a result, in September 2015, several flat owners of Sin Fong Garden Building filed a lawsuit against several defendants including Lai Si, seeking for a compensation for the loss of property, in a total sum of approximately HK$49.0 million, to be borne jointly by the defendants. However, according to the report issued by the team of technical advisors and experts engaged by the Macau Government to study the causes of the incident, the collapse of Sin Fong Garden Building was caused by the substandard supporting pillars of Sin Fong Garden Building, instead of the dismantlement and foundation work undertaken in the adjacent new residential building.

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

Up to the date of this announcement, the proceedings are scheduled for the trial hearings. The first hearing dates for the lawsuit filed by the Macau Government are scheduled on 4 and 5 December 2019 while the date for another lawsuit filed by several flat owners of Sin Fong Garden Building is yet to be confirmed. After consulting the legal advisers of the Company as to Macau Laws, 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 to the consolidated financial information. The Controlling Shareholders have undertaken to indemnify the Group against all losses and liabilities arising from the above proceedings.

Dispute on payment with a subconstractor

As at 31 December 2018, 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 defense against the lawsuit and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

Up to the date of this announcement, the proceedings are not yet scheduled for the trial hearings. 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 consolidated financial statements.

As at 31 December 2018, the Group had operating lease commitments as lessee of MOP757,000 (2017: MOP176,000). As at 31 December 2018, the Group had operating lease commitments as lessor of MOP1,852,000 (2017: Nil).

As at 31 December 2018, the Group did not have any capital commitments (2017: 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 Renminbi. 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 statements 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 has engaged professional valuer service on the collectibility of the overall account receivables portfolio. The professional valuer takes 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 31 December 2018 on trade receivables and contract assets from the Group's five major customers amounting to approximately MOP45.8 million (2017: MOP28.0 million) and accounted for approximately 31.0% (2017: 40.0%) 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 are also under the scope of review by the professional valuer as in account receivables.

EVENT AFTER THE REPORTING PERIOD

There are no significant events after 31 December 2018 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the total number of full-time employees of the Group was 163 (2017: 189).

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 MOP42.1 million for the year ended 31 December 2018 (2017: MOP65.1 million).

The Company adopted a share option scheme (the "**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 Company's prospectus 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.

Net proceeds from the Share Offer

	Net proceeds (HK$ million)		
	Available	**Utilised**	**Unutilised**
Finance fitting-out projects in Macau	49.4	23.4	26.0
Finance construction projects in Macau	17.9	12.9	5.0
Finance the start-up costs of fitting-out business in Hong Kong	9.0	9.0	0
Hire additional staff for the Group's business operation	4.5	4.5	0
General working capital	9.0	9.0	0
	89.8	58.8	31.0

As at 31 December 2018, the unutilised net proceeds from the Share Offer were deposited in the bank accounts of the Group.

PROSPECTS AND STRATEGIES

In 2018, the economic growth in Macau slowed down while some of the renovation and construction projects were postponed, all these overshadowed the prospects of fitting-out market in Macau for now. However, the Group continues to leverage its sound reputation and competitive edge to undertake ongoing fitting-out and construction projects for its existing customers. The Group will strengthen its financial capabilities, further consolidate its market position and achieve business growth with a view to undertake more and larger fitting-out projects and construction projects in Macau.

In response to a poor performance in the Macau market, the Group will step up its efforts to expand its fitting-out business and its market coverage. Not only has the Group undertaken a number of fitting-out projects in Hong Kong, there are more opportunities to bid for Hong Kong projects as compared to the first half of 2018.

In addition, as part of the plan to expand revenue base and achieve long-term growth, the Group is now considering to explore the opportunities in the up and down stream and will establish a company specialising in electrical and mechanical engineering in the near future. The Group may engage in and participate in business that serves as opportunity to the Group, such as catering industry, real estate industry, as well as import and export trade. The Group aims to enhance its corporate value and boost shareholders' returns in the long run by achieving a diversified operation. As at date of this announcement, no formal agreement was signed.

In the long term, the Group is optimistic about the future development of Guangdong-Hong Kong-Macau Greater Bay Area (the "Greater Bay Area"), which is one of the ambitious development policies in China. This policy aims at facilitating the economic integration between Guangdong Province and the two Special Administrative Regions, promoting cooperation between the three regions and encouraging more investment projects and commercial activities to take place in the Greater Bay Area. These may provide driving force for the property market, which in turn promote the development in fitting-out and construction market.

While based in Macau, the Group strives to gain its foothold in Hong Kong. The management remains cautiously optimistic about the prospects of fitting-out and construction markets in Macau and Hong Kong. It is now ready to make full use of the Greater Bay Area development policy to expand its market into Mainland China.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") is scheduled to be held on Friday, 28 June 2019. In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 24 June 2019 to Friday, 28 June 2019, both days inclusive, during which period no transfer of Shares will be registered. All transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 21 June 2019.

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

During the year ended 31 December 2018, 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 year ended 31 December 2018, the Company has complied with all the provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of 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 during the year ended 31 December 2018.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 18 January 2017 in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely, Mr. Chan Chun Sing, Mr. Chan Iok Chun and Ms. Lam Mei Fong. Mr. Chan Chun Sing is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Company the accounting principles and policies adopted by the Group, and the financial information of the Group and the annual results of the Company for the year ended 31 December 2018.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Messrs. Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Ernst & Young on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement will be published on the respective websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company's website (www.lai-si.com). The annual report for the year ended 31 December 2018 containing all the information required by the Listing Rules will be published on the websites of the Company and Hong Kong Exchanges and Clearing Limited and despatched to the shareholders 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 year ended 31 December 2018.

By order of the Board
Lai Si Enterprise Holding Limited
黎氏企業控股有限公司
LAI Ieng Man
Executive Director and Chairman

Macau, 25 March 2019

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