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 2019

FINANCIAL HIGHLIGHTS

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

	For the year ended 31 December		Year-on-year increase/ (decrease)
	2019 *MOP'000*	2018 *MOP'000*	
Revenue	**262,870**	173,740	51.3%
Gross profit	**45,334**	38,824	16.8%
Gross profit margin	**17.2%**	22.3%	(5.1%)
Profit attributable to owners of the Company	**6,385**	2,318	175.5%
Equity attributable to owners of the Company	**224,074**	217,689	2.9%
Basic earnings per share *(MOP cents)*	**1.6**	0.6	166.7%

FINAL DIVIDEND

The Board proposed a final dividend of HK1.125 cents (equivalent to MOP1.16 cents) per Share for the year ended 31 December 2019, subject to the approval by the Shareholders at the forthcoming annual general meeting.

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 2019 together with the comparative figures for the corresponding year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** *MOP'000*	2018 *MOP'000*
REVENUE	4	**262,870**	173,740
Cost of sales		**(217,536)**	(134,916)
Gross profit		**45,334**	38,824
Other income, gains and losses, net		**3,287**	1,959
Administrative expenses		**(38,039)**	(34,437)
Finance costs		**(2,145)**	(2,482)
PROFIT BEFORE TAX	5	**8,437**	3,864
Income tax expense	6	**(2,052)**	(1,546)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**6,385**	2,318
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)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**–**	20,499

	Note	**2019**	2018
		MOP'000	*MOP'000*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**6,385**	22,817
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted			
– For profit for the year	8	**MOP1.6 cents**	MOP0.6 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 *MOP'000*	2018 *MOP'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**84,617**	83,862
Investment properties		**28,119**	26,780
Right-of-use assets		**12,414**	–
Total non-current assets		**125,150**	110,642
CURRENT ASSETS			
Trade receivables	9	**41,548**	53,055
Contract assets		**101,980**	94,733
Prepayments, other receivables and other assets		**11,557**	12,713
Amount due from a director		**698**	680
Amount due from the ultimate holding company		**1**	1
Pledged bank deposits		**3,600**	3,600
Cash and bank balances		**57,920**	51,898
Total current assets		**217,304**	216,680
CURRENT LIABILITIES			
Trade payables	10	**25,940**	27,442
Contract liabilities		**3,445**	4,378
Other payables and accruals		**15,215**	10,793
Interest-bearing bank borrowings		**54,791**	61,694
Lease liabilities		**2,091**	–
Tax payable		**2,028**	1,962
Total current liabilities		**103,510**	106,269
NET CURRENT ASSETS		**113,794**	110,411
TOTAL ASSETS LESS CURRENT LIABILITIES		**238,944**	221,053

	2019	2018
	MOP'000	*MOP'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**3,904**	3,364
Lease liabilities	**10,966**	–
Total non-current liabilities	**14,870**	3,364
Net assets	**224,074**	217,689
EQUITY		
Share capital	**4,120**	4,120
Reserves	**219,954**	213,569
Total equity	**224,074**	217,689

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase *MOP'000*
Assets	
Increase in right-of-use assets	477
Increase in total assets	477
Liabilities	
Increase in lease liabilities	477
Increase in total liabilities	477

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	MOP'000
Operating lease commitments as at 31 December 2018	**757**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(265)
	492
Weighted average incremental borrowing rate as at 1 January 2019	3.19%
Discounted operating lease commitments as at 1 January 2019	477
Lease liabilities as at 1 January 2019	**477**

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The Group has assessed that the interpretation did not have any impact on the financial position or performance of the Group.

2.1 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied those HKFRSs, that have been issued but are not yet effective, in these financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has four 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;

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

(d) restaurant operations segment provides catering services (commenced during the year).

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource 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, non-lease-related 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 resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Year ended 31 December 2019	**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*
Segment revenue ***(note 4)***					
Sales to external customers	**225,013**	**30,922**	**5,703**	**1,232**	**262,870**
Segment results	**41,542**	**(144)**	**2,527**	**326**	**44,251**
Corporate expenses					**(36,956)**
Other income, gains and losses, net					**3,287**
Finance costs					**(2,145)**
Profit before tax					**8,437**

Year ended 31 December 2018	Fitting-out, alteration and addition works *MOP'000*	Construction works *MOP'000*	Repair and maintenance services *MOP'000*	Total *MOP'000*
Segment revenue				
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

Geographical information

(a) *Revenue from external customers*

	2019	2018
	MOP'000	*MOP'000*
Macau	**150,908**	113,315
Hong Kong	**111,962**	60,425
	262,870	173,740

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

(b) *Non-current assets*

	2019	2018
	MOP'000	*MOP'000*
Macau	**124,010**	110,543
Hong Kong	**240**	99
	124,250	110,642

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

4. REVENUE

An analysis of revenue is as follows:

	2019	2018
	MOP'000	*MOP'000*
Revenue from contracts with customers		
Fitting-out, alteration and addition works	**225,013**	166,992
Construction works	**30,922**	3,931
Repair and maintenance services	**5,703**	2,817
Restaurant operations	**1,232**	–
	262,870	173,740

5. PROFIT BEFORE TAX

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

	2019	2018
	MOP'000	*MOP'000*
Cost of services provided*	**217,536**	134,916
Depreciation of property, plant and equipment	**1,602**	2,398
Depreciation of right-of-use assets	**2,092**	–
Minimum lease payments under operating leases	**–**	694
Lease payments not included in the measurement of lease liabilities	**261**	–
Auditor's remuneration	**1,280**	1,475
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**14,396**	14,596
Pension scheme contributions	**477**	404

* Included in cost of services provided are the staff costs incurred in the amount of MOP29,314,000 (2018: MOP21,854,000).

6. INCOME TAX

Macau complementary tax has been provided at progressive rates up to 12% (2018: 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% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2019	2018
	MOP'000	*MOP'000*
Current – Macau		
Charge for the year	**10**	895
Underprovision in prior years	**27**	46
Current – Hong Kong		
Charge for the year	**1,475**	36
Deferred	**540**	569
Total tax charge for the year	**2,052**	1,546

7. DIVIDENDS

	2019	2018
	MOP'000	*MOP'000*
Proposed final – MOP1.16 cents (equivalent to HK1.125 cents) (2018: Nil) per ordinary share	**4,635**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount for the years ended 31 December 2019 and 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 (2018: 400,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

9. TRADE RECEIVABLES

	2019	2018
	MOP'000	*MOP'000*
Trade receivables	**42,945**	54,428
Impairment	**(1,397)**	(1,373)
	41,548	53,055

The Group allows an average credit period of 30 days to its customers. Before accepting any new customer, 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 parties of MOP14,172,000 (2018: MOP14,600,000), 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:

	2019	2018
	MOP'000	*MOP'000*
Within 1 month	**6,334**	29,645
1 to 2 months	**3,948**	1,161
2 to 3 months	**4,464**	138
Over 3 months	**26,802**	22,111
	41,548	53,055

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	MOP'000	*MOP'000*
At beginning of year	**1,373**	2,386
Impairment losses/(reversal of impairment losses), net	**24**	(340)
Amount written off as uncollectible	**–**	(673)
At end of year	**1,397**	1,373

10. 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:

	2019	2018
	MOP'000	*MOP'000*
Within 1 month	**10,964**	13,066
1 to 2 months	**2,728**	1,592
2 to 3 months	**2,313**	1,395
Over 3 months	**9,935**	11,389
	25,940	27,442

Included in the trade payables are trade payables of MOP60,000 (2018: MOP75,000) 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 2019, retention payables included in trade payables amounted to MOP3,341,000 (2018: MOP4,541,000) 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 projects.

11. 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 Construction & Engineering Company Limited ("Lai Si") was one of the contractors. As a result, in September 2015, several flat owners of Sin Fong Garden Building filed a lawsuit against several defendants including Lai Si, seeking for a compensation for the loss of property, in a total sum of approximately HK$48,950,000, to be borne jointly by the defendants. However, according to the report issued by the team of technical 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 these financial statements, the proceedings are scheduled for the trial hearings. Trial hearings for the lawsuit filed by the Macau Government have been started during the year, which were still in progress at the end of the reporting period, whereas the first hearing 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 in the 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 2019 and 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 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 these financial statements, the proceedings are scheduled for the trial hearings. Trial hearing for one of the fitting-out projects has been scheduled in January 2020 which is still in progress at the date of issuing these financial statements, while the first hearing date of another fitting-out project 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 in the financial statements.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation as the directors of the Company consider that the new presentation is more relevant and appropriate to the financial statements.

13. EVENT AFTER THE REPORTING PERIOD

Since January 2020, the outbreak of novel coronavirus (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. Because of the restrictions on transportation, some existing projects are suspended due to lack of materials supply. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the COVID-19 and around the imposition or relaxation of protective measures, the Company cannot at this stage reasonably estimate its financial impact after the reporting period.

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; (iii) repair and maintenance services in Macau and Hong Kong; and (iv) food catering services through a restaurant in Macau. During the year ended 31 December 2019, all of the Group's revenue was derived in Macau and Hong Kong. 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 (a) fitting-out works; (b) construction works; (c) repairs and maintenance services; and (d) income from restaurant operations. During the year ended 31 December 2019, the total value for the new fitting-out projects awarded to the Group, representing the aggregate awarded contract sum, amounted to approximately MOP264.3 million as compared to the year ended 31 December 2018 of approximately MOP153.7 million. As at 31 December 2019, the Group had an aggregate value of backlog for fitting-out projects and construction projects of approximately MOP52.6 million as compared to approximately MOP33.4 million as at 31 December 2018. Income from restaurant operations in Macau was started late in October 2019. It is a new business for the year ended 31 December 2019.

Financial review

The following table sets forth a breakdown of the Group's revenue during the years ended 31 December 2019 and 2018 by business segments:

	Year ended 31 December			
	2019		2018	
	MOP'000	*%*	*MOP'000*	*%*
Fitting-out works	**225,013**	**85.6**	166,992	96.1
Construction works	**30,922**	**11.8**	3,931	2.3
Repair and maintenance services	**5,703**	**2.2**	2,817	1.6
Income from restaurant operations	**1,232**	**0.4**	–	–
Total	**262,870**	**100.0**	173,740	100.0

During the year ended 31 December 2019, the Group's revenue increased by approximately MOP89.1 million or 51.3%. The increase was mainly attributable to the increase in revenue from fitting-out works by approximately MOP58.0 million or 34.7% and increase in revenue from construction works by approximately MOP27.0 million or over 6.9 times.

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 2019 and 2018 by type of customers:

	Year ended 31 December			
	2019		2018	
	MOP'000	*%*	*MOP'000*	*%*
Hotel and casino	**17,323**	**7.7**	37,950	22.7
Retail shops and restaurants	**149,258**	**66.3**	79,983	47.9
Others	**58,432**	**26.0**	49,059	29.4
Total	**225,013**	**100.0**	166,992	100.0

The increase in fitting-out works revenue during the year ended 31 December 2019 was mainly attributable to the increase in revenue from retail shops and restaurants and others by approximately MOP69.3 million or 86.6% and approximately MOP9.4 million or 19.1%, respectively. The overall increase in fitting-out works revenue was mainly due to more active business negotiation with customers in the fitting-out industry in Macau and Hong Kong. Fitting-out works revenue from other customers increase was again due to more active business negotiation with customers.

The increase in revenue of construction works was mainly attributable to the increase in revenue derived from general construction of approximately MOP27.0 million or over 6.9 times 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 2019 and 2018 by business segments:

	Year ended 31 December			
	2019		2018	
	Gross profit MOP'000	***Gross profit margin %***	*Gross profit MOP'000*	*Gross profit margin %*
Fitting-out works	**42,639**	**18.9**	37,836	22.6
Construction works	**(88)**	**(0.3)**	(577)	(14.7)
Repair and maintenance services	**2,457**	**43.8**	1,565	55.6
Income from restaurant operations	**326**	**26.5**	N/A	N/A
Total/overall	**45,334**	**17.2**	38,824	22.3

During the year ended 31 December 2019, the Group's gross profit increased by approximately MOP6.5 million or approximately 16.8% from approximately MOP38.8 million for the year ended 31 December 2018 to approximately MOP45.3 million for the year ended 31 December 2019. The increase in gross profit was mainly due to the increase in fitting-out works projects and construction works projects.

The Group's gross profit margin decreased from approximately 22.3% for the year ended 31 December 2018 to approximately 17.2% for the year ended 31 December 2019. The gross profit margin decrease was due to general decrease in gross profit margin. Gross loss of construction works was due to low gross profit margin and contract works cost finally confirmed.

Other income, gains and losses, net

The Group's other income and gains increased by approximately MOP1.3 million or 67.8% from approximately MOP2.0 million for the year ended 31 December 2018 to approximately MOP3.3 million for the year ended 31 December 2019. Such increase was due to increase in market value of investment property.

Administrative expenses

The Group's administrative expenses increased by approximately MOP3.6 million or 10.5% from approximately MOP34.4 million for the year ended 31 December 2018 to approximately MOP38.0 million for the year ended 31 December 2019. Such increase was mainly due to new business established on restaurant operations and partly due to general increase in administrative expenses.

Finance costs

The Group's finance costs decreased by approximately MOP0.3 million or 13.6% from approximately MOP2.5 million for the year ended 31 December 2018 to approximately MOP2.1 million for the year ended 31 December 2019. Such decrease was attributable to the absence of bank overdrafts during the year ended 31 December 2019.

Income tax expense

The Group's income tax expense increased from approximately MOP1.5 million for the year ended 31 December 2018 to approximately MOP2.1 million for the year ended 31 December 2019. The Group's effective tax rate decreased from approximately 40.0% for the year ended 31 December 2018 to approximately 24.3% for the year ended 31 December 2019. The decrease was in line with the actual tax rates

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 increased by approximately MOP4.1 million or over 1.8 times from approximately MOP2.3 million for the year ended 31 December 2018 to approximately MOP6.4 million for the year ended 31 December 2019.

Basic earnings per share

The Company's basic earnings per share for the year ended 31 December 2019 was MOP1.6 cents (2018: MOP0.6 cents), representing an increase of MOP1.0 cents or over 1.7 times which is in line with the profit for the year attributable to owners of the Company when compared to the year ended 31 December 2018.

Final dividend

The Board proposed payment of a final dividend of HK1.125 cents (equivalent to MOP1.16 cents) per Share for the year ended 31 December 2019 to Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 2 July 2020, subject to the approval by the Shareholders at the forthcoming AGM (2018: Nil).

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources and capital structure

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

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

As at 31 December 2019, the Group's current assets exceeded its current liabilities by MOP113,794,000 (2018: MOP11,411,000).

As at 31 December 2019, the Group had bank balances and cash of MOP57.9 million (2018: MOP51.9 million).

As at 31 December 2019, the Group had an aggregate of pledged bank deposits of MOP3.6 million (2018: MOP3.6 million) that were used to secure banking facilities.

As at 31 December 2019, bank and other borrowings amounted to MOP54.8 million (2018: MOP61.7 million) of which MOP4.0 million, MOP4.1 million, MOP13.0 million and MOP33.7 million (2018: MOP6.8 million, MOP3.8 million, MOP12.2 million and MOP38.9 million) will mature within one year, one year to two years, two years to five years and more than five years, respectively.

The interest-bearing bank borrowings amounting to MOP39,457,000 as at 31 December 2019 (2018: MOP45,379,000), carry interest at the range of 2.25% to 2.65% below the prevailing best lending rate quoted by the bank in Macau (the "Prime Rate") (2018: 2.25% to 2.65% below the Prime Rate) per annum. The remaining interest-bearing bank borrowing amounting to MOP15,334,000 as at 31 December 2019 (2018: MOP16,315,000) carries interests at three months Hong Kong Interbank Offered Rate (HIBOR) plus 2.3% (2018: 2.3%) per annum. The effective interest rates on the borrowings as at 31 December 2019 (which are also equal to contracted interest rate) range from 2.6% to 4.5% (2018: 2.7% to 4.4%).

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

The Group continued to maintain a healthy liquidity position. As at 31 December 2019, the Group's current assets and current liabilities were MOP217.3 million (2018: MOP216.7 million) and MOP103.5 million (2018: MOP106.3 million), respectively. The Group's current ratio increased to 2.1 (2018: 2.0). There is no material fluctuation. The Group has maintained sufficient liquid assets to finance its operations.

Gearing ratio calculated by dividing total debts (including bank and other borrowings and lease liabilities) with total equity was 0.30 as at 31 December 2019 (2018: 0.28). The increase in gearing ratio was primarily due to increase in lease liabilities.

As at 31 December 2019, the share capital and equity attributable to owners of the Company amounted to MOP4,120,000 and MOP223.3 million, respectively (2018: MOP4,120,000 and MOP217.7 million, respectively).

Charge on the Group's assets

As at 31 December 2019, land and building, investment properties and bank deposits were pledged to secure certain borrowings granted to the Group amounted to MOP82.0 million, MOP28.1 million and MOP3.6 million (2018: MOP82.3 million, MOP26.8 million and MOP3.6 million), respectively.

Contingent liabilities and operating lease and capital commitments

Sin Fong Garden Building

In October 2012, one of the supporting pillars of the residential building called "Sin Fong Garden Building" collapsed due to the loss of stability. Such collapse was accused to be caused by the dismantlement and construction of the foundation work undertaken in an adjacent new residential building project, of which Lai Si was one of the contractors. As a result, in September 2015, several flat owners of Sin Fong Garden Building filed a lawsuit against several defendants including Lai Si, seeking for a compensation for the loss of property, in a total sum of approximately HK$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. Trial hearings for the lawsuit filed by the Macau Government have been started during the year, which were still in progress at the end of the reporting period, 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 2019, 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 scheduled for the trial hearings. Trial hearing for one of the fitting-out projects has been scheduled in January 2020 whish is still in progress at the date of issuing this announcement. 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 2019, the Group did not have any capital commitments (2018: Nil).

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

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

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

Interest rate risk

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

Credit exposure

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

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

The policy of allowances for doubtful debts of the Group is based on the evaluation and estimation of collectability and ageing analysis of the outstanding debts. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive, discounted using the original effective interest rate and the carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. The management closely monitors the subsequent settlement of the counterparties.

In addition to the above, in year 2018, upon the implementation of HKFRS 9, the Group has engaged professional valuer service on the collectability of the overall account receivables portfolio. The professional valuer takes forward looking approach in assessing credit risk (expected credit losses). Provision for expected credit losses 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 2019 on trade receivables and contract assets from the Group's five major customers amounting to approximately MOP21.0 million (2018: MOP45.8 million) and accounted for approximately 14.6% (2018: 31.0%) 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

The outbreak of the COVID-19 since January 2020 causes drastic slowdown of the worldwide economy. Management will make use of our competitive edge and develop more strategies to cope with the situation. It is hard to estimate the impact fairly on our business at the date of this announcement. However, we had made a voluntary announcement on 28 February 2020 for award of renovation contract with contract sum expected to be approximately MOP122 million from a 4-star hotel at Taipa, Macau. We believe this awarded contract will lead to potential opportunities on renovation works for hotel suites in Macau and neighbourhood cities (includes cities in Guangdong-Hong Kong-Macau Greater Bay Area ("**Greater Bay Area**").

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the total number of full-time employees of the Group was 184 (2018: 163).

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 MOP50.4 million for the year ended 31 December 2019 (2018: MOP42.1 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 Share Offer 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	34.4	15.0
Finance construction projects in Macau	17.9	15.9	2.0
Finance the start-up costs of fitting-out business in Hong Kong	9.0	9.0	–
Hire additional staff for the Group's business operation	4.5	4.5	–
General working capital	9.0	9.0	–
	89.8	72.8	17.0

As at 31 December 2019, the unutilised net proceeds from the Share Offer were deposited in the bank accounts of the Group.

PROSPECTS AND STRATEGIES

Taking an overview of 2019, the global economy continually slowed down, some large-scale gaming companies in Macau will renew their licenses, government and private renovation and construction projects were postponed in succession, and large scale social movement took place in Hong Kong in the second half of the year, all of which have overshadowed the prospects of the market of fitting-out works in Macau and Hong Kong. However, the Group continues to leverage its sound reputation and competitive edge to undertake ongoing fitting-out and construction projects for its existing customers.

In response to the poor performance in the market, the Group will step up its efforts to expand its fitting-out business and its market coverage. In addition, the Group will also strengthen its financial capabilities, further consolidate its market position and achieve business growth. As part of the plan to expand revenue base and achieve long-term growth, the Group is now developing and exploring the business opportunities in the up and down stream and has established a company specialising in electrical and mechanical engineering, so as to achieve a diversified operation, aiming to enhance its corporate value and boost shareholders' returns in the long run. As at date of this announcement, no formal agreement was signed.

In the long term, the Group is optimistic about the future development of 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. Driven by the development policy of the Greater Bay Area¸ Zhuhai Hengqin launched a new regulation in December 2019 enabling constructors from Hong Kong and Macau to directly practise and engage in project construction in the local area after having completed the legal record filing procedures. For the Group, this regulation is not only a significant business opportunity, but also a chance to expand the market scope of its business.

While based in Macau, the Group also keeps an eye on Asia. Currently the development of our Hong Kong branch gradually matures and has won a certain level of recognition locally. In the future the Group will continue to seek to gain its foothold in the fitting-out market of other Southeast Asian countries, so as to give rise to the sustainable growth of the Group's revenue. Despite the fact that there are uncertainties in the fitting-out and construction market in Hong Kong and Macau, the management remains cautiously optimistic about the Group's prospects, and is now ready to make full use of the Greater Bay Area development policy to expand the Group's market into Mainland China.

FINAL DIVIDEND

The Board proposed payment of a final dividend of HK1.125 cents (equivalent to MOP1.16 cents) per Share for the year ended 31 December 2019 to Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 2 July 2020, subject to the approval by the Shareholders at the forthcoming AGM (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "**AGM**") is scheduled to be held on Monday, 22 June 2020. In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 16 June 2020 to Monday, 22 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 15 June 2020.

For determining the entitlement to the proposed final dividend (subject to the approval of the Shareholders at the AGM of the Company), the register of members of the Company will be closed from Friday, 3 July 2020 to Tuesday, 7 July 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 2 July 2020. The final dividend is expected to be paid on Wednesday, 15 July 2020.

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

During the year ended 31 December 2019, 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 2019, 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 2019.

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 2019.

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 2019 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 2019 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 2019.

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, 24 March 2020

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.