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 2021

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

	For the year ended 31 December		Year-on-year increase/ (decrease)
	2021 *MOP'000*	2020 *MOP'000*	
CONTINUING OPERATIONS			
Revenue	**144,117**	158,055	(8.8%)
Gross profit	**24,595**	17,900	37.4%
Gross profit margin	**17.1%**	11.3%	5.8%
Loss for the year from continuing operations	**(20,425)**	(78,256)	(73.9%)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	**(313)**	(2,301)	(86.4%)
Loss attributable to owners of the Company	**(20,738)**	(80,557)	(74.3%)
Equity attributable to owners of the Company	**118,144**	138,882	(14.9%)
Loss per share *(MOP cents)*	**(5.2)**	(20.1)	(74.1%)

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

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 2021 together with the comparative figures for the corresponding year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 MOP'000	2020 MOP'000 (Represented)
CONTINUING OPERATIONS			
REVENUE	*4*	**144,117**	158,055
Cost of sales		**(119,522)**	(140,155)
Gross profit		**24,595**	17,900
Other income, gains and losses, net		**1,967**	3,809
Administrative expenses		**(28,714)**	(34,208)
Impairment losses on financial assets and contract assets		**(16,571)**	(61,209)
Impairment losses on prepayments		**(1,843)**	(2,009)
Changes in fair value of investment properties		**1,133**	(2,266)
Finance costs		**(1,336)**	(1,606)
Share of profit of an associate		**19**	–
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**(20,750)**	(79,589)
Income tax credit	*6*	**325**	1,333
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(20,425)**	(78,256)

	Notes	2021 MOP'000	2020 MOP'000 (Represented)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	*7*	**(313)**	(2,301)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(20,738)**	(80,557)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*9*		
		MOP cents	*MOP cents*
Basic and diluted			
– For loss for the year		**(5.2)**	(20.1)
– For loss from continuing operations		**(5.1)**	(19.6)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2021

	Notes	**2021** *MOP'000*	2020 *MOP'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**80,908**	82,100
Investment properties		**26,986**	25,853
Investment in an associate		**6,920**	–
Equity investments designated at fair value through other comprehensive income		**1,380**	–
Right-of-use assets		**–**	477
Total non-current assets		**116,194**	108,430
CURRENT ASSETS			
Inventories		**3,360**	–
Trade receivables	10	**27,056**	12,011
Contract assets		**26,720**	64,835
Prepayments, other receivables and other assets		**16,534**	12,870
Amount due from a director		**698**	698
Amount due from the ultimate holding company		**1**	1
Pledged bank deposits		**14,463**	14,147
Cash and bank balances		**11,502**	22,018
Total current assets		**100,334**	126,580
CURRENT LIABILITIES			
Trade payables	11	**24,252**	24,279
Contract liabilities		**13,246**	2,880
Other payables and accruals		**10,234**	12,713
Interest-bearing bank borrowings		**47,309**	51,413
Lease liabilities		**–**	484
Tax payable		**20**	576
Total current liabilities		**95,061**	92,345
NET CURRENT ASSETS		**5,273**	34,235
TOTAL ASSETS LESS CURRENT LIABILITIES		**121,467**	142,665

	2021	2020
	MOP'000	*MOP'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**523**	1,196
Deferred tax liabilities	**2,800**	2,587
Total non-current liabilities	**3,323**	3,783
Net assets	**118,144**	138,882
CAPITAL AND RESERVES		
Share capital	**4,120**	4,120
Reserves	**114,024**	134,762
Total equity	**118,144**	138,882

NOTES TO FINANCIAL STATEMENTS

31 December 2021

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 and equity investments designated at fair value through other comprehensive income 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate as at 31 December 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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 three reportable operating segments as follows:

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

(b) construction works segment engages in construction works, with the Group acting as the main contractor; and

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about 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/loss 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, share of profit of an associate 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 2021	**Fitting-out, alteration and addition works** *MOP'000*	**Construction works** *MOP'000*	**Repair and maintenance services** *MOP'000*	**Total** *MOP'000*
Segment revenue (note 4)				
Sales to external customer from continuing operations	**131,511**	**8,920**	**3,686**	**144,117**
Segment results	**22,939**	**(280)**	**1,422**	**24,081**
Corporate expenses				**(28,200)**
Other income, gains and losses, net				**1,967**
Impairment losses on financial assets and contract assets				**(16,571)**
Impairment losses on prepayments				**(1,843)**
Changes in fair value of investment properties				**1,133**
Finance costs				**(1,336)**
Share of profit of an associate				**19**
Loss before tax from continuing operations				**(20,750)**

Year ended 31 December 2020 (Represented)	Fitting-out, alteration and addition works *MOP'000*	Construction works *MOP'000*	Repair and maintenance services *MOP'000*	Total *MOP'000*
Segment revenue (note 4)				
Sales to external customer from continuing operations	152,547	1,096	4,412	158,055
Segment results	15,361	(422)	2,124	17,063
Corporate expenses				(33,371)
Other income, gains and losses, net				3,809
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				(1,606)
Loss before tax from continuing operations				(79,589)

Geographical information

(a) *Revenue from external customers*

	2021	2020
	MOP'000	*MOP'000*
		(Represented)
Macau	**129,502**	116,461
Hong Kong	**14,615**	41,594
	144,117	158,055

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

(b) *Non-current assets*

	2021	2020
	MOP'000	*MOP'000*
		(Represented)
Macau	**114,723**	107,474
Hong Kong	**91**	642
	114,814	108,116

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

4. REVENUE

An analysis of revenue is as follows:

	2021	2020
	MOP'000	*MOP'000*
		(Represented)
Revenue from contracts with customers		
Fitting-out, alteration and addition works	**131,511**	152,547
Construction works	**8,920**	1,096
Repair and maintenance services	**3,686**	4,412
	144,117	158,055

5. LOSS BEFORE TAX

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

	2021	2020
	MOP'000	*MOP'000*
		(Represented)
Cost of services provided*	**119,522**	140,155
Depreciation of property, plant and equipment	**1,233**	1,377
Depreciation of right-of-use assets	**39**	476
Lease payments not included in the measurement of lease liabilities	**581**	418
Auditor's remuneration	**927**	1,280
Employee benefit expense (excluding directors' and chief executive's remuneration):		
– Wages and salaries	**11,767**	13,893
– Pension scheme contributions	**412**	467
Impairment losses on financial and contract assets:		
– Impairment losses on trade receivables	**3,142**	20,829
– Impairment losses on contract assets	**13,429**	40,380
Impairment losses on prepayments	**1,843**	2,009
Changes in fair value of investment properties	**(1,133)**	2,266

* Included in cost of services provided are the staff costs incurred in the amount of MOP26,247,000 (2020: MOP27,691,000).

6. INCOME TAX

Macau complementary tax has been provided at progressive rates up to 12% (2020: progressive rates up to 12%) on the estimated taxable profits arising in Macau during the year. No provision for Hong Kong Profits Tax has been made as the Company and subsidiary incorporated in Hong Kong have no assessable profits during the year.

	2021	2020
	MOP'000	*MOP'000*
Current – Macau		
Charge for the year	**20**	23
Overprovision in prior years	**(558)**	–
Current – Hong Kong		
Overprovision in prior years	**–**	(39)
Deferred	**213**	(1,317)
Total tax credit for the year from continuing operations	**(325)**	(1,333)
Total tax charge for the year from discontinued operation	**–**	–
	(325)	(1,333)

7. DISCONTINUED OPERATION

On 1 June 2021, the Company decided to terminate its restaurant operations in view of the continuing poor business environment in order to consolidate resources into its primary core business, i.e. fitting-out, alternation and addition works, construction works and repair and maintenance services. Upon the termination, related property, plant and equipment were written off. With the restaurant operations being classified as a discontinued operation, it was no longer included in the note for operating segment information.

The results of the restaurant operations for the year are presented below:

	2021	2020
	MOP'000	*MOP'000*
Revenue	**–**	2,467
Cost of sales	**–**	(2,072)
Other income, gains and losses, net	**(277)**	986
Expenses	**(36)**	(3,391)
Finance costs	**–**	(291)
Loss for the year from the discontinued operation	**(313)**	(2,301)

The net cash flows incurred by the restaurant operations for the year are as follows:

	2021	2020
	MOP'000	*MOP'000*
Operating activities	**(60)**	989
Investing activities	**–**	(115)
Financing activities	**–**	(930)
Net cash out flow	**(60)**	(56)
	MOP cents	*MOP cents*
Loss per share		
– Basic and diluted, from the discontinued operation	**(0.1)**	(0.6)

The calculation of basic and diluted loss per share from the discontinued operation is based on:

	2021	2020
Loss attributable to owners of the Company from the discontinued operation	**MOP313,000**	MOP2,301,000
Weighted average number of ordinary shares used in the basic and diluted loss per share calculation	**400,000,000**	400,000,000

8. DIVIDEND

No dividend has been declared by the Group during the years ended 31 December 2021 and 2020.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable of the Company from continuing operations of MOP20,425,000 (2020 (represented): MOP78,256,000) and loss from a discontinued operation of MOP313,000 (2020 (represented): MOP 2,301,000), and the weighted average number of ordinary shares of 400,000,000 (2020: 400,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

10. TRADE RECEIVABLES

	2021	2020
	MOP'000	*MOP'000*
Trade receivables	**49,225**	34,109
Impairment	**(22,169)**	(22,098)
	27,056	12,011

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 MOP1,571,000 (2020: MOP600,000) and related parties of MOP418,000 (2020: MOP2,472,000), 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:

	2021	2020
	MOP'000	*MOP'000*
Within 1 month	**21,191**	2,554
1 to 2 months	**1,628**	3,140
2 to 3 months	**1,124**	119
3 to 6 months	**2,273**	600
6 months to 1 year	**808**	2,401
Over 1 year	**32**	3,197
	27,056	12,011

11. 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:

	2021	2020
	MOP'000	*MOP'000*
Within 1 month	**6,038**	2,093
1 to 2 months	**6,751**	8,775
2 to 3 months	**2,216**	1,005
Over 3 months	**9,247**	12,406
	24,252	24,279

The trade payables are non-interest-bearing and are normally settled on 60-day terms. As at 31 December 2021, retention payables included in trade payables amounted to MOP2,098,000 (2020: MOP2,180,000) 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.

12. CONTINGENT LIABILITIES

(a) Sin Fong Garden Building

In October 2012, one of the supporting pillars of the residential building called "Sin Fong Garden Building" collapsed due to the loss of stability. Such collapse was accused to be caused by the dismantlement and construction of the foundation work undertaken in an adjacent new residential building project, of which Lai Si 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.

Trial hearings for the lawsuit filed by the Macau Government were finished in December 2020 and court decisions were made in April 2021. Among the court decisions, it was held that Lai Si was not liable for the case. While the first hearing date for another lawsuit filed by several flat owners of Sin Fong Garden Building is postponed to start on 17 November 2022. 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 consolidated financial statements as at 31 December 2021. 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

During the years ended 31 December 2021 and 2020, a subsidiary of the Group was a defendant in a lawsuit brought by a subcontractor of two of the Group's fitting-out projects on a total settlement dispute amount of MOP4.6 million. The directors, based on the advice from the Group's legal counsel, believe that the subsidiary has a valid defence against the lawsuit and, accordingly, has not provided for any claim arising from the litigation, other than the related legal and other costs.

On 29 November 2021, the Court of Final Appeal has made the final verdict for lawsuit amounting MOP2,932,000 and the subsidiary of the Group has won the litigation. On 7 February 2022, Primary Court of Macau has made the verdict for a lawsuit amounting MOP1,695,000 and the subsidiary of the Group has won the litigation, the plaintiff subcontractor may look forward to the Court of First lnstance. 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 consolidated financial statements as at 31 December 2021.

(c) Dispute on payment with a subcontractor

As at 31 December 2021, a subsidiary of the Group was a defendant in a lawsuit brought by a subcontractor of two of the Group's fitting-out projects on a total settlement dispute amount of MOP1,926,000.

Up to the date of this announcement, the case is not yet scheduled for first hearing. It is under the process of evidence disclosing. After consulting the Group's lawyer, the directors of the Company are of the opinion that it is premature to give any opinion on the case and to make any provision in the consolidated financial statements as at 31 December 2021.

(d) Dispute with Mr. Chan Chi Hung

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

Up to the date of this announcement, the case is not yet scheduled for first hearing. It is under the process of evidence disclosing. After consulting the Group's lawyer, the directors of the Company are of the opinion that it is premature to give any opinion on the case and to make any provision in the consolidated financial statements as at 31 December 2021.

13. COMPARATIVE FIGURES

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative 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; and (iii) repair and maintenance services in Macau and Hong Kong. During the year ended 31 December 2021, the Group terminated its restaurant operations in view of the continuing poor business environment so that resources are consolidated for the primary core business, fitting out/construction works. All of the Group's revenue was derived from projects from both private and public sectors in Macau and Hong Kong.

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

The Group's revenue comprised (a) fitting-out works; (b) construction works; and (c) repairs and maintenance services. During the year ended 31 December 2021, the total value for the new fitting-out projects awarded to the Group, representing the aggregate awarded contract sum, amounted to approximately MOP77.4 million as compared to the year ended 31 December 2020 of approximately MOP168.1 million. As at 31 December 2021, the Group had an aggregate value of backlog for fitting-out projects and construction projects of approximately MOP36.9 million as compared to approximately MOP82.5 million as at 31 December 2020.

Financial review

On the basis of total operations for the years ended 31 December 2021 and 2020 (i.e. including continuing and discontinued operations), financial review are as followed:

Revenue

The following table sets forth a breakdown of the Group's revenue during the years ended 31 December 2021 and 2020 by business segments:

	Year ended 31 December			
	2021		2020	
	MOP'000	*%*	*MOP'000*	*%*
Fitting-out works	**131,511**	**91.3**	152,547	95.0
Construction works	**8,920**	**6.2**	1,096	0.7
Repair and maintenance services	**3,686**	**2.5**	4,412	2.8
Income from restaurant operations	**–**	**–**	2,467	1.5
Total	**144,117**	**100.0**	160,522	100.0

During the year ended 31 December 2021, the Group's revenue decreased by approximately MOP16.4 million or 10.2%. The decrease was mainly attributable to the decrease in revenue from fitting-out works by approximately MOP21.0 million or 13.8% and increase in revenue from construction works by approximately MOP7.8 million or 7.1 times. The overall decrease in revenue was mainly due to poor operating environment as the COVID-19 pandemic continued.

The following table sets forth a breakdown of the Group's revenue attributable to fitting-out works during the years ended 31 December 2021 and 2020 by type of customers:

	Year ended 31 December			
	2021		2020	
	MOP'000	*%*	*MOP'000*	*%*
Hotel and casino	**65,521**	**49.8**	87,793	57.6
Retail shops and restaurants	**56,051**	**42.6**	20,097	13.2
Others	**9,939**	**7.6**	44,657	29.2
Total	**131,511**	**100.0**	152,547	100.0

The decrease in fitting-out works revenue during the year ended 31 December 2021 was mainly attributable to the decrease in revenue from hotel and casino by approximately MOP22.3 million or 25.4%. 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 increase in revenue of construction works was mainly attributable to the increase in revenue derived from general construction of approximately MOP7.8 million or 7.1 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 2021 and 2020 by business segments:

	Year ended 31 December			
	2021		2020	
	Gross profit MOP'000	***Gross profit margin %***	*Gross profit MOP'000*	*Gross profit margin %*
Fitting-out works	**23,281**	**17.7**	16,147	10.6
Construction works	**(133)**	**(1.5)**	(383)	(34.9)
Repair and maintenance services	**1,447**	**39.3**	2,135	48.4
Income from restaurant operations	**–**	**–**	396	16.1
Total/overall	**24,595**	**17.1**	18,295	11.4

During the year ended 31 December 2021, the Group's gross profit increased by approximately MOP6.3 million or approximately 34.4% from approximately MOP18.3 million for the year ended 31 December 2020 to approximately MOP24.6 million for the year ended 31 December 2021. The increase in gross profit was mainly due to the increase in fitting-out works projects.

The Group's gross profit margin increased from approximately 11.3% for the year ended 31 December 2020 to approximately 17.1% for the year ended 31 December 2021. The gross profit margin increase was due to increased gross profit margin of fitting-out works. 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 MOP15.6 million for the year ended 31 December 2021, as compared with net loss over other income and gains of approximately MOP61.6 million for the year ended 31 December 2020. Net loss reduced was due to provision made for financial assets and contract assets in view of poor economic environment upon COVID-19 outbreak being reduced from MOP61.2 million for the year ended 31 December 2020 to MOP16.6 million for the year ended 31 December 2021.

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 revised accordingly.

Administrative expenses

The Group's administrative expenses decreased by approximately MOP7.9 million or 21.3% from approximately MOP36.6 million for the year ended 31 December 2020 to approximately MOP28.7 million for the year ended 31 December 2021. 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 MOP0.6 million or 31.6% from approximately MOP1.9 million for the year ended 31 December 2020 to approximately MOP1.3 million for the year ended 31 December 2021. Such decrease was attributable to the decrease in bank loans interest rates during the year ended 31 December 2021.

Income tax credit

The Group's income tax credit decreased from approximately MOP1.3 million for the year ended 31 December 2020 to approximately MOP0.3 million for the year ended 31 December 2021. Tax credit for the year ended 31 December 2021 was due to overprovision in prior years.

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 MOP20.7 million for the year ended 31 December 2021 as compared with loss of approximately MOP80.6 million for the year ended 31 December 2020.

Basic loss per share

The Company's basic loss per share for the year ended 31 December 2021 was MOP5.2 cents (2020: MOP20.1 cents), representing a decrease of MOP14.9 cents or 74.1% which is in line with the loss for the year attributable to owners of the Company when compared to the year ended 31 December 2020.

Final dividend

The Board does not recommend the payment of final divided for the year ended 31 December 2021 (2020: 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 2021, the Group's current assets exceeded its current liabilities by MOP5.3 million (2020: MOP34.2 million).

As at 31 December 2021, the Group had bank balances and cash of MOP11.5 million (2020: MOP22.0 million).

As at 31 December 2021, the Group had an aggregate of pledged bank deposits of MOP14.5 million (2020: MOP14.1 million) that were used to secure banking facilities.

As at 31 December 2021, bank and other borrowings amounted to MOP47.8 million (2020: MOP52.6 million) of which MOP4.9 million, MOP4.9 million, MOP13.7 million and MOP24.3 million (2020: MOP4.8 million, MOP4.9 million, MOP13.8 million and MOP29.1 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 MOP33.5 million as at 31 December 2021 (2020: MOP36.5 million), carry interest at 2.65% below the prevailing best lending rate quoted by the bank in Macau (the "**Prime Rate**") (2020: 2.65% below the Prime Rate) per annum. The remaining interest-bearing bank borrowing amounting to MOP13.1 million as at 31 December 2021 (2020: MOP14.3 million) carries interests at three months Hong Kong Interbank Offered Rate (HIBOR) plus 2.3% (2020: 2.3%) per annum. The effective interest rates on the borrowings as at 31 December 2021 (which are also equal to contracted interest rate) range from 2.5% to 4% (2020: 2.8% to 4.7%).

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 2021, the Group's current assets and current liabilities were MOP100.3 million (2020: MOP126.6 million) and MOP95.1 million (2020: MOP92.3 million), respectively. The Group's current ratio decreased to 1.1 (2020: 1.4). The decrease was in line with loss making situation during the year ended 31 December 2021. 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 0.41 as at 31 December 2021 (2020: 0.38). The increase in gearing ratio was primarily due to decrease in total equity.

As at 31 December 2021, the share capital and equity attributable to owners of the Company amounted to MOP4.1 million and MOP118.1 million, respectively (2020: MOP4.1 million and MOP138.9 million, respectively).

Charge on the Group's assets

As at 31 December 2021, land and building, investment properties and bank deposits were pledged to secure certain borrowings granted to the Group amounted to MOP80.4 million, MOP27.0 million and MOP14.5 million (2020: MOP81.2 million, MOP25.9 million and MOP14.1 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 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.

Trial hearings for the lawsuit filed by the Macau Government were finished in December 2020 and court decisions were made in April 2021. Among the court decisions, it was held that Lai Si was not liable for the case. While the first hearing date for another lawsuit filed by several flat owners of Sin Fong Garden Building is postponed to start on 17 November 2022. 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 consolidated financial statements as at 31 December 2021. 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

During the years ended 31 December 2021 and 2020, a subsidiary of the Group was a defendant in a lawsuit brought by a subcontractor of two of the Group's fitting-out projects on a total settlement dispute amount of MOP4.6 million. The directors, based on the advice from the Group's legal counsel, believe that the subsidiary has a valid defence against the lawsuit and, accordingly, has not provided for any claim arising from the litigation, other than the related legal and other costs.

On 29 November 2021, the Court of Final Appeal has made the final verdict for lawsuit amounting MOP2,932,000 and the subsidiary of the Group has won the litigation. On 7 February 2022, Primary Court of Macau has made the verdict for a lawsuit amounting MOP1,695,000 and the subsidiary of the Group has won the litigation, the plaintiff subcontractor may look forward to the Court of First lnstance. 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 consolidated financial statements as at 31 December 2021.

Dispute on payment with a subcontractor

As at 31 December 2021, a subsidiary of the Group was a defendant in a lawsuit brought by a subcontractor of two of the Group's fitting-out projects on a total settlement dispute amount of MOP1,926,000.

Up to the date of this announcement, the case is not yet scheduled for first hearing. It is under the process of evidence disclosing. After consulting the Group's lawyer, the directors of the Company are of the opinion that it is premature to give any opinion on the case and to make any provision in the consolidated financial statements as at 31 December 2021.

Dispute with Mr. Chan Chi Hung

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

Up to the date of this announcement, the case is not yet scheduled for first hearing. It is under the process of evidence disclosing. After consulting the Group's lawyer, the directors of the Company are of the opinion that it is premature to give any opinion on the case and to make any provision in the consolidated financial statements as at 31 December 2021.

As at 31 December 2021, the Group did not have any capital commitments (2020: 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 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 2021 on trade receivables and contract assets from the Group's five major customers amounting to approximately MOP23.1 million (2020: MOP50.8 million) and accounted for approximately 43.0% (2020: 66%) 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 2021 and up to date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the total number of full-time employees of the Group was 146 (2020: 153).

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 MOP44.2 million for the year ended 31 December 2021 (2020: MOP48.5 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 2020**	**Utilised during the year 2021**	**Unutilised up to 31 December 2021**	**Expected timeline of full utilisation of the remaining proceeds from the Share Offer as at 31 December 2021**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	
Finance fitting-out projects in Macau	49.4	38.4	11	–	By the end of 2022
Finance construction projects in Macau	17.9	15.9	–	2	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	76.8	11	2	

* 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 2021, 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:

Throughout 2021, the global economy suffered a severe downturn under the COVID-19 pandemic. There is no complete protection against the mutating virus even with the COVID-19 vaccination, and as a result, all custom clearance measures and economic activities have not yet fully resumed, which has imposed several negative impacts on various industries in both Hong Kong and Macau.

The construction industry in Hong Kong and Macau is also in a pitiable plight under the pandemic: certain major gaming companies in Macau will be subject to license renewal, and fitting-out and construction projects by the government and the private sector have been postponed one after another; the pandemic in Hong Kong has been erratic and even intensified, leading to the depression of all industries. All these have cast a shadow over the future of the fitting-out works market in Hong Kong and Macau.

In order to expand our revenue, the Group has been expanding its branches and starting to develop its hotel operations and other businesses. However, even though the Hong Kong branch has gradually matured, the COVID-19 pandemic, which has persisted for years, caused the branch's performance to decline and the other businesses developed were not as satisfactory. Nevertheless, as a local construction company with inherent strengths and edge in Macau, the Group believes that with our solid reputation and competitiveness, we will continue to take root in Macau and undertake fitting-out and construction projects for our existing clients in order to consolidate our market position and revenue. The Macau government is now embarking on a series of public construction projects, including subsidized home-ownership scheme flats, social rental housing units, replacement housing units, apartments for the elderly, and reclamation projects in New Urban Zone A and Zone B which will be developed by the government in the near future. We are planning to explore opportunities arising from this series of major construction projects, especially the projects in New Urban Zone A and Zone B, and partner with major contractors to jointly engage in the above construction projects.

Despite the uncertainties in the fitting-out and construction market in Macau, the Group remains cautiously optimistic about its prospects. In addition, the Group is now ready to embrace the development policy of the Greater Bay Area to expand its market to Mainland China.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "**AGM**") is scheduled to be held on Monday, 27 June 2022. In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 22 June 2022 to Monday, 27 June 2022, 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, 21 June 2022.

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

During the year ended 31 December 2021, 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 2021, 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 2021.

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. Siu Wing Hay, Mr. Chan Iok Chun and Ms. Lam Mei Fong. Mr. Siu Wing Hay 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 2021.

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED

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 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Baker Tilly Hong Kong Limited 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 Baker Tilly Hong Kong Limited 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 2021 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 2021.

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, 28 March 2022

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