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 2020

FINANCIAL HIGHLIGHTS

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

	For the year ended 31 December		Year-on-year increase/ (decrease)
	2020 *MOP’000*	2019 *MOP’000*	
Revenue	**160,522**	262,870	(38.9)%
Gross profit	**18,295**	45,334	(59.6)%
Gross profit margin	**11.4%**	17.2%	(5.8)%
(Loss)/profit attributable to owners of the Company	**(81,890)**	6,385	(1,382.5)%
Equity attributable to owners of the Company	**138,882**	224,074	(38.0)%
Basic (loss) earnings per share *(MOP cents)*	**(20.1)**	1.6	(1,356.3)%

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: HK1.125 cents (equivalent to MOP1.16 cents)).

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 2020 together with the comparative figures for the corresponding year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	**2020** *MOP'000*	2019 *MOP'000*
REVENUE	4	**160,522**	262,870
Cost of sales		**(142,227)**	(217,536)
Gross profit		**18,295**	45,334
Other income, gains and losses, net		**4,795**	2,187
Administrative expenses		**(36,649)**	(38,039)
Impairment losses on financial assets and contract assets		**(61,209)**	(239)
Impairment losses on prepayments		**(2,009)**	–
Loss on written-off of items of property, plant and equipment		**(950)**	–
Changes in fair value of investment properties		**(2,266)**	1,339
Finance costs		**(1,897)**	(2,145)
(LOSS)/PROFIT BEFORE TAX	5	**(81,890)**	8,437
Income tax credit/(expense)	6	**1,333**	(2,052)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(80,557)**	6,385
		Macau cents	*Macau cents*
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted			
– For (loss)/profit for the year	8	**(20.1)**	1.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 MOP'000	2019 MOP'000
NON-CURRENT ASSETS			
Property, plant and equipment		**82,100**	84,617
Investment properties		**25,853**	28,119
Right-of-use assets		**477**	12,414
Total non-current assets		**108,430**	125,150
CURRENT ASSETS			
Trade receivables	9	**12,011**	41,548
Contract assets		**64,835**	101,980
Prepayments, other receivables and other assets		**12,870**	11,557
Amount due from a director		**698**	698
Amount due from the ultimate holding company		**1**	1
Pledged bank deposits		**14,147**	3,600
Cash and bank balances		**22,018**	57,920
Total current assets		**126,580**	217,304
CURRENT LIABILITIES			
Trade payables	10	**24,279**	25,940
Contract liabilities		**2,880**	3,445
Other payables and accruals		**12,713**	15,215
Interest-bearing bank borrowings		**51,413**	54,791
Lease liabilities		**484**	2,091
Tax payable		**576**	2,028
Total current liabilities		**92,345**	103,510
NET CURRENT ASSETS		**34,235**	113,794
TOTAL ASSETS LESS CURRENT LIABILITIES		**142,665**	238,944

	2020	2019
	MOP'000	*MOP'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**1,196**	–
Deferred tax liabilities	**2,587**	3,904
Lease liabilities	**–**	10,966
Total non-current liabilities	**3,783**	14,870
Net assets	**138,882**	224,074
EQUITY		
Share capital	**4,120**	4,120
Reserves	**134,762**	219,954
Total equity	**138,882**	224,074

NOTES TO FINANCIAL STATEMENTS

31 December 2020

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 Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

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

During February to July 2020, certain monthly lease payments for the leases of the Group's restaurant have been reduced by the lessor as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessor as a result of the COVID-19 pandemic during the year. Accordingly, a reduction in the lease payments arising from the rent concessions of MOP164,800 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss during the year.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and 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, with the Group acting as the 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. The Group has terminated its lease contract of restaurant premise in September 2020. Up to the date of approval of these financial statements, the Group is currently looking for another venue to resume the catering services.

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, impairment losses on financial assets, contract assets and prepayments, changes in fair value of investment properties, 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 2020	**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	**152,547**	**1,096**	**4,412**	**2,467**	**160,522**
Segment results	**15,361**	**(422)**	**2,124**	**(554)**	**16,509**
Corporate expenses					**(35,813)**
Other income, gains and losses, net					**4,795**
Impairment losses on financial assets and contract assets					**(61,209)**
Impairment losses on prepayments					**(2,009)**
Changes in fair value of investment properties					**(2,266)**
Finance costs					**(1,897)**
Loss before tax					**(81,890)**

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					2,187
Impairment losses on financial assets and contract assets					(239)
Changes in fair value of investment properties					1,339
Finance costs					(2,145)
Profit before tax					8,437

Geographical information

(a) *Revenue from external customers*

	2020	2019
	MOP'000	*MOP'000*
Macau	**118,928**	150,908
Hong Kong	**41,594**	111,962
	160,522	262,870

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

(b) *Non-current assets*

	2020	2019
	MOP'000	MOP'000
Macau	**107,788**	124,010
Hong Kong	**642**	240
	108,430	124,250

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

4. REVENUE

An analysis of revenue is as follows:

	2020	2019
	MOP'000	*MOP'000*
Revenue from contracts with customers		
Fitting-out, alteration and addition works	**152,547**	225,013
Construction works	**1,096**	30,922
Repair and maintenance services	**4,412**	5,703
Restaurant operations	**2,467**	1,232
	160,522	262,870

5. (LOSS)/PROFIT BEFORE TAX

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

	2020	2019
	MOP'000	*MOP'000*
Cost of services provided*	**142,227**	217,536
Depreciation of property, plant and equipment	**1,782**	1,602
Depreciation of right-of-use assets	**2,230**	2,092
Lease payments not included in the measurement of lease liabilities	**418**	261
Auditor's remuneration	**1,280**	1,280
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**13,893**	14,396
Pension scheme contributions	**482**	477
Impairment losses on financial and contract assets:		
Impairment losses on trade receivables	**20,829**	24
Impairment losses on contract assets	**40,380**	215
Loss on written-off of items of property, plant and equipment	**950**	–
Impairment losses on prepayments	**2,009**	–
Changes in fair value of investment properties	**2,266**	(1,339)

* Included in cost of services provided are the staff costs incurred in the amount of MOP27,691,000 (2019: MOP29,314,000).

6. INCOME TAX

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

	2020	2019
	MOP'000	*MOP'000*
Current – Macau		
Charge for the year	**23**	10
Underprovision in prior years	**–**	27
Current – Hong Kong		
Charge for the year	**–**	1,475
Overprovision in prior years	**(39)**	–
Deferred	**(1,317)**	540
Total tax (credit)/charge for the year	**(1,333)**	2,052

7. DIVIDENDS

	2020	2019
	MOP'000	*MOP'000*
Proposed final – Nil (2019: MOP1.16 cents (equivalent to HK1.125 cents)) per ordinary share	**–**	4,635

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

The calculation of the basic (loss)/earnings per share amount for the years ended 31 December 2020 and 2019 is based on the (loss)/profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 400,000,000 (2019: 400,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

9. TRADE RECEIVABLES

	2020	2019
	MOP'000	*MOP'000*
Trade receivables	**34,109**	42,945
Impairment	**(22,098)**	(1,397)
	12,011	41,548

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 are amounts due from the Group's director Mr. Lai Ieng Man of MOP600,000 (2019: Nil) and related parties of MOP2,472,000 (2019: MOP14,044,000), which are 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:

	2020	2019
	MOP'000	*MOP'000*
Within 1 month	**2,554**	6,334
1 to 2 months	**3,140**	3,948
2 to 3 months	**119**	4,464
3 to 6 months	**600**	5,885
6 months to 1 year	**2,401**	2,363
Over 1 year	**3,197**	18,554
	12,011	41,548

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

	2020	2019
	MOP'000	*MOP'000*
At beginning of year	**1,397**	1,373
Impairment losses	**20,829**	24
Amount written off as uncollectible	**(128)**	–
At end of year	**22,098**	1,397

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:

	2020	2019
	MOP'000	*MOP'000*
Within 1 month	**2,093**	10,964
1 to 2 months	**8,775**	2,728
2 to 3 months	**1,005**	2,313
Over 3 months	**12,406**	9,935
	24,279	25,940

No trade payable due to a related party is included in the trade payables during the year (2019: MOP60,000) 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 2020, retention payables included in trade payables amounted to MOP2,180,000 (2019: MOP3,341,000) 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 pillar 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 fees to 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, trial hearings for the lawsuit filed by the Macau Government were finished in December 2020 awaiting for the court's decision, while the first hearing date for another lawsuit filed by several flat owners of Sin Fong Garden Building is scheduled on 19 October 2021. 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 2020 and 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 defence against the lawsuit and, accordingly, has 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, while the trial of one of the fitting-out projects held by the Court of First Instance was completed during the year with the subsidiary of the Group winning the lawsuit, the plaintiff subcontractor has filed an appeal to the court waiting for court hearing. The first hearing date of another fitting-out project was initially scheduled on 9 November 2020 but has been postponed until further notice. 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 arising from both lawsuits and hence no provision is made in the financial statements.

12. COMPARATIVE FIGURES

During the year, impairment losses on financial assets and contract assets and changes in fair value of investment properties have been presented separately from other income, gains and losses, net, in the statement of profit or loss and other comprehensive income due to materiality. In addition, trade receivables aged over 3 months have been disaggregated to be consistent with current year's expected credit losses assessment. As a result, certain comparative figures have been re-presented to conform to the current year's presentation.

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 2020, all of the Group's revenue was derived in Macau and Hong Kong and the Group undertook projects from both private and public sectors and ran a restaurant in Macau.

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

The Group's revenue comprised (a) fitting-out works; (b) construction works; (c) repairs and maintenance services; and (d) income from restaurant operations. During the year ended 31 December 2020, the total value for the new fitting-out projects awarded to the Group, representing the aggregate awarded contract sum, amounted to approximately MOP168.1 million as compared to the year ended 31 December 2019 of approximately MOP264.3 million. As at 31 December 2020, the Group had an aggregate value of backlog for fitting-out projects and construction projects of approximately MOP82.5 million as compared to approximately MOP52.6 million as at 31 December 2019.

Financial review

The following table sets forth a breakdown of the Group's revenue during the years ended 31 December 2020 and 2019 by business segments:

	Year ended 31 December			
	2020		2019	
	MOP'000	**%**	*MOP'000*	%
Fitting-out works	**152,547**	**95.0**	225,013	85.6
Construction works	**1,096**	**0.7**	30,922	11.8
Repair and maintenance services	**4,412**	**2.8**	5,703	2.2
Income from restaurant operations	**2,467**	**1.5**	1,232	0.4
Total	**160,522**	**100.0**	262,870	100.0

During the year ended 31 December 2020, the Group's revenue decreased by approximately MOP102.3 million or 38.9%. The decrease was mainly attributable to the decrease in revenue from fitting-out works by approximately MOP72.5 million or 32.2% and decrease in revenue from construction works by approximately MOP29.8 million or 96.5%.

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 2020 and 2019 by type of customers:

	Year ended 31 December			
	2020		2019	
	MOP'000	*%*	*MOP'000*	*%*
Hotel and casino	**87,793**	**57.6**	17,323	7.7
Retail shops and restaurants	**20,097**	**13.2**	149,258	66.3
Others	**44,657**	**29.2**	58,432	26.0
Total	**152,547**	**100.0**	225,013	100.0

The decrease in fitting-out works revenue during the year ended 31 December 2020 was mainly attributable to the decrease in revenue from retail shops and restaurants and others by approximately MOP129.2 million or 86.5% and approximately MOP13.8 million or 23.6%, respectively. The overall decrease in fitting-out works revenue was mainly due to COVID-19 pandemic which lead to sluggish business environment in the fitting-out industry in Macau and Hong Kong. Fitting-out works revenue from other customers decrease was again due to sluggish business environment.

The decrease in revenue of construction works was mainly attributable to the decrease in revenue derived from general construction of approximately MOP29.8 million or 96.5% 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 2020 and 2019 by business segments:

	Year ended 31 December			
	2020		2019	
	Gross profit MOP'000	***Gross profit margin %***	*Gross profit MOP'000*	*Gross profit margin %*
Fitting-out works	**16,147**	**10.6**	42,639	18.9
Construction works	**(383)**	**(34.9)**	(88)	(0.3)
Repair and maintenance services	**2,135**	**48.4**	2,457	43.8
Income from restaurant operations	**396**	**16.1**	326	26.5
Total/overall	**18,295**	**11.4**	45,334	17.2

During the year ended 31 December 2020, the Group's gross profit decreased by approximately MOP27.0 million or approximately 59.6% from approximately MOP45.3 million for the year ended 31 December 2019 to approximately MOP18.3 million for the year ended 31 December 2020. 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 decreased from approximately 17.2% for the year ended 31 December 2019 to approximately 11.4% for the year ended 31 December 2020. The gross profit margin decrease was due to general decrease in gross profit margin in view of COVID-19 pandemic. Gross loss of construction works was due to contract works cost finally confirmed.

Other income, gains and losses, net

The Group incurred net loss over other income and gains of approximately MOP61.6 million for the year ended 31 December 2020, as compared with net gain over other income and gains of approximately MOP3.3 million for the year ended 31 December 2019. Net loss was due to provision MOP61.2 million made for financial assets and contract assets in view of poor economic environment upon COVID-19 outbreak.

As a result of COVID-19, significant impairment losses on financial assets and contract assets of MOP61.2 million have been made compared with prior year impairment losses on financial assets and contract assets of MOP0.2 million. The Group has assessed recoverability of financial assets and contract assets from time to time, and adjusted expected credit losses provision when deterioration of credit quality has come to management attention. During the year, the Group has encountered delays in settlements, disputes arising from sites suspensions/lockdowns, liquidity problems from customers, and therefore, expected credit losses provision has been adjusted accordingly.

Administrative expenses

The Group's administrative expenses decreased by approximately MOP1.4 million or 3.7% from approximately MOP38.0 million for the year ended 31 December 2019 to approximately MOP36.6 million for the year ended 31 December 2020. Such decrease was mainly due to decrease in administrative expenses under cost control measures taken.

Finance costs

The Group's finance costs decreased by approximately MOP0.2 million or 11.6% from approximately MOP2.1 million for the year ended 31 December 2019 to approximately MOP1.9 million for the year ended 31 December 2020. Such decrease was attributable to the decrease in bank loans interest rates during the year ended 31 December 2020.

Income tax expense

The Group's income tax expense decreased from approximately MOP2.1 million for the year ended 31 December 2019 to approximately MOP1.3 million tax credit for the year ended 31 December 2020. Tax credit was due to deferred tax.

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

As a result of the above, the Group incurred loss for the year attributable to owners of the Company of approximately MOP80.6 million for the year ended 31 December 2020 as compared with profit of approximately MOP6.4 million for the year ended 31 December 2019.

Basic (loss) earnings per share

The Company's basic loss per share for the year ended 31 December 2020 was MOP20.1 cents (2019: earnings MOP1.6 cents), representing a decrease of MOP21.7 cents or over 13.6 times which is in line with the loss for the year attributable to owners of the Company when compared to the year ended 31 December 2019.

Final dividend

The Board does not recommend the payment of final divided for the year ended 31 December 2020 (2019: HK1.125 cents (equivalent to MOP1.16 cents)).

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 2020, the Group's current assets exceeded its current liabilities by MOP34,235,000 (2019: MOP113,794,000).

As at 31 December 2020, the Group had bank balances and cash of MOP22.0 million (2019: MOP57.9 million).

As at 31 December 2020, the Group had an aggregate of pledged bank deposits of MOP14.1 million (2019: MOP3.6 million) that were used to secure banking facilities.

As at 31 December 2020, bank and other borrowings amounted to MOP52.6 million (2019: MOP54.8 million) of which MOP4.8 million, MOP4.9 million, MOP13.8 million and MOP29.1 million (2019: MOP4.0 million, MOP4.1 million, MOP13.0 million and MOP33.7 million) will mature within one year, one year to two years, two years to five years and more than five years, respectively.

The interest-bearing bank borrowings amounting to MOP36,498,000 as at 31 December 2020 (2019: MOP39,457,000), 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") (2019: 2.25% to 2.65% below the Prime Rate) per annum. The remaining interest-bearing bank borrowing amounting to MOP14,268,000 as at 31 December 2020 (2019: MOP15,334,000) carries interests at three months Hong Kong Interbank Offered Rate (HIBOR) plus 2.3% (2019: 2.3%) per annum. The effective interest rates on the borrowings as at 31 December 2020 (which are also equal to contracted interest rate) range from 2.6% to 2.8% (2019: 2.6% to 4.5%).

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 2020, the Group's current assets and current liabilities were MOP126.6 million (2019: MOP217.3 million) and MOP92.3 million (2019: MOP103.5 million), respectively. The Group's current ratio decreased to 1.4 (2019: 2.1). The decrease was in line with loss making situation during the year ended 31 December 2020. The Group has still 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 0.37 as at 31 December 2020 (2019: 0.30). The increase in gearing ratio was primarily due to decrease in total equity.

As at 31 December 2020, the share capital and equity attributable to owners of the Company amounted to MOP4,120,000 and MOP138.9 million, respectively (2019: MOP4,120,000 and MOP223.3 million, respectively).

Charge on the Group's assets

As at 31 December 2020, land and building, investment properties and bank deposits were pledged to secure certain borrowings granted to the Group amounted to MOP81.2 million, MOP25.9 million and MOP14.1 million (2019: MOP82.0 million, MOP28.1 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$48,950,000, to be borne jointly by the defendants. However, according to the report issued by the team of technical advisors and experts engaged by the Macau Government to study the causes of the incident, the collapse of Sin Fong Garden Building was caused by the substandard supporting pillars of Sin Fong Garden Building, instead of the dismantlement and foundation work undertaken in the adjacent new residential building.

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 MOP12,806,000, to be borne jointly by the defendants.

Up to the date of this announcement, trial hearings for the lawsuit filed by the Macau Government were finished in December 2020 awaiting for the court's decision, while the first hearing date for another lawsuit filed by several flat owners of Sin Fong Garden Building is scheduled on 19 October 2021. 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.

Dispute on payment with a subcontractor

As at 31 December 2020 and 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 defence against the lawsuit and, accordingly, has not provided for any claim arising from the litigation, other than the related legal and other costs.

Up to the date of this announcement, while the trial of one of the fitting-out projects held by the Court of First Instance was completed during the year with the subsidiary of the Group winning the lawsuit, the plaintiff subcontractor has filed an appeal to the court waiting for court hearing. The first hearing date of another fitting-out project was initially scheduled on 9 November 2020 but has been postponed until further notice. 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 arising from both lawsuits and hence no provision is made in the financial statements.

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

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

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

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

Interest rate risk

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

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 2020 on trade receivables and contract assets from the Group's five major customers amounting to approximately MOP39.8 million (2019: MOP21.0 million) and accounted for approximately 51.8% (2019: 14.6%) of the Group's total trade receivables and contract assets. The major customers of the Group are certain reputable organisations. The management of the Group considers that the credit risk is limited in this regard.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Liquid funds 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 2020 and up to date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the total number of full-time employees of the Group was 153 (2019: 184).

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

The Group's gross staff costs from operations (including the directors' emoluments) was MOP55.5 million for the year ended 31 December 2020 (2019: MOP50.4 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 prospectus of the Company date 27 January 2017 (the "**Prospectus**")) amounted to approximately HK$89.8 million (equivalent to approximately MOP92.5 million) (after deducting underwriting fees and commissions and all related expenses). Such net proceeds are intended to be applied in accordance with the proposed application as disclosed in the Prospectus and as stated in the Company's announcement dated 7 August 2020.

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

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

During the year ended 31 December 2020, the actual application for the net proceeds from the Listing were used and expected to be used according to the intentions previously disclosed in the Prospectus and there was no material change in the use of proceeds. The unutilised amount is expected to be used in accordance with the Company's plan as disclosed in the Prospectus. Given the impacts of the COVID-19 on the economy, the Company will continue to evaluate and adopt a prudent and flexible approach for utilising the net proceeds effectively and efficiently for the long-term benefit and development of the Group. The expected timeline of full utilisation is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions.

Should there be any material change in the intended use of the net proceeds from the Share Offer as described in the Prospectus, the Company will make appropriate announcement(s) in due course.

PROSPECTS AND STRATEGIES

Outlook and strategies:

The year 2020 is the most difficult year for the development of Macau in the past 20 years - the global economic slowdown and the tension of Sino-US trade war, coupled with the impact of the COVID-19 pandemic have led to a serious economic downturn in Macau. The tourism and gaming industries, which are the key pillars of Macau's economy, were severely suffered, and the construction industry, which is a ancillary industry for both of the said industries, was unavoidably and deeply affected.

In addition, our customers have also been in an extremely unfavourable situation due to the decline in business as a result of the COVID-19 pandemic, causing some bad debts for the Company. Meanwhile, the Company's overseas development has been greatly hampered. It was originally planned that branches be set up in other Southeast Asian countries, however, due to the pandemic, currently the exploration of markets has progressed slower and becomes slightly difficult. Despite the hindrance, the Group will continue to keep an eye on Asia and explore new markets.

At present, as a result of the emergence of the COVID-19 vaccines, the pandemic has gradually stabilized, and China has resumed internal border crossing, which is beneficial to the Group's development in the mainland. Driven by the development policy of the Greater Bay Area, 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. The Group has always been optimistic about the development prospects of the Guangdong-Hong Kong-Macau Greater Bay Area and therefore the Group has seized this opportunity to open up the qualifications for mutual recognition in Hengqin in early 2021. In the new year, we will actively explore new markets in Hengqin. The Group will align ourselves with the national planning policy and actively participate in the development of the Greater Bay Area.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: HK1.125 cents (equivalent to MOP1.16 cents)).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "**AGM**") is scheduled to be held on Tuesday, 29 June 2021. In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 23 June 2021 to Tuesday, 29 June 2021, 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 Tuesday, 22 June 2021.

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

During the year ended 31 December 2020, 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 2020, 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 2020.

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 2020.

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 2020 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 2020 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 2020.

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, 29 March 2021

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.