Hong Kong 香港 • Macau 澳門

黎氏建築
Lai Si Construction

Lai Si Enterprise Holding Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2266)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

Mr. SIU Wing Hay
Mr. CHAN Iok Chun
Mr./Dr. LIU Ting Chi

AUDIT COMMITTEE

Mr. SIU Wing Hay *(Chairman)*
Mr. CHAN Iok Chun
Dr. LIU Ting Chi

REMUNERATION COMMITTEE

Dr. LIU Ting Chi *(Chairman)*
Mr. LAI Ieng Man
Mr. LAI Meng San
Mr. SIU Wing Hay
Mr. CHAN Iok Chun

NOMINATION COMMITTEE

Mr. LAI Ieng Man *(Chairman)*
Ms. LAI Ieng Wai
Mr. SIU Wing Hay
Mr. CHAN Iok Chun
Dr. LIU Ting Chi

COMPANY SECRETARY

Mr. LO Hon Kit, CPA

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTER IN MACAU

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 602, 6th Floor
The L.Plaza
Nos. 367-375
Queen's Road Central
Sheung Wan
Hong Kong

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

CORPORATE INFORMATION

PRINCIPAL BANKERS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

STOCK CODE

2266

COMPANY'S WEBSITE

www.lai-si.com

DEFINITIONS

Unless the context otherwise requires, in this annual report, the following expressions shall have the following meanings:

"AGM"	annual general meeting of the Company
"Articles of Association"	the articles of association of the Company adopted on 18 January 2017 and as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"CG Code"	the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company"	Lai Si Enterprise Holding Limited (黎氏企業控股有限公司)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and in the case of the Company, means (i) Mr. Lai Ieng Man, Mr. Lai Meng San and Ms. Lai Ieng Wai collectively and/or (ii) SHKMCL
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"High Class"	High Class Investment Company Limited (高標投資有限公司)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the Listing Rules) any of the Directors, chief executive or substantial shareholders of the Company or the Company, its subsidiaries or any of their respective associates and not otherwise a connected person of the Company
"Lai Si"	Lai Si Construction & Engineering Company Limited (黎氏建築工程有限公司)
"Lai Si (HK)"	Lai Si Construction (Hong Kong) Company Limited (黎氏建築(香港)有限公司)
"Lai Si MEE"	Lai Si Mechanical and Electrical Engineering Company Limited (黎氏機電工程有限公司)
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	10 February 2017, being the date on which the Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LSHKHL"	LSHK Holding Limited
"LSMAHL"	LSMA Holding Limited

DEFINITIONS

"Macau"	the Macau Special Administrative Region of the PRC
"Macau Government"	the government of Macau
"Main Board"	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operating in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum and Articles of Association"	the memorandum and articles of association of the Company adopted on 18 January 2017 and as amended from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"PRC"	the People's Republic of China which, except where the context requires and for the purpose of this annual report does not include Taiwan, Hong Kong and Macau
"Prospectus"	the prospectus of the Company dated 27 January 2017
"Remuneration Committee"	the remuneration committee of the Company
"Securities Dealing Code"	the code of conduct adopted by the Company regarding securities transactions by the Directors and employees, who because of his office or employment in the Group, is likely to possess inside information of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	shareholder(s) of the Company
"Share Offer"	the placing and public offer as defined in the Prospectus
"Share Option Scheme"	the share option scheme approved and adopted by the Company on 18 January 2017 with effect from Listing
"Shares"	ordinary share(s) of HK$0.01 each in the issued capital of the Company
"SHKMCL"	SHK-Mac Capital Limited
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary(ies)"	LSHKHL, LSMAHL, WTMAHL, Lai Si, Lai Si (HK), Well Team, High Class, Lai Si MEE
"Well Team"	Well Team Engineering Company Limited (宏天工程有限公司)
"WTMAHL"	WTMA Holding Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"MOP" or "Macau patacas"	Macau patacas, the lawful currency of Macau
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent

Dear Shareholders,

On behalf of the Board, I am pleased to present the audited annual results of the Group for the year ended 31 December 2021.

COMPANY OVERVIEW

Established in the 1980s, the Group has nearly 40 years of experience in the fitting-out and construction industry in Macau. The Group mainly 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 works 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.

The fitting-out projects undertaken by the Group can be broadly divided into three categories by type of customers, namely (i) hotels and casinos; (ii) retail shops and restaurants; and (iii) others. The construction projects undertaken can be broadly classified into two categories, namely (i) general construction and (ii) heritage conservation. In addition, the Group also provides repair and maintenance services for properties in Macau, either on an ad-hoc basis or regularly over a fixed period.

The Group's competitive strengths in various aspects, which set the Group apart from its competitors and enable the Group to continue its growth and enhance its profitability, comprise its (i) well-established reputation with proven track record; (ii) established business relationships with some of the Group's major customers; (iii) stable pool of suppliers and subcontractors; (iv) experienced management team, which possesses extensive industry knowledge; and (v) well-established management system.

BUSINESS REVIEW

During the year ended 31 December 2021, the Group completed 25 projects and was awarded 23 projects. The Group's revenue decreased by approximately 8.8% from approximately MOP158.1 million for the year ended 31 December 2020 to approximately MOP144.1 million for the year ended 31 December 2021. For the year ended 31 December 2021, the Group recorded loss after tax of approximately MOP20.7 million, representing a decrease of 74.3% compared with the previous financial year.

MARKET REVIEW

By the second half of 2021, the COVID-19 pandemic which broke out in 2020 had not subsided. Despite the advent of the COVID-19 vaccines, the pandemic as a whole has not been contained and even intensified, with the virus continuing to mutate, making the end of the pandemic a long way off.

Under the doldrums of the COVID-19 pandemic, the global economy has suffered a serious downturn and all customs clearance measures and economic activities have not yet fully resumed, with various adverse impacts on the economy of both Hong Kong and Macau. The tourism and gaming industries, which are the key pillars of Macau's economy, continued to suffer, and the construction industry, being one of the ancillary industries for both of the said industries, was deeply affected: for certain project tenders, the awarded projects were postponed or cancelled; the projects in progress were also delayed. This is not only the situation in Macau but also in Hong Kong.

Although other operations developed by the Group have not been satisfactory due to the pandemic, as a local construction company with local strengths and edge, we will focus on local government projects in the future, and plan to partner with major contractors in government construction projects.

CHAIRMAN'S STATEMENT

OUTLOOK

The emergence of the COVID-19 pandemic has led to a global economic downturn and it is extremely unlikely that the economy will return to pre-pandemic levels in the near future. Although Macau's economy has also been severely affected by the pandemic, the Group will continue to explore opportunities to expand our business.

Apart from continuing to focus on local projects, the Group will also step towards the Guangdong-Hong Kong-Macau Greater Bay Area and participate in the construction of projects in the area. In early 2021, the Group opened up the qualifications for mutual recognition in Hengqin. The Group is gradually adapting to the local environment and is planning to participate in the projects open for bid within the area. Despite the slowing-down development of the Greater Bay Area due to the uncertainty and even deterioration of the COVID-19 pandemic, the Group remains optimistic about the development prospect of the Guangdong-Hong Kong-Macau Greater Bay Area and will steadily integrate into the development of this area.

The Group expects the world to progressively steer out of the doldrums of the COVID-19 pandemic in 2022, so that the whole economy can recover in phases and hence the construction and engineering market will gradually stabilize. In the meantime, the Group will continue to work hard, persevere and achieve the impossible in the coming future by leveraging upon our strengths and with confidence regardless of the hardship.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our Shareholders, business partners and other professional parties for their continuous support. I would also like to thank our management team and employees for their exceptional effort and valuable contribution during this year. We look forward to continuing this success moving forward.

Lai Ieng Man
Chairman
Macau
28 March 2022

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 Instance. 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 annual report, 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 annual report, 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 annual report.

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.

Eligible employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employee(s) in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK$1,500 per month or 5% of the relevant payroll costs to the MPF Scheme.

At the end of the reporting period, there were no forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Group's contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

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* HK$ million	Utilised up to 31 December 2020 HK$ million	Utilised during the year 2021 HK$ million	Unutilised up to 31 December 2021 HK$ million	Expected timeline of full utilisation of the remaining proceeds from the Share Offer as at 31 December 2021
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.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to maintaining high corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and enhance corporate value.

The Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices.

The Board is of the view that throughout the year ended 31 December 2021, the Company has complied with all the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions (the "Securities Dealing Code") by the Directors and employees who, because of his office or employment in the Group, is likely to possess inside information of the Company.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2021.

No incident of non-compliance of the Securities Dealing Code by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board regularly reviews the contributions required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

BOARD OF DIRECTORS (Continued)

Board Composition

The Board currently comprises the following Directors:

	Gender	Age	Cultural and Educational Background or Professional Experience
Executive Directors			
Mr. Lai Ieng Man (Chairman of the Board)	*M*	*70*	*Over 30 years of experience in fitting-out and construction industry*
Mr. Lai Meng San (Chief Executive Officer)	*M*	*42*	*Bachelor's degree of technology in architectural science*
Ms. Lai Ieng Wai	*F*	*41*	*Bachelor's degree of arts in economics*
Ms. Cheong Weng Si	*F*	*43*	*Bachelor's degree of business administration in accounting*
Independent non-executive Directors			
Mr. Chan Chun Sing (ceased on 10 February 2022)	*M*	*42*	*Master of business administration and a certified public accountant of the Hong Kong Institute of Certified Public Accountant*
Mr. Chan Iok Chun	*M*	*56*	*Over 16 years of experience in retail industry of mobile phones and related accessories*
Ms. Lam Mei Fong (ceased on 16 April 2022)	*F*	*35*	*Bachelor of law in Chinese language and registered practicing lawyer*
Mr. Siu Wing Hay (appointed on 10 February 2022)	*M*	*47*	*Bachelor's degree of business administration in finance and certified public accountant of the Hong Kong Institute of Certified Public Accountants*
Dr. Liu Ting Chi (appointed on 16 April 2022)	*M*	*44*	*Bachelor's degree of politics, master of business administration and Ph.D.*

The biographical information of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 32 to 36 of the annual report for the year ended 31 December 2021.

The relationships between the Directors are disclosed in the respective Director's biography under the section "Biographies of Directors and Senior Management" on pages 32 to 36 of this annual report.

BOARD OF DIRECTORS (Continued)

Attendance Records of Directors and Committee Meetings

Code provision C.5.1 of the CG Code stipulates that regular Board meetings should be held at least four times a year at approximately quarterly intervals involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Code provision C.2.7 of the CG Code requires that the Chairman should at least annually hold meetings with independent non-executive Directors without the presence of other directors.

A summary of the attendance records of the Directors at the Board and Board Committee meetings and annual general meeting held during the year is set out in the table below:

	Attendance/Number of Meetings				
Name of Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Mr. Lai Ieng Man	5/5	N/A	1/1	1/1	1/1
Mr. Lai Meng San	5/5	N/A	N/A	1/1	1/1
Ms. Lai Ieng Wai	5/5	N/A	1/1	N/A	1/1
Ms. Cheong Weng Si	5/5	N/A	N/A	N/A	1/1
Mr. Chan Chun Sing (ceased on 10 February 2022)	5/5	3/3	1/1	1/1	1/1
Mr. Chan Iok Chun	5/5	3/3	1/1	1/1	1/1
Ms. Lam Mei Fong (ceased on 16 April 2022)	5/5	3/3	1/1	1/1	1/1
Mr. Siu Wing Hay (appointed on 10 February 2022)	N/A	N/A	N/A	N/A	N/A
Dr. Liu Ting Chi (appointed on 16 April 2022)	N/A	N/A	N/A	N/A	N/A

Apart from regular Board meetings, the Chairman also held a meeting with independent non-executive Directors only without the presence of other Directors during the year.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Lai Ieng Man and Mr. Lai Meng San respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board as well as overall management of the Group corporate strategies planning. The Chief Executive Officer focuses on the overall management of the Group's business development and marketing matters.

Independent Non-executive Directors

During the year ended 31 December 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing more than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

BOARD OF DIRECTORS (Continued)

Appointment and Re-election of Directors

The independent non-executive Directors of the Company are appointed for a specific term of one year, subject to renewal after the expiry of the then current term.

The Company's Articles of Association provides that all Directors appointed by the Board to fill a causal vacancy shall be subject to re-election by shareholders at the first general meeting after appointment.

Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management under the supervision of Mr. Lai Meng San, the Chief Executive Director (for the Group's business development and marketing matters) and Ms. Lai Ieng Wai (for the Group's business operation), both are executive Directors.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

BOARD OF DIRECTORS (Continued)

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director shall receive a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate.

All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2021, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

The training records of the Directors for the year ended 31 December 2021 are summarized as follows:-

Directors	**Type of Training** Note
Executive Directors	
Lai Ieng Man	B
Lai Meng San	B
Lai Ieng Wai	B
Cheong Weng Si	B
Independent Non-Executive Directors	
Chan Chun Sing (ceased on 10 February 2022)	N/A
Siu Wing Hay (appointed on 10 February 2022)	N/A
Chan Iok Chun	B
Lam Mei Fong (ceased on 16 April 2022)	N/A
Liu Ting Chi (appointed on 16 April 2022)	N/A

Note:
Types of Training
A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 1 of this annual report.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Siu Wing Hay (in replacement of Mr. Chan Chun Sing with effect from 10 February 2022), Mr. Chan Iok Chun and Dr. Liu Ting Chi (in replacement of Ms. Lam Mei Fong with effect from 16 April 2022). Mr. Siu Wing Hay is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and overseeing the Group's financial reporting system, risk management and internal control systems, reviewing and monitoring the effectiveness of the internal audit function, scope of audit and making recommendation to the Board on the appointment of external auditors, and reviewing the arrangements for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held three meetings in the year ended 31 December 2021, to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, re-appointment of external auditors and their relevant scope of works, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors.

Remuneration Committee

The Remuneration Committee consists of five members, namely Mr. Lai Ieng Man, Mr. Lai Meng San, Mr. Siu Wing Hay (in replacement of Mr. Chan Chun Sing with effect from 10 February 2022), Mr. Chan Iok Chun and Dr. Liu Ting Chi (in replacement of Ms. Lam Mei Fong with effect from 16 April 2022). Dr. Liu Ting Chi is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

The Remuneration Committee met once during the year to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the executive Directors. On 29 March 2021, the Remuneration Committee held a meeting to review, note and confirm the following downward adjustment to the remuneration of executive Directors for the period from January to May 2021 to due to the impact of COVID-19:

	Monthly Salary (MOP)
Mr. Lai Ieng Man	108,000
Mr. Lai Meng San	115,000
Ms. Lai Ieng Wai	112,000

Pursuant to code provision E.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by band for the year ended 31 December 2021 are as follows:

	Number of employee(s)
HK$1,000,000.00 to HK$1,500,000.00 (equivalent to MOP1,030,000.00 to MOP1,545,000.00)	2

* Details of the remuneration of the senior management by band are set out in note 9 in the Notes to the Consolidated Audited Financial Statements for the year ended 31 December 2021.

The Remuneration Committee also made recommendations to the Board on the renewal of appointments and remuneration packages of the independent non-executive Directors during the year.

Nomination Committee

The Nomination Committee consists of five members, namely Mr. Lai Ieng Man, Ms. Lai Ieng Wai, Mr. Siu Wing Hay (in replacement of Mr. Chan Chun Sing with effect from 10 February 2022), Mr. Chan Iok Chun and Dr. Liu Ting Chi (in replacement of Ms. Lam Mei Fong with effect from 16 April 2022). Mr. Lai Ieng Man is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the selection of individuals nominated for directorship, making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee will discuss any revisions which may be required, and recommend any such revisions to the Board for consideration and approval.

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring directors standing for election at the annual general meeting.

The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board Diversity Policy.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will disclose annually, in the corporate governance report, on the Board's composition under diversified perspectives (including gender, age, cultural and educational background, or professional experience), and monitor the implementation of the Board Diversity Policy. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background or professional qualifications.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

BOARD COMMITTEES (Continued)

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2021, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Securities Dealing Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has the responsibility to maintain effective risk management and internal control systems in order to safeguard the Group's assets and investments and the shareholders' interest and conducts a review on an annual basis. During the year under review, the Board had conducted review of the effectiveness and adequacy of the risk management and internal control systems of the Company in aspects of the Group's financial, operational, compliance controls and risk management functions through the effort of the Audit Committee. During the year under review, the Company engaged an external independent consultant to conduct a review on the internal control system of the Group. The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function and the Board had reached the conclusion that the Group's risk management and internal control systems were in place and effective and adequate.

Main Features of the Risk Management and Internal Control Systems

The Group's risk governance structure and the main responsibilities of each level of the structure are summarized below:

The Board is responsible to determine the business strategies and objectives of the Group, and evaluate and determine the nature and extent of risks it is willing to take in achieving the Group's strategic objectives; ensures that the Group establishes and maintains appropriate and effective risk management and internal control systems; and oversees management in the design, implementation and monitoring of the risk management and internal control systems.

The Audit Committee is responsible for assisting the Board to perform its responsibilities of risk management and internal control systems; overseeing the Group's risk management and internal control systems on an ongoing basis; reviewing the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance control; ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions; and considers major findings on risk management and internal control matters, and reports and makes recommendations to the Board.

Senior management of the Group designs, implements and maintains appropriate and effective risk management and internal control systems; identifies, evaluates and manages the risk that may potentially impact the major processes of the operations; monitors risk and takes measures to mitigate risk in day-to-day operations; gives prompt responses to and follow up the findings on risk management and internal control matters raised by the independent external consultant and provides confirmation to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems.

The external independent consultant reviews the adequacy and effectiveness of the Group's risk management and internal control systems; and reports to the Audit Committee the findings of the review and makes recommendations to the Board and management to improve the material systems deficiencies or control weaknesses identified.

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

Risk Management Process

In addition to the Board's oversight responsibilities, the Company has developed a risk management process to identify, evaluate and manage significant risks and to resolve material internal control defects. Senior management of the Group is responsible for the annual risk reporting process. Independent external consultant meets with various members of the senior management to review and assess risks and discuss solutions to address material internal control defects, including any changes relevant to a given year. Risks are compiled, ratings are assigned and mitigation plans are documented. The risk assessment is reviewed by certain members of the senior management and presented to the Audit Committee and the Board for their review.

Risks are evaluated by the Board and the Group's senior management based on (i) the severity of the impact of the risk on the Company's financial results; and (ii) the probability that the risk will occur.

Based on the risk evaluation, the Company will manage the risks as follows:

- Risk elimination – the Group's senior management may identify and implement certain changes or controls that in effect eliminate the risk entirely.

- Risk mitigation – the Group's senior management may implement a risk mitigation plan designed to reduce the likelihood, velocity or severity of the risk to an acceptable level.

- Risk retention – the Group's senior management may decide that the risk rating is low enough that the risk is acceptable for the Company and that no action is required. The risk would continue to be monitored as part of the risk management program to ensure the level of risk does not increase to an unacceptable level.

Inside Information Disclosure Policy

The Company adopted an "Inside Information Disclosure Policy" which sets out the procedures for the handling and dissemination of inside information with a view to preventing uneven, inadvertent or selective dissemination of inside information and ensuring shareholders and the public are provided with full, accurate and timely information about the activities and the financial condition of the Group. The Inside Information Disclosure Policy covers the following:

- setting out the processes for identifying, assessing and escalating potential inside information to the Board;

- setting out the responsibilities of officers in preserving the confidentiality of inside information, escalating upwards any such potential information and cascading down the message and responsibilities to relevant staff; and

- identifying who are the Company's authorised spokespersons and their responsibilities for communications with stakeholders of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

Inside Information Disclosure Policy (Continued)

In addition, the Company has communicated to all relevant staff regarding the implementation of the "Inside Information Disclosure Policy". The Board considers that the Company's existing measures are effective and appropriate compliance mechanisms to safeguard the Company and its officers in discharging their disclosure obligations in respect of inside information.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 48 to 54.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2021 amounted to MOP1,580,000 and MOP113,506 respectively. An analysis of the remuneration paid and payable to the former external auditors of the Company, Ernst & Young, and the current external auditors of the Company, Baker Tilly Hong Kong Limited, in respect of audit services and non-audit services for the year ended 31 December 2021 is set out below:

Service Category	**Fees Paid/Payable** *MOP'000*
Audit Services (Ernst & Young)	600
Audit Services (Baker Tilly Hong Kong Limited)	927
Non-audit Services	
– Taxation Service	88
Total	1,615

COMPANY SECRETARY

Mr. Lo Hon Kit has been appointed as the Company's company secretary and he reports to the Chief Executive Officer.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

For the year ended 31 December 2021, Mr. Lo Hon Kit has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to article 64 of the Articles of Association of the Company, an extraordinary general meeting may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two calendar months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at Annual General Meetings

There are no provisions in the Company's Articles of Association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a director of the Company, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" of the Company which is posted on the Company's website.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

SHAREHOLDERS' RIGHTS (Continued)

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Unit 602, 6th Floor, The L. Plaza, Nos. 367-375 Queen's Road Central, Sheung Wan, Hong Kong (For the attention of the Board of Directors)
Fax:	852-3956 5988/853-2830 9173
Email:	info@lai-si.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The Company maintains a website at www.lai-si.com as a communication platform with shareholders of the Company and investors, where the financial information and other relevant information of the Company are available for public access.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Memorandum and Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

Publication of Environmental, Social and Governance ("ESG") Report

Disclosures relating to the material ESG issues identified for the year ended 31 December 2021 will be included in the ESG Report pursuant to the requirements of Appendix 27 to the Listing Rules to be published separately. The ESG Report will be available on the Company's website at https://www.lai-si.com/ under the "Investor Relations" section.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. LAI Ieng Man (黎英萬), aged 70, is an executive Director, the chairman of the Board, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company and the founder of the Group. He was appointed as a Director on 1 June 2016 and designated as an executive Director on 18 July 2016. Mr. Lai is primarily responsible for the overall management of the Group's corporate strategies planning. Mr. Lai is also a director of LSMAHL, WTMAHL, LSHKHL, Lai Si, Well Team, Lai Si (HK), High Class and Lai Si MEE. He is the father of Mr. Lai Meng San and Ms. Lai Ieng Wai, and the father-in-law of Ms. Cheong Weng Si. Mr. Lai is also a director of SHKMCL, one of the Controlling Shareholders.

Mr. Lai has over 30 years of experience in the fitting-out and construction industry in Macau. In January 1987, Mr. Lai established Constructor Civil Lai Ieng Man in Macau, a commercial enterprise which provided services of fitting-out works and construction works in Macau. In November 2004, Mr. Lai founded Lai Si with Mr. Lai Meng San and Ms. Lai Ieng Wai, and he has been handling the Group's business operation since then.

Mr. LAI Meng San (黎鳴山), aged 42, is an executive Director, the chief executive officer and a member of the Remuneration Committee of the Company. He was appointed as a Director on 1 June 2016 and designated as an executive Director on 18 July 2016. Mr. Lai is primarily responsible for the overall management of the Group's business development and marketing matters. Mr. Lai is also a director of LSMAHL, WTMAHL, LSHKHL, Lai Si, Well Team, Lai Si (HK), High Class and Lai Si MEE. He is the son of Mr. Lai Ieng Man, the brother of Ms. Lai Ieng Wai and the spouse of Ms. Cheong Weng Si. Mr. Lai is also a director of SHKMCL, one of the Controlling Shareholders.

Mr. Lai has over 20 years of experience in the fitting-out and construction industry in Macau. He obtained a bachelor's degree of technology in architectural science from Ryerson Polytechnic University (currently known as Ryerson University), Canada in June 2001. Mr. Lai joined the Group on 3 September 2001 and was responsible for project management. In November 2004, he founded Lai Si with Mr. Lai Ieng Man and Ms. Lai Ieng Wai, and he has been handling the Group's business operation since then. Mr. Lai was appointed as a committee member of the Guangdong Provincial Committee of the PRC People's Political Consultative Conference (中國人民政治協商會議廣東省委員會委員) in January 2013 and was elected as the vice president of the 12th committee of the Guangzhou Youth Federation (廣州市青年聯合會). Since April 2019, Mr. Lai has been elected as the president of Macau Youth Greater Bay Development Association (澳門大灣區青年發展協會會長). In addition, Mr. Lai is a vice-president of the Macau Construction Association (澳門建造商會) and a deputy managing director of Associação Geral do Sector Imobiliario de Macau (澳門地產業總商會). He has also been appointed as Chief Officer of the Macau Construction Association Youth Council (澳門建造商會青年委員會) since 21 July 2020.

DIRECTORS (Continued)

Executive Directors (Continued)

Ms. LAI Ieng Wai (黎盈惠), aged 41, is an executive Director and a member of the Nomination Committee of the Company. She was appointed as a Director on 1 June 2016 and designated as an executive Director on 18 July 2016. Ms. Lai is primarily responsible for the overall management of the Group's business operation. Ms. Lai is also a director of Lai Si, Well Team, High Class and Lai Si MEE. She is the daughter of Mr. Lai Ieng Man, the sister of Mr. Lai Meng San and the sister-in-law of Ms. Cheong Weng Si. Ms. Lai is also a director of SHKMCL, one of the Controlling Shareholders.

Ms. Lai has over 18 years of experience in the fitting-out and construction industry. She obtained a bachelor's degree of arts in economics from The University of Western Ontario, Canada in June 2001. Ms. Lai joined the Group on 1 March 2004 and was responsible for materials procurement. In November 2004, she founded Lai Si with Mr. Lai Ieng Man and Mr. Lai Meng San, and she has been handling the Group's business operation since then.

Ms. CHEONG Weng Si (張穎思), aged 43, was appointed as a Director on 15 June 2016 and designated as an executive Director on 18 July 2016. Ms. Cheong is primarily responsible for the overall management of the Group's administrative matters. She is the spouse of Mr. Lai Meng San, the daughter-in-law of Mr. Lai Ieng Man and the sister-in-law of Ms. Lai Ieng Wai.

Ms. Cheong has over 11 years of experience in administration. She obtained a bachelor's degree of business administration in accounting from the University of Macau, Macau in June 2001. Ms. Cheong joined the Group on 17 February 2011 and she has been handling the Group's administrative matters since then. Prior to joining the Group, Ms. Cheong worked as a management trainee in Seng Heng Bank Limited from October 2005 to April 2007. She then worked in the finance department of Venetian Macau Limited from April 2007 to June 2008.

DIRECTORS (Continued)

Independent Non-executive Directors

Mr. SIU Wing Hay (蕭永禧), aged 47, was appointed as independent non-executive Director on 10 February 2022, and is the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company. He is responsible for providing independent judgement on the Group's strategy, performance, resources and standard of conduct.

Mr. Siu has extensive experience in corporate finance industry and has engaged in such industry for over 23 years. Mr. Siu has worked for Red Sun Capital Limited as managing director and responsible officer since January 2017.

Mr. Siu obtained a bachelor's degree of business administration in finance from The Hong Kong University of Science and Technology in November 1997. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants in March 2003. He was admitted as a member and a fellow of The Association of Chartered Certified Accountants in May 2001 and May 2006, respectively.

Mr. Siu served as an independent non-executive director of Janco Holdings Limited, a company listed on the GEM board of The Stock Exchange of Hong Kong Limited (stock code: 8035) from September 2016 to September 2019.

DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Mr. CHAN Iok Chun (陳玉泉), aged 56, was appointed as an independent non-executive Director on 18 January 2017, and is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He is responsible for providing independent judgement on the Group's strategy, performance, resources and standard of conduct.

Mr. Chan has over 16 years of experience in the retail industry of mobile phones and related accessories in Macau. He completed secondary education in Macau in 1986. During 2001 to November 2010, Mr. Chan worked for Lei Kei Trading as the chief executive officer and was responsible for its overall business development and operation management. In November 2010, Mr. Chan founded Lei Kei Telecommunication Holdings Limited, which is principally engaged in retail and wholesale of telecommunication equipment in Macau. He has been the chief executive officer of Lei Kei Telecommunication Holdings Limited since its incorporation and is responsible for its overall business development and operation management.

Mr./Dr. Liu Ting Chi (劉丁己), aged 44, was appointed as an independent non-executive Director on 16 April 2022, and is the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee. He is responsible for providing independent judgement on the Group's strategy, performance, resources and standard of conduct.

Dr. Liu is a Full Professor under faculty of business administration, University Council member, and Director of Centre for Continuing Education in University of Macau. He has extensive experience in academic field, worked on academic theses in research field and consultation projects of commercial and government bodies.

He obtained a bachelor's degree of politics from National Taiwan University, Taipei. He obtained master of business administration from National Sun Yat-sen University, Kaohsiung. He obtained Ph.D. from Guanghua School of Management, Peking University, Beijing.

SENIOR MANAGEMENT

Mr. WONG Tung Sing (黃東聲), aged 59, is the Senior Project Manager of the Group. He joined the Group on 23 Jun 2015. He is responsible for daily management of the Group's fitting-out and construction projects.

Mr. Wong obtained a high diploma in design from Lee Wai Lee Technical Institute in Year 1982.

Mr. Wong has over 30 years' experience in fitting-out, building construction as well as interior design industry in Macau, Hong Kong and PRC. His full range project portfolio includes luxury retail stores, chain stores, department stores, commercial office spaces, F&B, hotels, casino, clubhouses and schools. Mr. Wong also worked as Associate in architect office, monitoring & in-charging of the interior design department.

Mr. LO Hon Kit (盧漢傑), aged 55, is the finance manager and the company secretary of the Group. He joined the Group on 17 July 2017 and he is primarily responsible for the financial reporting, financial planning, treasury, financial control matters and the company secretarial matters of the Group.

Mr. Lo obtained a bachelor's degree of arts in accountancy from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1994. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since 1993. Prior to joining the Group, Mr. Lo worked as finance manager for various industries in public transport, buying office and manufacturing.

COMPANY SECRETARY

Mr. LO Hon Kit (盧漢傑), aged 55, is the company secretary of the Company. For details of his qualification and experience, please refer to the sub-section headed "Senior Management" in this section.

The directors present their report and the audited financial statements for the year ended 31 December 2021.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 1 June 2016.

In preparation for the Listing, the Group underwent the reorganisation, details of the reorganisation are set out in note 2 to the Consolidated Financial Statements in the Group's 2017 Annual Report.

The Shares were listed on the Main Board of the Stock Exchange with effect from 10 February 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and provides corporate management services. The principal activities of the subsidiaries comprise the provision of services of fitting-out works as an integrated fitting-out contractor, construction works as a main contractor, and repair and maintenance works. 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. Details of the principal activities of the subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2021, including the discussion on the Group's future business development, principal risks and uncertainties facing the Group and key financial performance indicators are set out in the Chairman's Statement and Management Discussion and Analysis on pages 5 to 6 and pages 7 to 17 of this annual report respectively. In addition, the financial risk management objectives and policies of the Group are shown in note 38 to the consolidated financial statements and a description of the principal risks and uncertainties faced by the Company are also set out in note 33 to the consolidated financial statements. These constitute part to this report.

Details of the Group's environmental policies and performance, compliance with laws and regulations and relationships with key stakeholders are discussed below:

Environmental Policies and Performance

We believe that our business also depends on our ability to meet our customers' requirements in respect of safety, quality and environmental aspects. To meet our customers' requirements on safety, quality and environmental aspects, we have established safety, quality and environmental management systems. Through the systematic and effective control of our operations, compliance with safety, quality and environmental requirements can be further assured. We believe that our certifications to ISO 9001 and ISO 14001 enhance our public image and credibility and also help us to improve our customers' confidence in our services.

Disclosures relating to the material ESG issues identified for the year ended 31 December 2021 will be included in the ESG Report pursuant to the requirements of Appendix 27 to the Listing Rules to be published separately. The ESG Report will be available on the Company's website at https://www.lai-si.com/under the "Investor Relations" section.

Compliance with Relevant Laws and Regulations

The Group mainly undertakes fitting-out works and construction works in Macau and Hong Kong. The Directors confirmed that during the year ended 31 December 2021 and up to the date of this annual report, the Group had obtained all the registrations and certifications required for its business and operations and had complied with the applicable laws and regulations in Macau and Hong Kong in all material respects. For restaurant operations, the Group had complied with applicable laws and regulations in Macau in material respect.

BUSINESS REVIEW (Continued)

Relationships with key stakeholders

(a) Employees

Employees are regarded as important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

(b) Customers

The Group's principal customers are property developers, hotel owners and main contractors in Macau and/or Hong Kong. The Group provides professional and quality services in fitting-out business whilst maintaining long term profitability, business and asset growth.

For restaurant operations in Macau, the Group is exploring new business, aiming at achieving new source of income.

(c) Subcontractors and Suppliers

We firmly believe that our subcontractors and suppliers are equally important in cost control and increasing our bargaining power on procurement of materials, which further secures our competitive position when bidding for tenders. We proactively communicate with our subcontractors and suppliers to ensure they are committed to delivering high-quality and sustainable products and services. Unless the customers require us to engage subcontractors and suppliers nominated by them, we will select subcontractors and suppliers from our pre-qualified lists of subcontractors and suppliers. In addition, during the continuance of the contracts with our subcontractors, we will supply them with our internal guidelines on safety and environmental issues and require them to follow. We effectively implement the subcontractors assessment process by conducting regular site visit, evaluation on the performance of contract and other measures, to ensure the performance of our subcontractors.

For restaurant operations in Macau, we actively look for suppliers to achieve stable supply of good quality food at competitive price.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2021 and the Group's financial position at that date are set out in the consolidated financial statements on pages 55 to 57.

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

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company raised net proceeds of approximately HK$89.8 million (equivalent to approximately MOP92.5 million) under its initial public offering on the Stock Exchange on 10 February 2017, which are intended to be applied in the manner consistent with that in the Prospectus.

Details of the use of the net proceeds are set out in the section headed "Management Discussion and Analysis" in this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years ended on 31 December 2017, 2018, 2019, 2020 and 2021, as extracted from the audited financial statements or the Prospectus and represented/reclassified as appropriate, is set out on pages 143 to 144. This summary does not form part of the consolidated audited financial statements.

SHARE CAPITAL

There was no movements in the Company's share capital during the year.

Save as disclosed under the section headed "Share Option Scheme" below, there were no equity-linked agreements entered into by the Group, or existed during the year ended 31 December 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Article of Association or the applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DISTRIBUTABLE RESERVES

At 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the Articles of Association, amounted to MOP70,223,000.

Details of movements in the reserves of the Group during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity on page 58 of this annual report and note 31 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the aggregate amount of revenue from the Group's five largest customers accounted for 71.9% of the total revenue for the year and revenue from the largest customer included therein amounted to 41.1%. Purchases from the Group's five largest subcontractors and suppliers accounted for less than 31% of the total purchases for the year. The percentage of purchases attributable to the largest supplier is 14.5%.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers disclosed above.

DIRECTORS

The Directors of the Company during the year ended 31 December 2021 and up to the date of this report were:

Executive directors:

Mr. LAI Ieng Man
Mr. LAI Meng San
Ms. LAI Ieng Wai
Ms. CHEONG Weng Si

Independent non-executive directors:

Mr. CHAN Iok Chun
Mr. SIU Wing Hay (appointed on 10 February 2022)
Dr. LIU Ting Chi (to be appointed on 16 April 2022)
Mr. CHAN Chun Sing (ceased on 10 February 2022)
Ms. LAM Mei Fong (to be ceased on 16 April 2022)

In accordance with Article 108(a) of the Articles of Association, one-third of the Directors for the time being shall retire at the forthcoming annual general meeting by rotation at least once every three years. In addition, Directors who had been appointed by the Board shall hold office until the forthcoming annual general meeting pursuant to Article 112 of the Articles of Association.

As Ms. LAM Mei Fong has informed the Board that she plans not to stand for re-election at the forthcoming annual general meeting upon completion of her employment term and Dr. LIU Ting Chi will be appointed as an independent non-executive Director in her replacement both with effect from 16 April 2022, it was determined by the Board that Ms. CHEONG Weng Si, Mr. CHAN Iok Chun, Mr. SIU Wing Hay and Dr. LIU Ting Chi shall retire at the forthcoming annual general meeting. All of the above retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Both Mr. CHAN Chun Sing and Ms. LAM Mei Fong have confirmed that they have no disagreement with the Board and there is no matter in relation to their resignation that needs to be brought to the attention to the Shareholders.

The Company has received annual confirmations of independence from each of the independent non-executive Directors, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 32 to 36 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. SIU Wing Hay, Mr. CHAN Iok Chun and Dr. LIU Ting Chi (to be appointed on 16 April 2022) have a service contract with the Company for a term of one year and is subject to termination by either party giving not less than one month written notice.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' emoluments for the year ended 31 December 2021 are set out in note 8 to the consolidated financial statements.

The emolument policy of the employees of the Group was set up by the Remuneration Committee on the basis of their merits, qualifications and competence. The emolument of the Directors will be decided by the Board on the recommendation of the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable statistics.

The Company has adopted a share option scheme as an incentive to eligible persons, details are set out under the heading "Share Option Scheme" in this report.

DONATION

During the year ended 31 December 2021, the Group did not make charitable donations (2020: nil).

DEBENTURE ISSUED

During the year ended 31 December 2021, the Group did not issue debenture (2020: nil).

LOANS & BORROWINGS

Details of the loans and borrowings of the Group during the year under review are set out in note 27 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets or profits of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company since 1 March 2017.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as those disclosed in the paragraph headed "Connected Transactions" and in note 35 to the consolidated financial statements, no other transactions, arrangements or contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him/her had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2021 or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 31 December 2021, the interests and short positions of the directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code, were as follows:

I. Interests in the Company

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

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

II. Interests in the associated corporation of the Company

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

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

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

As at 31 December 2021, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Share Option Scheme, at no time during the year ended 31 December 2021 was the Company or any of its holding company or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to the written resolutions of the sole Shareholder passed on 18 January 2017 with effect from Listing Date. The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

SHARE OPTION SCHEME (Continued)

Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, offer to grant an option to subscribe for the Shares subject to such conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as they may think fit, to the following persons (the "Eligible Participants"): (a) any full-time or part-time employees, executives or officers of the Company; (b) any director (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries; (c) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (d) such other persons who, in the sole opinion of the Directors, will contribute or have contributed to the Group.

An option shall have been accepted by an Eligible Participant within 21 days from the date of the offer of grant of the option. A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option.

The maximum number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 40,000,000 Shares, being 10% of the shares in issue as at the Listing Date. No share options had been granted by the Company under the Share Option Scheme up to the date of this report. Therefore, the number of Shares available for issue is 40,000,000 Shares, being approximately 10% of the Shares in issue as at the date of this report.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting.

The subscription price per Share under the Share Option Scheme shall be a price determined by the Directors, but shall not be lower than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer for the grant, which must be a trading day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (c) the nominal value of a Share.

Unless there is an early termination of the Share Option Scheme pursuant to the rules of the Share Option Scheme, the Share Option Scheme will remain in force for a period of 10 years after the date on which the Share Option Scheme is adopted. The period during which an option may be exercised will be determined by the Directors in their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant.

No share option had been granted under the Share Option Scheme since the Listing Date.

CONTRACT OF SIGNIFICANCE

For particulars of the contracts of significance between the Group and the Controlling Shareholders or their respective subsidiaries or the contracts of significance for the provision of services to the Group by the Controlling Shareholders or their respective subsidiaries, please see "Connected Transactions" and note 35 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 1 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year under review are set out in note 14 to the consolidated financial statements.

The Company's investment properties held for development and/or sale or for investment purposes are set out in note 15 to the consolidated financial statements.

CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Further details of the transactions are included in note 35 to the consolidated financial statements.

Connected Person	**Nature of Transaction**	**Transaction Amount for the Year Ended 31 December 2021 MOP'000**
Exempt continuing connected transactions		
Lai Si Construction (Thailand) Company Limited (Note 1)	Project management service income	1,030
Lai Si Construction (Singapore) Pte. Limited (Note 2)	Project management service income	800
Ou Wai Health Company Limited (Note 3)	Fitting-out work provided	839

Non-exempt continuing connected transaction

During the year ended 31 December 2021, the Group had not conducted non-exempt continuing connected transaction. Chapter 14A of the Listing Rules has been compiled with.

Details of material related party transactions undertaken in the usual course of business of the Group are set out in note 35 to the consolidated financial statements. Save for those connected transactions disclosed above, these transactions did not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS (Continued)

Note:

1. Lai Si Construction (Thailand) Company Limited is 49% owned by Mr. Lai Meng San and Ms. LAI Ieng Wai together.

2. Mr. Lai Meng San, Mr. Lai Ieng Man, Ms. Lai Ieng Wai and Ms. Cheong Weng Si, executive directors of the Company, jointly held 100% equity interest in this company.

3. Mr. Lai Meng San, executive director and Mr. Chan Iok Chun, independent non-executive director, jointly held 42% equity interest in this company.

The independent non-executive Directors have reviewed and confirmed that the above non-exempt continuing connected transaction has been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Baker Tilly Hong Kong Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Baker Tilly Hong Kong Limited has issued its unmodified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the period from the Listing Date and up to the date of this report, none of the Directors or the Controlling Shareholders and their respective close associates had any interests in any business, apart from the business of the Group, which competes or likely to compete (either directly or indirectly) with the business of the Group.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The Controlling Shareholders had entered into a deed of non-competition in favour of the Company (for itself and as trustee for each of its subsidiaries from time to time) on 18 January 2017 (the "Deed of Non-Competition"), details of which are set out in section headed "Relationship with the Controlling Shareholders – Deed of Non-Competition" in the Prospectus. The Controlling Shareholders confirmed their compliance with all the undertakings provided under the Deed of Non-Competition. The independent non-executive Directors had reviewed and confirmed that there are no matters required to be deliberated by them in relation to the compliance with and enforcement of the Deed of Non-Competition and considered that the terms of the Deed of Non-Competition have been complied with by the Controlling Shareholders.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in the section headed "Management Discussion and Analysis" in this annual report.

AUDITOR

Deloitte Touche Tohmatsu resigned as the independent auditor of the Group with effect from 7 November 2018 as the Company and Deloitte Touche Tohmatsu could not reach an agreement on the audit fee for the financial year ended 31 December 2018. The Board resolved with the recommendation from the Audit Committee to appoint Ernst & Young as the independent auditor of the Group with effect from 15 November 2018 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu and the re-appointment of Ernst & Young was approved by the Shareholders at the annual general meeting held on 28 June 2019.

Ernst & Young resigned as the independent auditor of the Group with effect from 23 December 2021 as the Company and Ernst & Young could not reach an agreement on the audit fee for the financial year ended 31 December 2021. The Board resolved with the recommendation from the Audit Committee to appoint Baker Tilly Hong Kong Limited as the independent auditor of the Group with effect from 23 December 2021 to fill the casual vacancy following the resignation of Ernst & Young and the re-appointment of Baker Tilly Hong Kong Limited will be approved by the Shareholders at forthcoming annual general meeting.

Baker Tilly Hong Kong Limited, the independent auditor, will retire at the conclusion of the forthcoming annual general meeting and being eligible, offers itself for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to seek Shareholders' approval on the appointment of Baker Tilly Hong Kong Limited as the independent auditor until the conclusion of the next annual general meeting and to authorise the Board to fix their remuneration.

ON BEHALF OF THE BOARD

LAI Ieng Man
Chairman

Macau
28 March 2022

INDEPENDENT AUDITOR'S REPORT

天職國際

Independent auditor's report to the shareholders of
Lai Si Enterprise Holding Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Lai Si Enterprise Holding Limited and its subsidiaries (together the "Group") set out on pages 55 to 141, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the shareholders of
Lai Si Enterprise Holding Limited
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (Continued)

The Key Audit Matter	How the matter was addressed in our audit
Contract revenue and contract costs	
Refer to notes 3 and 5 of the audited consolidated financial statements	
The Group recognised contract revenue and contract costs using the input method, which was to recognise revenue based on the proportion of actual costs incurred relative to the estimated total costs in fulfilling the relevant performance obligations. As set out in note 3 to the consolidated financial statements, the Group estimated total contract revenue of fitting-out, alteration and addition works and construction works in accordance with the terms set out in the relevant contracts, or in case of variation orders, based on terms of architect's instructions or other form of agreements or other correspondences and management's experience. The Group estimated total contract costs, which mainly comprised costs for interior decorative materials, labour costs and subcontracting fees. These costs were based on contracts/quotations from time to time provided by the major subcontractors/suppliers/vendors and the experience of the management of the Group, which involved management's best estimates and judgements. The actual outcome of the contract in terms of its total revenue and costs may be different from the estimates and this would affect the revenue and profit to be recognised. We identified contract revenue and contract costs as a key audit matter due to significant management judgement involved in estimating contract revenue and contract costs.	Our procedures in relation to contract revenue and contract costs included: • Obtaining an understanding of and evaluating the Group's process and controls over the costs incurred on the contract works; • Performing budget analysis for material projects selected by reviewing the scope of deliverables and services required in the contract; • Discussing with project managers to evaluate the estimated total contract costs and inspected the budget by matching against contracts and/or latest cost quotations provided by major subcontractors/suppliers/vendors, on a sample basis; • Testing on a sample basis the actual costs incurred on contract works during the reporting period by checking the Group's internal progress reports as well as the inspection reports, invoices or other documents issued by the subcontractors/suppliers/vendors; and • Checking to the contracts and variation orders, architect's instructions or other form of agreements or other correspondence for the contract revenue recognised.

Independent auditor's report to the shareholders of
Lai Si Enterprise Holding Limited
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (Continued)

The Key Audit Matter	How the matter was addressed in our audit
Impairment losses of trade receivables and contract assets	
Refer to notes 3, 19 and 20 of the audited consolidated financial statements	
As set out in note 3 to the consolidated financial statements, the Group applied the simplified approach in calculating expected credit losses ("ECLs") under HKFRS 9 for trade receivables and contract assets by engaging a professional valuer in assessing the credit risk of the overall receivable portfolio. The professional valuer applied various elements in assessing the ECLs, which involved forward-looking information available to the Group, and historical credit loss experience. We identified impairment losses of trade receivables and contract assets as a key audit matter due to significant judgements and assumptions applied in assessing the impairment losses pursuant to HKFRS 9.	Our procedures in relation to the impairment losses of trade receivables and contract assets included: • Assessing the historical credit loss, forward-looking parameters, ECL model and assumptions used by the professional valuer; • Assessing the competence, capabilities and objectivity of the professional valuer; • Testing the ageing of trade receivables and contract assets as at the end of the reporting period on a sample basis; • Assessing recoverability of long-aged trade receivables and contract assets, and checked to respective supporting and communication with customers; • Checking the mathematical accuracy of the calculation of the ECLs; and • Checking bank advice for the payments received subsequent to the end of the reporting period.

Independent auditor's report to the shareholders of Lai Si Enterprise Holding Limited
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (Continued)

The Key Audit Matter	How the matter was addressed in our audit
Contingent liability arising from a legal dispute	
Refer to note 33(d) of the audited consolidated financial statements	
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. The management's judgement regarding recognition and measurement of provision for legal proceeding is inherently uncertain and required significant judgements by the management, based on the available information, and might change over time as the outcome of the legal proceeding is dependent on the future court verdicts. Due to these uncertainties and involve significant judgements, we considered this matter as a key audit matter.	Our procedures in relation to the contingent liability arising from a legal dispute included: • Obtaining and reviewing the relevant correspondences in relation the legal dispute; • Interviewing with the legal advisor of the Group, circulating legal confirmation letters to and obtaining responses from the legal advisor and comparing the opinion provided by legal advisor against management assessment on the measurement and/or disclosure for contingent liability; • Assessing the competence, capabilities and objectivity of the legal advisor; • Analysing the management's judgement and the management's opinion on possible outcomes from this pending ruling arbitration, and evaluated the appropriateness and adequacy of the provision for liabilities made by the management; and • Assessing the adequacy of the Group's disclosures about this contingent liability in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Independent auditor's report to the shareholders of
Lai Si Enterprise Holding Limited
(Incorporated in the Cayman Islands with limited liability)

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another independent auditor whose report dated 29 March 2021 expressed an unmodified opinion on those consolidated financial statements.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent auditor's report to the shareholders of
Lai Si Enterprise Holding Limited
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report to the shareholders of
Lai Si Enterprise Holding Limited
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguard applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Tong Wai Hang.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 28 March 2022
Tong Wai Hang
Practising certificate number P06231

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 MOP'000	2020 MOP'000 (Represented)
CONTINUING OPERATIONS			
REVENUE	5	**144,117**	158,055
Cost of sales		**(119,522)**	(140,155)
Gross profit		**24,595**	17,900
Other income, gains and losses, net	5	**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	22	**(1,843)**	(2,009)
Changes in fair value of investment properties	15	**1,133**	(2,266)
Finance costs	7	**(1,336)**	(1,606)
Share of profit of an associate	16	**19**	–
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	**(20,750)**	(79,589)
Income tax credit	10	**325**	1,333
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(20,425)**	(78,256)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	11	**(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	13		
		MOP cents	MOP cents (Represented)
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

AS AT 31 DECEMBER 2021

	Notes	2021 MOP'000	2020 MOP'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**80,908**	82,100
Right-of-use assets	21(a)	**-**	477
Investment properties	15	**26,986**	25,853
Investment in an associate	16	**6,920**	–
Equity investments designated at fair value through other comprehensive income	17	**1,380**	–
Total non-current assets		**116,194**	108,430
CURRENT ASSETS			
Inventories	18	**3,360**	–
Trade receivables	19	**27,056**	12,011
Contract assets	20	**26,720**	64,835
Prepayments, other receivables and other assets	22	**16,534**	12,870
Amount due from a director	35(b)	**698**	698
Amount due from the ultimate holding company	35(b)	**1**	1
Pledged bank deposits	23	**14,463**	14,147
Cash and bank balances	23	**11,502**	22,018
Total current assets		**100,334**	126,580
CURRENT LIABILITIES			
Trade payables	24	**24,252**	24,279
Contract liabilities	25	**13,246**	2,880
Other payables and accruals	26	**10,234**	12,713
Interest-bearing bank borrowings	27	**47,309**	51,413
Lease liabilities	21(b)	**-**	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

	Notes	**2021 MOP'000**	2020 MOP'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	**523**	1,196
Deferred tax liabilities	28	**2,800**	2,587
Total non-current liabilities		**3,323**	3,783
Net assets		**118,144**	138,882
CAPITAL AND RESERVES			
Share capital	29	**4,120**	4,120
Reserves	31	**114,024**	134,762
Total equity		**118,144**	138,882

Lai Ieng Man
Director

Lai Meng San
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company							
	Share capital MOP'000	**Share premium** MOP'000	**Legal reserve** MOP'000 (note (a))	**Other reserve** MOP'000 (note (b))	**Merger reserve** MOP'000 (note (c))	**Asset revaluation reserve** MOP'000 (note (d))	**Retained profits/ (accumulated losses)** MOP'000	**Total equity** MOP'000
At 1 January 2020	4,120	105,390	50	(5,098)	85	20,499	99,028	224,074
Loss and total comprehensive loss for the year	-	-	-	-	-	-	(80,557)	(80,557)
Final 2019 dividend declared	-	-	-	-	-	-	(4,635)	(4,635)
At 31 December 2020 and 1 January 2021	**4,120**	**105,390**	**50**	**(5,098)**	**85**	**20,499**	**13,836**	**138,882**
Loss and total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(20,738)**	**(20,738)**
At 31 December 2021	**4,120**	**105,390***	**50***	**(5,098)***	**85***	**20,499***	**(6,902)***	**118,144**

Notes:

(a) In accordance with Article 377 of the Commercial Code of the Macau Special Administrative Region, the subsidiaries registered in Macau are required to transfer part of their profits of each accounting period of not less than 25% to the legal reserve, until the amount reaches half of the respective share capital. This reserve is not distributable to the respective shareholders.

(b) Other reserve represents the fair value adjustments recognised in equity as deemed distribution to the Controlling Shareholders (as defined in the Group's 2017 Annual Report) for advances to certain related parties in which the Controlling Shareholders have joint control or control.

(c) The merger reserve represented the difference between the aggregate share capital of Lai Sai (HK), Lai Si and Well Team (as defined in Note 1) amounting to MOP85,000 (which were transferred from the Controlling Shareholders to LSHKHL, LSMAHL and WTMAHL pursuant to the reorganisation as defined and set out in Note 1) and the aggregate cash consideration of MOP30.

(d) The asset revaluation reserve, net of tax, arose from a change in use from an owner-occupied property to an investment property carried at fair value in 2018.

* These reserve accounts comprise the consolidated reserves of MOP114,024,000 (2020: MOP134,762,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 MOP'000	2020 MOP'000 (Represented)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
– From continuing operations		**(20,750)**	(79,589)
– From a discontinued operation		**(313)**	(2,301)
Adjustments for:			
– Finance costs		**1,336**	1,897
– Share of profit of an associate	16	**(19)**	–
– Interest income	5	**(476)**	(659)
– Depreciation of property, plant and equipment	14	**1,269**	1,782
– Changes in fair value of investment properties	6	**(1,133)**	2,266
– Depreciation of right-of-use assets	21(a)	**39**	2,230
– Impairment losses on financial assets and contract assets		**16,571**	61,209
– Impairment losses on prepayments	6	**1,843**	2,009
– Loss on written-off of items of property, plant and equipment	14	**277**	950
– COVID-19-related rent concessions from a lessor	21	**-**	(165)
– Gain on termination of a lease		**(8)**	(835)
		(1,364)	(11,206)
Increase in inventories		**(3,360)**	–
(Increase)/decrease in trade receivables		**(18,187)**	8,708
Decrease/(increase) in contract assets		**24,686**	(3,235)
Increase in prepayments, other receivables and other assets		**(5,661)**	(3,469)
Decrease in trade payables		**(27)**	(1,661)
Increase/(decrease) in contract liabilities		**10,366**	(565)
Decrease in other payables and accruals		**(2,479)**	(2,502)
Cash from/(used in) operations		**3,974**	(13,930)
Income taxes paid		**(18)**	(1,436)
Net cash flows from/(used in) operating activities		**3,956**	(15,366)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**630**	806
Purchases of items of property, plant and equipment		**(354)**	(215)
Increase in pledged bank deposits		**(316)**	(10,547)
Purchase of equity interests in an associate		**(6,901)**	–
Purchase of equity investment designated at fair value through other comprehensive income		**(1,380)**	–
Net cash used in investing activities		**(8,321)**	(9,956)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 MOP'000	2020 MOP'000 (Represented)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank borrowings		**(4,777)**	(4,182)
New bank loans		**-**	2,000
Payment for principal portion of leases		**(38)**	(1,866)
Payment for interest component of leases		**(1)**	(315)
Dividend paid		**-**	(4,635)
Interest paid		**(1,335)**	(1,582)
Net cash used in financing activities		**(6,151)**	(10,580)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(10,516)**	(35,902)
Cash and cash equivalents at beginning of the year		**22,018**	57,920
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**11,502**	22,018
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the statement of financial position	23	**11,502**	22,018
Bank deposits with original maturity over three months	23	**(4,115)**	(4,046)
Cash and cash equivalents as stated in the statement of cash flows		**7,387**	17,972

1. CORPORATE AND GROUP INFORMATION

Lai Si Enterprise Holding Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 1 June 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 10 February 2017. The Company's registered office address is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KYI-1108, Cayman Islands and its principal place of business is located at Macau Lai Si Enterprise Centre, Rua Da Ribeira Do Patane No. 54, Macau.

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

In the opinion of the directors, the Company's immediate and ultimate holding company is SHK-Mac Capital Limited ("SHKMCL"), a company incorporated in the British Virgin Islands ("BVI") with limited liability.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Registered capital/issued and fully paid-up share capital	Percentage of equity attributable to the Company		Principal activities
			2021	2020	
LSMA Holding Limited* ("LSMAHL")	The BVI	United States dollars ("USD") 10	**100%**	100%	Investment holding
WTMA Holding Limited* ("WTMAHL")	The BVI	USD10	**100%**	100%	Investment holding
LSHK Holding Limited* ("LSHKHL")	The BVI	USD10	**100%**	100%	Investment holding
Lai Si Construction & Engineering Company Limited ("Lai Si")	Macau	MOP50,000	**100%**	100%	Construction works, fitting-out works and provision of repair and maintenance services
Well Team Engineering Macau Company Limited ("Well Team")	Macau	MOP25,000	**100%**	100%	Holding of an office building
Lai Si Mechanical and Electrical Engineering Company Limited	Macau	MOP25,000	**100%**	100%	Mechanical and electrical engineering and provision of repair and maintenance services
High Class Investment Company Limited	Macau	MOP25,000	**100%**	100%	Investment holding
Lai Si Construction (Hong Kong) Company Limited ("Lai Si (HK)")	Hong Kong	HK$10,000	**100%**	100%	Construction works, fitting-out works and provision of repair and maintenance services

* Directly held by the Company

2.1 BASIS OF PREPARATION

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investment in an associate.

Fair value measurement

The Group measures its investment properties and equity investment at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than contract assets, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life and land is not depreciated. The principal annual rates used for this purpose are as follows:

Building	50 years
Leasehold improvements	Over the shorter of the lease terms and 33%
Plant and machinery	20%
Furniture, fixtures and equipment	20% to 25%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. Accordingly, the Group's leased properties are depreciated on a systematic basis over the lease terms of 2 years.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank borrowings and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

The Group provides for warranties in relation to the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Fitting-out, alteration and addition works and construction works

Revenue from fitting-out, alteration and addition works and construction works is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the most likely amount method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

(b) Repair and maintenance services

Revenue from the provision of repair and maintenance services is recognised when the repair and maintenance services are rendered, which are generally completed within a short period of time.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Consultancy service income is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Employee benefits

Pension scheme

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong and the Social Security Fund Contribution in Macau are recognised as expenses when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Macau patacas, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) Determining the timing of satisfaction of fitting-out, alteration and addition works and construction works

The Group concluded that revenue for fitting-out, alteration and addition works and construction works is to be recognised over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

The Group determined that the input method is the best method in measuring the progress of the fitting-out, alteration and addition works and construction works because there is a direct relationship between the Group's input (i.e., direct materials, the costs of subcontracting and direct labour incurred) and the transfer of services to the customer. The Group recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

(ii) Determining the method to estimate variable consideration and assessing the constraint for construction services

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract, which give rise to variable consideration. The Group determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for claims in fitting-out, alteration and addition works and construction works, given there are only two possible outcomes of the contract that the Group either achieves the claims or does not.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, current negotiations with customers, profitability of the head contracts of the customers and the current economic conditions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Contract revenue and contract costs

The Group estimates total contract revenue in accordance with the terms set out in the relevant contracts, or in case of variation orders, based on terms of architect's instructions or other form of agreements or other correspondence and management's experience. The Group estimates total contract costs of fitting-out, alteration and addition works and construction works, which mainly comprise costs for interior decorative materials, labour costs and subcontracting fees, based on quotations from time to time provided by the major subcontractors/suppliers/vendors and the experience of the management of the Group, which involve management's best estimates and judgements. The actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this would affect the revenue and profit recognised. If the price of interior decorative materials or the wages of labour or the subcontracting fees varies significantly in the coming months from the budgets, the contract profit for each of the individual projects will differ significantly from the estimated contract profit. If estimated costs exceed contract revenue, a contract loss will be recognised.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix under the simplified approach to calculate ECLs for trade receivables and contract assets by engaging a professional valuer in assessing the credit risk of the overall receivable portfolio.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate or experience of significant recoverability difficulties with customers, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 19 and note 20 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information based on the recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices.

The carrying amount of investment properties at 31 December 2021 was MOP26,986,000 (2020: MOP25,853,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2021 was MOP14,682,000 (2020: MOP14,759,000). The amount of unrecognised tax losses at 31 December 2021 was MOP33,992,000 (2020: MOP23,761,000). Further details are contained in note 28 to the financial statements.

Contingent liability

The Company was served on an amended writ of summons, details of which are set out in note 33(d) to the financial statements. The contingent liability resulting from the case requires management to exercise significant judgment on the possible outcomes of the case which is pending ruling and the possible impact on the financial statements. As at the report date, the case is not yet scheduled for first hearing. It is under the process of evidence disclosing. The directors, based on the advice from the Group's legal adviser, believe that it is premature to give any opinion on the case and to make any provision in the financial statements. Accordingly, as at 31 December 2021, no provision was made for such compensation.

4. 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.

4. OPERATING SEGMENT INFORMATION (Continued)

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 5)				
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 5)				
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)

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2021 MOP'000	2020 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 MOP'000	2020 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 operations of the assets.

Information about major customers

Revenue from customers individually amounting to over 10% of the total revenue of the Group is as follows:

	2021 MOP'000	2020 MOP'000
Customer A [(a)]	**58,383**	73,449
Customer B [(a)]	**N/A[(b)]**	27,201
Customer C [(a)]	**21,105**	N/A[(b)]

Notes:

(a) The revenue was derived from fitting-out, alteration and addition works, construction works and repair and maintenance services.

(b) Revenue from the customer is less than 10% of the total revenue of the Group.

5. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET

An analysis of revenue is as follows:

	2021 MOP'000	2020 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

Revenue from contracts with customers

(i) Disaggregated revenue information

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
Geographical markets				
Macau	**117,027**	**8,920**	**3,555**	**129,502**
Hong Kong	**14,484**	**-**	**131**	**14,615**
Total revenue from contracts with customers	**131,511**	**8,920**	**3,686**	**144,117**
Timing of revenue recognition				
Services transferred over time	**131,511**	**8,920**	**-**	**140,431**
Services transferred at a point in time	**-**	**-**	**3,686**	**3,686**
Total revenue from contracts with customers	**131,511**	**8,920**	**3,686**	**144,117**

5. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

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
Geographical markets				
Macau	111,286	1,096	4,079	116,461
Hong Kong	41,261	–	333	41,594
Total revenue from contracts with customers	152,547	1,096	4,412	158,055
Timing of revenue recognition				
Services transferred over time	152,547	1,096	–	153,643
Services transferred at a point in time	–	–	4,412	4,412
Total revenue from contracts with customers	152,547	1,096	4,412	158,055

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2021 MOP'000	2020 MOP'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Fitting-out, alteration and addition works	**1,213**	3,359
Construction works	**900**	82
	2,113	3,441

5. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Fitting-out, alteration and addition works and construction works

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Repair and maintenance services

The performance obligation is satisfied when the services are rendered which is generally completed within a short period of time. Payment is generally due within 30 days from the date of billing.

The amount of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December is as follows:

	2021 **MOP'000**	2020 MOP'000
Amount expected to be recognised as revenue:		
– Within one year	**36,925**	77,070

5. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET (Continued)

	Notes	2021 MOP'000	2020 MOP'000 (Represented)
Other income, gains and losses, net			
Bank interest income		**476**	659
Gross rental income from investment property operating leases:			
– Fixed lease payments	21	**734**	727
Gross rental income from other operating leases	21	**289**	264
Government subsidies*		**491**	1,107
Foreign exchange differences, net		**(1,951)**	(265)
Consultancy service income	35(a)	**1,830**	1,180
Gain on termination of a lease		**8**	–
		1,877	3,672
Others		**90**	137
		1,967	3,809

* During the year ended 31 December 2021 and 2020, government grants mainly represented the amounts received from both the governments of Hong Kong Special Administrative Region and Macau Special Administrative Region under their respective COVID-19 pandemic relief schemes regarding the provision of financial support to, among others, commercial entities. There are no unfulfilled conditions or contingencies related to these grants.

6. LOSS BEFORE TAX

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

	Notes	**2021 MOP'000**	2020 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	21(c)	**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	19	**3,142**	20,829
– Impairment losses on contract assets	20	**13,429**	40,380
Impairment losses on prepayments	22	**1,843**	2,009
Changes in fair value of investment properties	15	**(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).

7. FINANCE COSTS

	2021 MOP'000	2020 MOP'000 (Represented)
Interest on bank loans	**1,335**	1,582
Interest on lease liabilities	**1**	24
	1,336	1,606

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2021	2020
	MOP'000	MOP'000
Fees	**165**	172
Other emoluments:		
– Salaries, allowances and benefits in kind	**5,330**	5,729
– Discretionary bonus*	**243**	485
– Pension scheme contributions	**4**	4
	5,577	6,218
	5,742	6,390

* The discretionary bonus is determined based on the performance of individuals and the Group.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

	Fees MOP'000	Salaries, allowances and benefits in kind MOP'000	Discretionary bonus MOP'000	Pension scheme contributions MOP'000	Total MOP'000
2021					
Executive directors:					
- Mr. Lai Ieng Man	**-**	**1,446**	**69**	**1**	**1,516**
- Mr. Lai Meng San*	**-**	**1,480**	**68**	**1**	**1,549**
- Ms. Lai Ieng Wai	**-**	**1,444**	**66**	**1**	**1,511**
- Ms. Cheong Weng Si	**-**	**960**	**40**	**1**	**1,001**
Independent non-executive directors:					
- Mr. Chan Chun Sing (cessation on 10 February 2022)	**65**	**-**	**-**	**-**	**65**
- Mr. Chan Iok Chun	**50**	**-**	**-**	**-**	**50**
- Ms. Lam Mei Fong	**50**	**-**	**-**	**-**	**50**
- Mr. Siu Wing Hay (appointed on 10 February 2022)	**-**	**-**	**-**	**-**	**-**
	165	**5,330**	**243**	**4**	**5,742**
2020					
Executive directors:					
- Mr. Lai Ieng Man	-	1,618	138	1	1,757
- Mr. Lai Meng San*	-	1,593	135	1	1,729
- Ms. Lai Ieng Wai	-	1,558	132	1	1,691
- Ms. Cheong Weng Si	-	960	80	1	1,041
Independent non-executive directors:					
- Mr. Chan Chun Sing (cessation on 10 February 2022)	72	-	-	-	72
- Mr. Chan Iok Chun	50	-	-	-	50
- Ms. Lam Mei Fong	50	-	-	-	50
	172	5,729	485	4	6,390

* Mr. Lai Meng San is the chief executive of the Group.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2020: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2020: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 **MOP'000**	2020 MOP'000
Salaries, allowances and benefits in kind	**2,148**	2,040
Discretionary bonus	**94**	650
Pension scheme contributions	**20**	7
	2,262	2,697

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2021	2020
HK$1,000,001 to HK$1,500,000 (equivalent to MOP1,030,001 to MOP1,545,000)	**2**	2
	2	2

For the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to any of the directors of the Company or the chief executive or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

10. 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 MOP'000	2020 MOP'000
Current – Macau		
– Charge for the year	**20**	23
– Overprovision in prior years	**(558)**	–
Current – Hong Kong		
– Overprovision in prior years	**-**	(39)
Deferred (note 28)	**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)

10. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

2021

	Macau MOP'000	%	Hong Kong MOP'000	%	Total MOP'000	%
Loss before tax from continuing operations	(601)		(20,149)		(20,750)	
Loss before tax from a discounted operation	(313)		-		(313)	
	(914)		(20,149)		(21,063)	
Tax at the statutory tax rate	(110)	12.0	(3,325)	16.5	(3,435)	16.3
Expenses not deductible for tax	490	(53.6)	1,633	(8.1)	2,123	(10.1)
Income not subject to tax	(175)	19.1	(3)	-	(178)	0.9
Tax loss not allowed to be carried forward	107	(11.7)	-	-	107	(0.5)
Tax loss not recognised	-	-	1,688	(8.4)	1,688	(8.0)
Tax exemption under Macau complementary tax	(72)	7.9	-	-	(72)	0.3
Overprovision in prior years	(558)	61.0	-	-	(558)	2.7
Tax credit at the Group's effective rate	(318)	34.8	(7)	-	(325)	1.5
Tax credit from continuing operations at the effective rate	(318)	52.9	(7)	-	(325)	1.5
Tax charge from a discontinued operation at the effective rate	-	-	-	-	-	-

10. INCOME TAX (Continued)

2020

	Macau MOP'000	%	Hong Kong MOP'000	%	Total MOP'000	%
Loss before tax from continuing operations	(42,641)		(36,948)		(79,589)	
Loss before tax from a discounted operation	(2,301)		–		(2,301)	
	(44,942)		(36,948)		(81,890)	
Tax at the statutory tax rate	(5,393)	12.0	(6,096)	16.5	(11,489)	14.0
Expenses not deductible for tax	3,904	(8.7)	533	(1.4)	4,437	(5.4)
Income not subject to tax	(197)	0.4	(107)	0.2	(304)	0.4
Tax loss not allowed to be carried forward	379	(0.8)	–	–	379	(0.4)
Tax loss not recognised	–	–	5,700	(15.4)	5,700	(7.0)
Tax exemption under Macau complementary tax	(72)	0.2	–	–	(72)	–
Overprovision in prior years	–	–	(39)	0.1	(39)	–
Others	55	(0.1)	–	–	55	–
Tax credit at the Group's effective rate	(1,324)	3.0	(9)	–	(1,333)	1.6
Tax credit from continuing operations at the effective rate	(1,324)	3.1	(9)	–	(1,333)	1.7
Tax charge from a discontinued operation at the effective rate	–	–	–	–	–	–

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

11. DISCONTINUED OPERATION (Continued)

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

12. DIVIDEND

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

13. 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.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and building MOP'000	Leasehold improvements MOP'000	Plant and machinery MOP'000	Furniture, fixtures and equipment MOP'000	Motor vehicles MOP'000	Total MOP'000
31 December 2021						
At 1 January 2021:						
Cost	**85,881**	**2,237**	**997**	**2,239**	**444**	**91,798**
Accumulated depreciation	**(4,707)**	**(2,088)**	**(838)**	**(1,814)**	**(251)**	**(9,698)**
Net carrying amount	**81,174**	**149**	**159**	**425**	**193**	**82,100**
At 1 January 2020, net of accumulated depreciation	**81,174**	**149**	**159**	**425**	**193**	**82,100**
Additions	**-**	**-**	**-**	**52**	**302**	**354**
Depreciation provided during the year	**(806)**	**(113)**	**(6)**	**(210)**	**(134)**	**(1,269)**
Written-off	**-**	**-**	**(153)**	**(124)**	**-**	**(277)**
At 31 December 2021, net of accumulated depreciation	**80,368**	**36**	**-**	**143**	**361**	**80,908**
At 31 December 2021						
Cost	**85,881**	**1,094**	**783**	**1,903**	**746**	**90,407**
Accumulated depreciation	**(5,513)**	**(1,058)**	**(783)**	**(1,760)**	**(385)**	**(9,499)**
Net carrying amount	**80,368**	**36**	**-**	**143**	**361**	**80,908**

At 31 December 2021, certain of the Group's land and building with a net carrying amount of MOP80,368,000 (2020: MOP81,174,000) were pledged to secure interest-bearing bank borrowings granted to the Group (note 27).

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and building MOP'000	Leasehold improvements MOP'000	Plant and machinery MOP'000	Furniture, fixtures and equipment MOP'000	Motor vehicles MOP'000	Total MOP'000
31 December 2020						
At 1 January 2020:						
Cost	85,881	2,198	959	2,184	361	91,583
Accumulated depreciation	(3,901)	(711)	(766)	(1,398)	(190)	(6,966)
Net carrying amount	81,980	1,487	193	786	171	84,617
At 1 January 2020, net of accumulated depreciation	81,980	1,487	193	786	171	84,617
Additions	–	39	38	55	83	215
Depreciation provided during the year	(806)	(577)	(72)	(266)	(61)	(1,782)
Written-off	–	(800)	–	(150)	–	(950)
At 31 December 2020, net of accumulated depreciation	81,174	149	159	425	193	82,100
At 31 December 2020						
Cost	85,881	2,237	997	2,239	444	91,798
Accumulated depreciation	(4,707)	(2,088)	(838)	(1,814)	(251)	(9,698)
Net carrying amount	81,174	149	159	425	193	82,100

15. INVESTMENT PROPERTIES

	Note	**2021 MOP'000**	2020 MOP'000
Carrying amount at 1 January		**25,853**	28,119
Gain/(loss) from a fair value adjustment recognised in profit or loss	6	**1,133**	(2,266)
Carrying amount at 31 December		**26,986**	25,853

The Group's investment properties are all situated in Macau and they were revalued on 31 December 2021 based on valuations performed by Peak Vision Appraisals Limited, independent professionally qualified valuers, at HK$26,200,000 (equivalent to MOP26,986,000). Each year, the Company's directors decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company's directors have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 21 to the financial statements.

At 31 December 2021, the Group's investment properties with a carrying value of MOP26,986,000 (2020: MOP25,853,000) were pledged to secure general banking facilities granted to the Group (note 27).

Further particulars of the Group's investment properties are included on page 142 of the annual report.

15. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2021 using			
Recurring fair value measurement for:	**Quoted prices in active markets (Level 1) MOP'000**	**Significant observable inputs (Level 2) MOP'000**	**Significant unobservable inputs (Level 3) MOP'000**	**Total MOP'000**
Industrial properties	**-**	**-**	**26,986**	**26,986**

	Fair value measurement as at 31 December 2020 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) MOP'000	Significant observable inputs (Level 2) MOP'000	Significant unobservable inputs (Level 3) MOP'000	Total MOP'000
Industrial properties	–	–	25,853	25,853

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

15. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

	Valuation technique	Significant unobservable input	Value 2021 MOP'000	Value 2020 MOP'000
Industrial properties	Income capitalisation method	Estimated monthly rental income, taking into account the monthly rental of MOP63,860 (2020: MOP60,526) with a capitalisation rate of 2.80% (2020: 2.75%)	**26,986**	25,853

Income capitalisation method:

The income capitalisation method is based on the capitalisation of the fully leased, current passing rental income and potential reversionary income of the property with reference to the estimated market rent at the appropriate investment yield to arrive at the value. The rental value and capitalisation rate to be adopted for the valuation are derived from analysis of market transactions and adjusted to take into account the market expectation from property investors to reflect factors specific to the investment properties.

Relationship of unobservable inputs to fair value:

An increase/(decrease) in the estimated monthly rental income used would result in an increase/(decrease) in the fair value of the investment properties. While, an increase/(decrease) in the capitalisation rate would result in a (decrease)/increase in the fair value of the investment properties.

16. INVESTMENT IN AN ASSOCIATE

	2021 MOP'000	2020 MOP'000
Share of net assets	**6,920**	–

Particulars of the associate are as follows:

Name of associate	Place of incorporation/ registration and business	Equity interest attributable to the Company		Principal activity
		2021	2020	
Aggressive Dragon Investment Company Limited ("Aggressive Dragon")	Macau	**20%**	–	Investment holding

The Group's shareholdings in the Aggressive Dragon is held through a wholly-owned subsidiary of the Company.

The following table illustrates the summarised financial information in respect of Aggressive Dragon adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2021 MOP'000	2020 MOP'000
Non-current assets	**34,598**	–
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**20%**	–
Group's share of net assets of the associate	**6,920**	–
Revenue	**-**	–
Profit for the year	**93**	–
Total comprehensive income for the year	**93**	–

17. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 **MOP'000**	2020 MOP'000
Unlisted equity investments, at fair value		
– New Van Ar Development Company Limited	**1,380**	–

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

18. INVENTORIES

	2021 **MOP'000**	2020 MOP'000
Raw material	**3,360**	–

19. TRADE RECEIVABLES

	2021 **MOP'000**	2020 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 Mr. Lai Ieng Man, the Group's director 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.

19. TRADE RECEIVABLES (Continued)

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 MOP'000	2020 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

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

	2021 MOP'000	2020 MOP'000
At beginning of year	**22,098**	1,397
Impairment losses (note 6)	**3,142**	20,829
Amount written off as uncollectible	**(3,071)**	(128)
	22,169	22,098

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns over the respective ageing buckets. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if they are not considered recoverable by the Group and are not subject to enforcement activity. The increase in expected credit loss in the year was primarily due to reassessment performed on the recoverability of debtors and significant challenges in collection as a result of the COVID-19 pandemic and poor economic environment.

19. TRADE RECEIVABLES (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

		Past due						
	Current	**Less than 1 month**	**1 to 2 months**	**2 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**Over 1 year**	**Total**
Expected credit loss rate	**0.47%**	**0.49%**	**1.40%**	**2.50%**	**4.23%**	**8.55%**	**100%**	**45.03%**
Gross carrying amount (MOP'000)	**21,291**	**1,636**	**1,141**	**40**	**2,338**	**912**	**21,867**	**49,225**
Expected credit losses (MOP'000)	**100**	**8**	**16**	**1**	**99**	**78**	**21,867**	**22,169**

As at 31 December 2020

		Past due						
	Current	Less than 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
Expected credit loss rate	0.43%	0.44%	1.65%	2.23%	2.94%	8.02%	87.63%	64.79%
Gross carrying amount (MOP'000)	2,565	3,154	121	584	34	2,729	24,922	34,109
Expected credit losses (MOP'000)	11	14	2	13	1	219	21,838	22,098

20. CONTRACT ASSETS

	31 December 2021 MOP'000	31 December 2020 MOP'000	1 January 2020 MOP'000
Contract assets arising from:			
– Fitting-out, alteration and addition works	**50,173**	93,477	91,128
– Construction works	**10,455**	12,118	11,232
	60,628	105,595	102,360
Impairment	**(33,908)**	(40,760)	(380)
	26,720	64,835	101,980

Contract assets are initially recognised for revenue earned from the provision of related fitting-out, alteration and addition works and construction works as the receipt of consideration is conditional on successful completion of the works. Included in contract assets for fitting-out, alteration and addition works and construction works are retention receivables. Upon completion of the work and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2021 was the result of the increase in impairment of contract assets related to the impact of COVID-19 and transferred to trade receivables upon the completion of the work. In addition, the payment schedules of certain amount of contract assets are under negotiation with the customers. During the year ended 31 December 2021, MOP13,429,000 (2020: MOP40,380,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 19 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2021 MOP'000	2020 MOP'000
Within one year	**26,720**	64,835

The movements in the loss allowance for impairment of contract assets are as follows:

	2021 MOP'000	2020 MOP'000
At beginning of year	**40,760**	380
Impairment losses (note 6)	**13,429**	40,380
Amount written off as uncollectible	**(20,281)**	–
At end of year	**33,908**	40,760

20. CONTRACT ASSETS (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns over the respective ageing buckets. The provision rates of contract assets are also assessed individually according to the customer's portfolio. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2021	2020
Expected credit loss rate	**55.93%**	38.60%
Gross carrying amount (MOP'000)	**60,628**	105,595
Expected credit loss (MOP'000)	**33,908**	40,760

As at 31 December 2021, included in the Group's contract assets were amount from related parties of MOP638,000.

As at 31 December 2020, included in the Group's contract assets were amounts due from the Group's director Mr. Lai Ieng Man of MOP1,633,000.

21. LEASES

The Group as a lessee

The Group has entered into leases for properties used in its operations. Leases of properties generally have lease terms of 1 to 2 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. The lease contracts include termination options, which are further discussed below.

21. LEASES (Continued)

The Group as a lessee (Continued)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties MOP'000
As at 1 January 2020	12,414
Additions	953
Depreciation charge	(2,230)
Termination of a lease	(10,660)
As at 31 December 2020 and 1 January 2021	477
Depreciation charge	(39)
Termination of a lease	(438)
As at 31 December 2021	–

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 **MOP'000**	2020 MOP'000
Carrying amount at 1 January	**484**	13,057
New leases	**-**	953
Accretion of interest recognised during the year	**1**	315
COVID-19-related rent concessions from the lessor	**-**	(165)
Payments	**(39)**	(2,181)
Termination of a lease	**(446)**	(11,495)
Carrying amount at 31 December	**-**	484
Analysed into:		
– Current portion	**-**	484

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

The Group has applied the practical expedient of HKFRS 16 to all eligible rent concessions granted by the lessors for leases of certain properties during the years ended 31 December 2021 and 2020.

21. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 **MOP'000**	2020 MOP'000
Interest on lease liabilities	**1**	315
Depreciation of right-of-use assets	**39**	2,230
Expense relating to short-term leases (included in administrative expenses)	**581**	418
COVID-19-related rent concessions from the lessor	**–**	(165)
Gain on termination of a lease	**(8)**	(835)
Total amount recognised in profit or loss	**613**	1,963

(d) The total cash outflow for leases and future cash outflows relating to leases are disclosed in notes 32(c) and 38, respectively, to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 15) consisting of four industrial property units on the same floor of an industrial building in Macau under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was MOP1,023,000 (2020: MOP991,000), details of which are included in note 5 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 **MOP'000**	2020 MOP'000
Within one year	**963**	322
After one year but within two years	**766**	–
After two years but within five years	**320**	–
	2,049	322

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 MOP'000	2020 MOP'000
Prepayments and deposits	**16,371**	13,369
Other receivables	**2,006**	1,510
	18,377	14,879
Impairment allowance	**(1,843)**	(2,009)
	16,534	12,870

Prepayments mainly represent advance payments made to suppliers and subcontractors for fitting-out and construction projects. Impairment of prepayments during the year amounting to MOP1,843,000 (2020: MOP2,009,000) was provided as management considered that the probability of utilising the advance payments to certain subcontractors was remote. During the year ended 31 December 2021, MOP2,009,000 of impairment provision was utilised and written off against prepayment.

Included in the Group's other receivables are amounts due from the related parties of MOP1,830,000 (2020: MOP1,180,000).

The deposits and other receivables included in the above balances have no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

23. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

Cash and bank balances comprise cash on hand and bank balances. Except for the interest-free bank balances amounting to MOP33,000 as at 31 December 2021 (2020: MOP59,000), the remaining balances carried interest at prevailing market interest rates which were ranging from 0.0001% to 0.01% per annum as at 31 December 2021 and 2020.

Pledged bank deposits represent deposits amounting to MOP14,463,000 (2020: MOP14,147,000) pledged to banks to secure loan facilities and performance bonds granted to the Group. As at 31 December 2021, the pledged bank deposits carried interest at fixed interest rates ranging from 1.1% to 1.6% (2020: 1.0% to 2.3%) per annum.

Bank balances include bank deposits with original maturity over three months amounting to MOP4,115,000 as at 31 December 2021 (2020: MOP4,046,000).

The Group's cash and bank balances and pledged deposits that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2021 MOP'000	2020 MOP'000
HK$	**18,150**	22,771
Renminbi ("RMB")	**1,430**	486

24. 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 **MOP'000**	2020 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.

25. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 December 2021 MOP'000	31 December 2020 MOP'000	1 January 2020 MOP'000
Short-term advances received from customers			
– Fitting-out, alteration and addition works	**5,257**	1,980	3,363
– Construction works	**7,989**	900	82
Total contract liabilities	**13,246**	2,880	3,445

Contract liabilities include short-term advances received to carry out fitting-out, alteration and addition works and construction works. The increase in contract liabilities in 2021 was mainly due to increase in short-term advance received from customers in relation to the provision of fitting-out, alternation and additions and construction works. The decrease in contract liabilities in 2020 was mainly due to the provision of services to customers during the year.

26. OTHER PAYABLES AND ACCRUALS

	Note	2021 MOP'000	2020 MOP'000
Accruals		**10,225**	12,704
Other payables	(a)	**9**	9
		10,234	12,713

Note:

(a) Other payables are non-interest-bearing and have an average term of three months.

27. INTEREST-BEARING BANK BORROWINGS

	2021 MOP'000	2020 MOP'000
Interest-bearing bank borrowings (secured)	**47,832**	52,609
Carrying amounts repayable (Note b):		
– Within one year	**4,914**	4,759
– In the second year	**4,873**	4,896
– In the third to fifth years, inclusive	**13,736**	13,884
– Beyond five years	**24,309**	29,070
	47,832	52,609
Less: Amounts shown under current liabilities (Note a)	**(47,309)**	(51,413)
Amounts shown under non-current liabilities	**523**	1,196

(a) Bank borrowings amounting to MOP46,636,000 (2020: MOP50,766,000) contain a repayment on demand clause and are shown under current liabilities.

(b) The amounts due are presented based on scheduled repayment dates set out in the loan agreements.

The interest-bearing bank borrowings amounting to MOP33,543,000 as at 31 December 2021 (2020: MOP36,498,000) 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 prevailing best lending rate) per annum.

The interest-bearing bank borrowings amounting to MOP13,093,000 as at 31 December 2021 (2020: MOP14,268,000) carry interest at the three-month Hong Kong Interbank Offered Rate ("HIBOR") plus 2.3% (2020: 2.3%) per annum.

27. INTEREST-BEARING BANK BORROWINGS (Continued)

The interest-bearing bank borrowings amounting to MOP1,196,000 as at 31 December 2021 (2020: MOP1,842,000) carry interest at 4% (2020: 4%) per annum.

The effective interest rates of the borrowings as at 31 December 2021 (which are also equal to the contractual 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. As at 31 December 2021 and 2020, the banking facilities are secured by the legal charge over the office building and industrial properties held by the Group (included in property, plant and equipment and investment properties as disclosed in notes 14 and 15, respectively) and promissory notes endorsed by Lai Si and Well Team which were guaranteed by the Company.

The Group's two revolving loan facilities amounting to MOP25,600,000, of which none had been utilised as at the end of the reporting period, are secured by pledged bank deposits as disclosed in note 23 and promissory notes endorsed by Lai Si.

28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2021		
	Depreciation allowance in excess of related depreciation MOP'000	Gains on property revaluation MOP'000	Total MOP'000
At 1 January 2021	**1,674**	**2,684**	**4,358**
Deferred tax charged to the consolidated statement of profit or loss and other comprehensive income during the year (note 10)	**68**	**136**	**204**
Gross deferred tax liabilities at 31 December 2021	**1,742**	**2,820**	**4,562**

28. DEFERRED TAX (Continued)

Deferred tax assets

	2021 Loss available for offsetting against future taxable profits MOP'000
At 1 January 2021	**1,771**
Deferred tax charged to the consolidated statement of profit or loss and other comprehensive income during the year (note 10)	**(9)**
Gross deferred tax assets at 31 December 2021	**1,762**

Deferred tax liabilities

	2020		
	Depreciation allowance in excess of related depreciation MOP'000	Gains on property revaluation MOP'000	Total MOP'000
At 1 January 2020	1,169	2,956	4,125
Deferred tax charged/(credited) to the consolidated statement of profit or loss and other comprehensive income during the year (note 10)	505	(272)	233
Gross deferred tax liabilities at 31 December 2020	1,674	2,684	4,358

28. DEFERRED TAX (Continued)

Deferred tax assets

	Impairment of financial and contract assets MOP'000	2020 Loss available for offsetting against future taxable profits MOP'000	Total MOP'000
At 1 January 2020	57	164	221
Deferred tax (charged)/credited to the consolidated statement of profit or loss and other comprehensive income during the year (note 10)	(57)	1,607	1,550
Gross deferred tax assets at 31 December 2020	–	1,771	1,771

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 MOP'000	2020 MOP'000
Net deferred tax assets recognised in the consolidated statement of financial position	**-**	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	**2,800**	2,587
Net deferred tax liabilities	**2,800**	2,587

The Group has tax losses arising in Macau of MOP14,682,000 (2020: MOP14,759,000) and Hong Kong of MOP33,992,000 (2020: MOP23,761,000) that are available for three years and indefinite, respectively, for offsetting against future taxable profits of the companies in which the losses arose.

During the year ended 31 December 2021, the Group had a tax loss of MOP891,000 (2020: MOP3,168,000) incurred by two of the Macau subsidiaries that is not allowed to be carried forward.

29. SHARE CAPITAL

Shares

	2021 MOP'000	2020 MOP'000
Issued and fully paid:		
– 400,000,000 (2020: 400,000,000) ordinary shares	**4,120**	4,120

There were no movements in the Company's share capital during the year (2020: Nil).

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 18 January 2017 with effect from the Listing Date to enable the Company to grant share options to eligible persons so as to recognise and acknowledge the contributions they have or may have made to the Group. Since the listing of the shares, no share option had been granted under the Share Option Scheme.

Pursuant to the Share Option Scheme, the directors may, at their absolute discretion, offer to grant an option to subscribe for the shares subject to such conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as they may think fit, to the following persons (the "Eligible Participants"): (a) any full-time or part-time employees, executives or officers of the Company; (b) any director (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries; (c) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (d) such other persons who, in the sole opinion of the Directors, will contribute or have contributed to the Group.

An option shall have been accepted by an Eligible Participant within 21 days from the date of the offer of grant of the option. A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option.

The maximum number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 40,000,000 Shares, being 10% of the shares in issue as at the Listing Date. No share options had been granted by the Company under the Share Option Scheme up to the date of this report. Therefore, the number of shares available for issue is 40,000,000 shares, being approximately 10% of the shares in issue as at the date of this report.

30. SHARE OPTION SCHEME (Continued)

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in a general meeting with such participant and his associates abstaining from voting.

The subscription price per share under the Share Option Scheme shall be a price determined by the directors, but shall not be lower than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer for the grant, which must be a trading day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (c) the nominal value of a share.

Unless there is an early termination of the Share Option Scheme pursuant to the rules of the Share Option Scheme, the Share Option Scheme will remain in force for a period of 10 years after the date on which the Share Option Scheme is adopted. The period during which an option may be exercised will be determined by the Directors in their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant.

No share option had been granted under the Share Option Scheme during the years ended 31 December 2021 and 2020.

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 58 of the financial statements.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2020, the Group had non-cash additions to right-of-use assets and lease liabilities of MOP953,000 and MOP953,000, respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2021

	Lease liabilities MOP'000	**Bank borrowings MOP'000**	**Interest paid MOP'000**	**Total MOP'000**
At 1 January 2021	**484**	**52,609**	**-**	**53,093**
Changes from financing cash flows	**(39)**	**(4,777)**	**(1,335)**	**(6,151)**
Finance costs recognised	**1**	**-**	**1,335**	**1,336**
Termination of a lease	**(446)**	**-**	**-**	**(446)**
At 31 December 2021	**-**	**47,832**	**-**	**47,832**

2020

	Lease liabilities MOP'000	Bank borrowings MOP'000	Interest paid MOP'000	Total MOP'000
At 1 January 2020	13,057	54,791	–	67,848
Changes from financing cash flows	(2,181)	(2,182)	(1,582)	(5,945)
New leases	953	–	–	953
Finance costs recognised	315	–	1,582	1,897
COVID-19-related rent concessions from a lessor	(165)	–	–	(165)
Termination of a lease	(11,495)	–	–	(11,495)
At 31 December 2020	484	52,609	–	53,093

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

	2021 MOP'000	2020 MOP'000
Within operating activities	**581**	418
Within financing activities	**39**	2,181
	620	2,599

33. CONTINGENT LIABILITIES

(a) Sin Fong Garden Building

In October 2012, one of the supporting pillars of the residential building called "Sin Fong Garden Building" collapsed due to the loss of stability. Such collapse was accused to be caused by the dismantlement and construction of the foundation work undertaken in an adjacent new residential building project, of which Lai Si was one of the contractors. As a result, in September 2015, several flat owners of Sin Fong Garden Building filed a lawsuit against several defendants including Lai Si, seeking for a compensation for the loss of property, in a total sum of approximately HK$48,950,000, to be borne jointly by the defendants. However, according to the report issued by the team of technical advisers and experts engaged by the Macau Government to study the causes of the incident, the collapse of 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.

33. CONTINGENT LIABILITIES (Continued)

(b) Dispute on payment with a subcontractor

During the year 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 Instance. 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 approval of this annual report, 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 approval of this annual report, 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.

34. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans facilities and performance bonds are included in notes 27 and 39 to the financial statements.

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2021 **MOP'000**	2020 MOP'000
Mr. Lai Ieng Man		
– Fitting-out work income*	**-**	2,240
– Rental expense*	**-**	248
Lai Si Construction (Thailand) Company Limited (Note i)		
– Consultancy service income*	**1,030**	1,180
Lai Si Construction (Singapore) Pte. Limited (Note ii)		
– Consultancy service income*	**800**	–
Easy Storage Company Limited (Note iii)		
– Fitting-out work income	**221**	–
Ou Wai Health Company Limited (Note iv)		
– Fitting-out work income*	**839**	–

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

Notes:

(i) Mr. Lai Meng San and Ms. Lai Ieng Wai, executive directors of the Company, jointly held 49% equity interest in this related company.

(ii) Mr. Lai Ieng Man, Mr. Lai Meng San, Ms. Lai Ieng Wai and Ms. Cheong Weng Si, executive directors of the Company, jointly held 100% equity interest in this related company.

(iii) Mr. Lai Meng San, executive director of the Company, held 25% equity interest in this related company.

(iv) Mr. Lai Meng San, executive director of the Company and Mr. Chan Iok Chun, independent non-executive director of the Company, jointly held 42% equity interest in this related company.

* These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

35. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

(i) The Group had an outstanding balance due from its director, Mr. Lai Ieng Man, of MOP1,571,000 (2020: MOP600,000) included in trade receivables and the payment term is disclosed in note 19.

(ii) The Group had an outstanding balance due from its director, Mr. Lai Ieng Man, of MOP698,000 (2020: MOP698,000) presented as an amount due from a director in the consolidated statement of financial position which is non-trade in nature, unsecured, non-interest-bearing and repayable on demand.

(iii) The Group had an outstanding balance due from its ultimate holding company of MOP1,000 (2020: MOP1,000) which is unsecured, non-interest-bearing and repayable on demand.

(iv) The Group had an outstanding balance due from its related company, Lai Si Construction (Thailand) Company Limited, of MOP1,030,000 (2020: MOP1,180,000) included in other receivables.

(v) The Group had an outstanding balance due from its related company, Lai Si Construction (Singapore) Pte. Limited, of MOP800,000 (2020: Nil) included in other receivables.

(vi) The Group had an outstanding balance due from its related company, Ou Wai Health Company Limited, of MOP418,000 (2020: Nil) and MOP418,000 (2020: Nil) included in trade receivables and contract assets, respectively. The payment term is disclosed in note 19.

(vii) The Group had an outstanding balance due from its related company, Easy Storage Company Limited, of MOP220,000 (2020: Nil) included in contracts assets.

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

	2021 **MOP'000**	2020 MOP'000
Directors' fee	**165**	172
Salaries and other allowances	**9,648**	10,332
Discretionary bonus	**434**	1,281
Pension scheme contribution	**46**	56
Total compensation paid to key management personnel	**10,293**	11,841

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2021 **MOP'000**	2020 MOP'000
Financial assets at amortised cost		
Trade receivables	**27,056**	12,011
Financial assets included in prepayments, other receivables and other assets	**3,207**	2,064
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
	56,927	50,939
Financial assets at fair value through other comprehensive income – Equity instruments		
Equity designated at fair value through other comprehensive income	**1,380**	–
Total financial assets	**58,307**	50,939

	2021 **MOP'000**	2020 MOP'000
Financial liabilities at amortised cost		
Trade payables	**24,251**	24,279
Financial liabilities included in other payables and accruals	**9**	9
Interest-bearing bank borrowings	**47,832**	52,609
Lease liabilities	**-**	484
Total financial liabilities	**72,092**	77,381

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to the short maturities of these instruments.

Management of the Group has estimated the fair values of unlisted equity investments at fair value through other comprehensive income with reference to recent transaction prices of the investment that are not supported by observable market prices or rates. The directors believe that the estimated fair values based on the above valuation technique, which are recorded in the consolidated statement of financial position are reasonable, and that they were the most appropriate values at the end of the reporting period.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) MOP'000	**Significant observable inputs (Level 2) MOP'000**	**Significant unobservable inputs (Level 3) MOP'000**	**Total MOP'000**
Equity investments designated at fair value through other comprehensive income	**-**	**-**	**1,380**	**1,380**

The movements in fair value measurements within Level 3 during the year are as follows:

	2021 MOP'000	2020 MOP'000
Equity investments at fair value through other comprehensive income		
Purchases and at 31 December	**1,380**	–

The Group did not have any financial assets measured at fair value as at 31 December 2020.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include trade and other receivables, amount(s) due from a director/ the ultimate holding company, pledged bank deposits, cash and bank balances, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

Foreign currency risk

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 Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2021 **MOP'000**	2020 MOP'000	**2021** **MOP'000**	2020 MOP'000
HK$ against MOP	**31,465**	33,641	**12,411**	20,009
RMB against MOP	**1,430**	486	**3,330**	6,092

Sensitivity analysis

As the exchange rate of HK$/MOP is relatively stable, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK$/MOP exchange rate. As a result, the directors of the Company consider that the sensitivity of the Group's exposure towards the change in exchange rate between HK$/MOP is minimal.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against MOP. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the change taking place at the beginning of the year and held constant throughout the year.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

Sensitivity analysis (Continued)

A positive number below indicates an increase in post-tax profit for the current year where there is a 5% weakening of RMB against MOP. For a 5% strengthening of RMB against MOP, there would be an equal and opposite impact on the post-tax profit for the year as set out below:

	Increase in post-tax profit	
	2021	2020
	MOP'000	MOP'000
RMB against MOP	**209**	247

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure did not reflect the exposure during the year.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances and bank borrowings (see note 23 for details of bank balances, pledged bank deposits and note 27 for details of bank borrowings). The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the HIBOR and the Prime Rate arising from the Group's bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming that bank borrowings outstanding at the end of the reporting period were outstanding for the whole year.

A 50 basis points' increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates on variable-rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2021 would have decreased/increased by approximately MOP210,000 (2020: MOP231,000).

No sensitivity analysis has been prepared for the exposure to interest rate risk on the Group's bank balances as the directors of the Company consider that the exposure is minimal.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

At the end of the 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 is arising from the carrying amounts 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 management of the Group reviews the recoverable amount of each individual material trade receivable and other receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The policy of impairment on financial assets of the Group is based on the evaluation and estimation of collectability and ageing analysis of the outstanding balances as well as incorporation of forward-looking information. 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. Management closely monitors the subsequent settlement of the counterparties. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual material debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

With respect to credit risk arising from amounts due from a director, the ultimate holding company and related parties, the Group's exposure to credit risk arising from default of the counterparties is limited as the counterparties have good reputation and/or a good history of repayment and the Group does not expect to incur a significant loss for uncollected amounts due from these counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets exposed to credit risk.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 MOP'000	Stage 2 MOP'000	Stage 3 MOP'000	Simplified approach MOP'000	Total MOP'000
Contract assets*	-	-	-	60,628	60,628
Trade receivables*	-	-	-	49,225	49,225
Financial assets included in prepayments, other receivables and other assets					
– Normal**	3,207	-	-	-	3,207
Amount due from a director					
– Normal**	698	-	-	-	698
Amount due from the ultimate holding company					
– Normal**	1	-	-	-	1
Pledged deposits					
– Not yet past due	14,463	-	-	-	14,463
Cash and cash equivalents					
– Not yet past due	11,502	-	-	-	11,502
	29,871	-	-	109,853	139,724

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging *(Continued)*

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 MOP'000	Stage 2 MOP'000	Stage 3 MOP'000	Simplified approach MOP'000	Total MOP'000
Contract assets*	–	–	–	105,595	105,595
Trade receivables*	–	–	–	34,109	34,109
Financial assets included in prepayments, other receivables and other assets					
– Normal**	2,064	–	–	–	2,064
Amount due from a director					
– Normal**	698	–	–	–	698
Amount due from the ultimate holding company					
– Normal**	1	–	–	–	1
Pledged deposits					
– Not yet past due	14,147	–	–	–	14,147
Cash and cash equivalents					
– Not yet past due	22,018	–	–	–	22,018
	38,928	–	–	139,704	178,632

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 19 and 20 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and amounts due from a director/the ultimate holding company is considered to be "normal" as they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

The Group was 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 MOP23,142,000 (2020: MOP50,778,000), which accounted for 43% (2020: 66%) of the Group's total trade receivables and contract assets.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and contract assets are disclosed in notes 19 and 20 to the financial statements, respectively.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities according to the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest cash flows are on floating rate, the undiscounted amount is derived from contractual interest rate curve at the end of each reporting period.

Group	**2021**			
	On demand or less than 3 months MOP'000	**3 to less than 12 months MOP'000**	**Over 12 months MOP'000**	**Total MOP'000**
Trade and other payables	**24,260**	**–**	**–**	**24,260**
Interest-bearing bank borrowings	**46,814**	**531**	**531**	**47,876**
	71,074	**531**	**531**	**72,136**

Group	2020			
	On demand or less than 3 months MOP'000	3 to less than 12 months MOP'000	Over 12 months MOP'000	Total MOP'000
Trade and other payables	24,288	–	–	24,288
Lease liabilities	123	369	–	492
Interest-bearing bank borrowings	50,944	531	1,240	52,715
	75,355	900	1,240	77,495

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Note:

Bank borrowings with a repayment on demand clause are included in the "On demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2021, the aggregate carrying amount of these bank borrowings was MOP46,636,000 (2020: MOP50,766,000). Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows (estimated based on the interest rate at the end of the reporting period) are set out below.

	Weighted average interest rate	Less than 3 months	3 to less than 12 months	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
31 December 2021	**2.60**	**1,523**	**4,570**	**22,069**	**25,861**	**54,023**	**47,832**
31 December 2020	2.66	1,523	4,571	22,787	31,254	60,135	52,609

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The gearing ratio is a key indicator of the Group's capital structure. The gearing ratio is calculated as total debt, which includes bank borrowings disclosed in note 27 and lease liabilities, divided by total capital.

	2021 MOP'000	2020 MOP'000
Interest-bearing bank borrowings	**47,832**	52,609
Lease liabilities	**-**	484
Total debt	**47,832**	53,093
Equity	**118,144**	138,882
Total capital	**118,144**	138,882
Gearing ratio	**40.5%**	38.2%

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through payment of dividends, issue of new shares as well as issue of new debts or redemption of existing debts.

39. PERFORMANCE BONDS

As at 31 December 2021, the Group has issued performance bonds amounting to MOP13,986,000 (2020: MOP26,891,000) in respect of contracts from fitting-out, alteration and addition works through banks in Macau which are secured by pledged bank deposits as disclosed in note 23 and promissory notes by Lai Si and the Company.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 MOP'000	2020 MOP'000
NON-CURRENT ASSET		
Investments in subsidiaries	**85,490**	85,490
CURRENT ASSETS		
Due from the ultimate holding company	**1**	1
Due from subsidiaries	**94**	514
Prepayments	**156**	149
Cash and bank balances	**130**	149
Total current assets	**381**	813
CURRENT LIABILITIES		
Accruals	**1,470**	1,721
Due to subsidiaries	**10,058**	7,059
Total current liabilities	**11,528**	8,780
NET CURRENT LIABILITIES	**(11,147)**	(7,967)
Net assets	**74,343**	77,523
EQUITY		
Share capital	**4,120**	4,120
Reserves (Note)	**70,223**	73,403
Total equity	**74,343**	77,523

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium MOP'000	**Accumulated losses** MOP'000	**Total** MOP'000
At 1 January 2020	105,390	(24,123)	81,267
Loss and total comprehensive loss for the year	–	(3,229)	(3,229)
Final 2019 dividend declared	–	(4,635)	(4,635)
At 31 December 2020 and 1 January 2021	**105,390**	**(31,987)**	**73,403**
Loss and total comprehensive loss for the year	**-**	**(3,180)**	**(3,180)**
At 31 December 2021	**105,390**	**(35,167)**	**70,223**

41. 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 (note 11).

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2022.

PARTICULARS OF PROPERTIES HELD

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
9º Andar C, Industrial Tong Lei, Rua de Alegria Nº41, Macau	Industrial	Medium term lease	100%

FIVE-YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and represented/reclassified as appropriate, is set out below.

RESULTS

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
		(represented)	(represented)		
CONTINUING OPERATIONS					
REVENUE	**144,117**	158,055	261,638	173,740	274,400
(LOSS)/PROFIT BEFORE TAX	**(20,750)**	(79,589)	10,567	3,864	18,797
Tax credit/(expense)	**325**	1,333	(2,052)	(1,546)	(712)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**(20,425)**	(78,256)	8,515	2,318	18,085
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	**(313)**	(2,301)	(2,130)	–	–
(LOSS)/PROFIT FOR THE YEAR	**(20,738)**	(80,557)	6,385	2,318	18,085
(Loss)/profit for the year attributable to:					
– Owners of the Company	**(20,738)**	(80,557)	6,385	2,318	18,085
	MOP cents	MOP cents	MOP cents	MOP cents	MOP cents
(Losses)/earnings per share					
Basic and diluted					
– For the year	**(5.2)**	(20.1)	1.6	0.6	4.6
– From (loss)/profit continuing operations	**(5.1)**	(19.6)	2.1	0.6	4.6
– For loss from a discontinued operation	**(0.1)**	(0.6)	(0.5)	–	–

FIVE-YEARS FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	As at 31 December				
	2021	2020	2019	2018	2017
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Total assets	**216,528**	235,010	342,454	327,322	370,511
Total liabilities	**(98,384)**	(96,128)	(118,380)	(109,633)	(175,293)
Net assets	**118,144**	138,882	224,074	217,689	195,218
Equity attributable to owners of the Company	**118,144**	138,882	224,074	217,689	195,218
Total equity	**118,144**	138,882	224,074	217,689	195,218