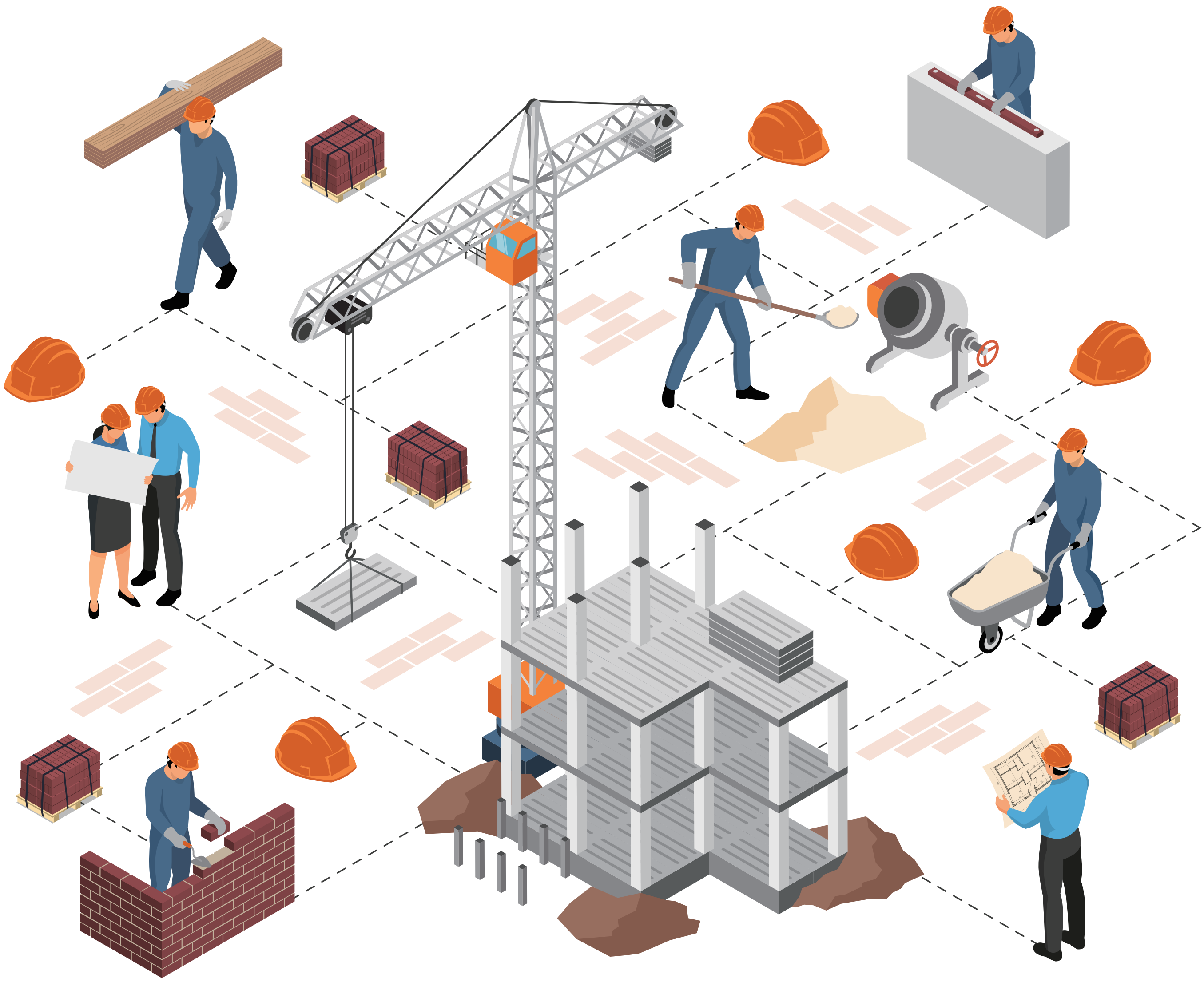
Hong Kong 香港 • Macau 澳門

黎氏建築
Lai Si Construction

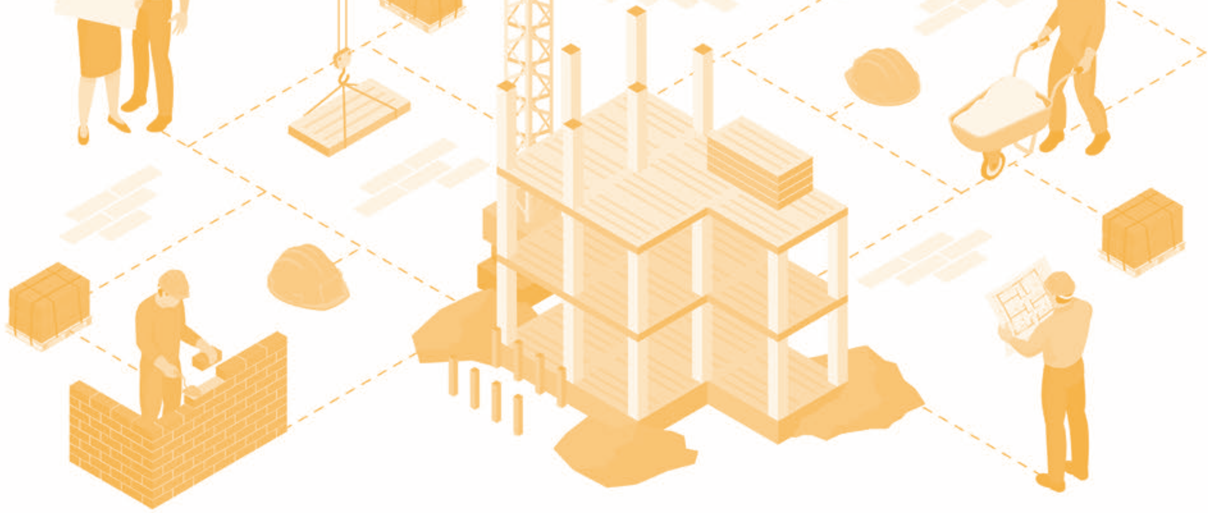
Lai Si Enterprise Holding Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2266)



2022
ANNUAL REPORT



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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
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

Ocorian Trust (Cayman) Limited
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

9/F Oriental Crystal Finance Centre
107–109 Chatham Road South
Tsimshatsui, Kowloon
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
17/F, Far East Finance Centre
16 Harcourt Road
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

CHAIRMAN'S STATEMENT

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 2022.

COMPANY OVERVIEW

Established in the 1980s, the Group has over 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 2022, the Group was dedicated to the development of 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 2022, the Group completed 24 projects and was awarded 23 projects. The Group's revenue increased by approximately 19.6% from approximately MOP144.1 million for the year ended 31 December 2021 to approximately MOP172.4 million for the year ended 31 December 2022. For the year ended 31 December 2022, the Group recorded profit after tax of approximately MOP5.3 million, as compared with loss after tax of approximately MOP 20.7 million in the previous financial year.

MARKET REVIEW

2022 has been a year with unpredictable developments of the COVID-19 pandemic for Macau – the sudden outbreak in June caused various activities throughout Macau to be kept at the minimum level; while a population-wide infection broke out in December after the customs clearance policy was implemented, which brought Macau a standstill.

Although two outbreaks occurred in Macau last year, it had been more stable throughout 2022 when compared with 2021 as it was already the third year after the pandemic started. Macau citizens and even the industries had mostly adapted to the pandemic, and the economy began to show signs of recovery.

The three years of pandemic led to an economic downturn which severely affects the construction industry in Macau. There was a significant reduction in the overall number of projects and a contraction in the private sector market. By the end of 2022, customs clearance measures had been fully restored and the traffic increased, which led to a full-fledged recovery of Macau's economy. Moreover, since the large-scale gaming companies' gaming license renewal have been settled, they will be able to invest more resources in construction and fitting-out projects. The Group believes that the increase in number of projects from large-scale gaming companies will certainly enhance the Company's performance, which will lead to an increase in earnings.

In the future, the Group will dedicate its resources on fitting-out projects. As a local construction company with local strengths and edge, we will surely achieve great results in the construction industry after the pandemic.

CHAIRMAN'S STATEMENT

OUTLOOK

It has been three years since the COVID-19 pandemic broke out in early 2020. During those three years, many industries had been hit hard and Macau's economy suffered a serious downturn. As COVID-19 started to weaken at the end of 2022, customs clearance measures were introduced globally, which showed hope for an economy clouded by the pandemic for the previous three years.

After a massive wave of COVID-19 infection in early 2023, the Macau market gradually returned to normal. While the revival of the construction industry is not immediately apparent, it can be observed from the market that there has been an influx of visitors to Macau after its border opened, which was a driver for the upstream customers of construction industry such as catering, hotels and tourism. With the marked increase in traffic and the gaming license renewal being settled in late 2022, the Group believes there would be a significant increase in catering, hotels and gaming projects, which will boost the Group's results to pre-pandemic levels.

Regardless of the hardship, the Group will continue to work hard, persevere and achieve even greater operating results in the coming future by leveraging upon our strengths and with confidence.

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 2023

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. 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 2022, the total value for the new fitting-out projects awarded to the Group, representing the aggregate awarded contract sum, amounted to approximately MOP201.4 million as compared to the year ended 31 December 2021 of approximately MOP77.4 million. As at 31 December 2022, the Group had an aggregate value of backlog for fitting-out projects and construction projects of approximately MOP72.7 million as compared to approximately MOP36.9 million as at 31 December 2021.

Financial review

Revenue

The following table sets forth a breakdown of the Group's revenue during the years ended 31 December 2022 and 2021 by business segments:

	Year ended 31 December			
	2022		2021	
	MOP'000	**%**	MOP'000	%
Fitting-out works	**150,931**	**87.6**	131,511	91.3
Construction works	**17,832**	**10.3**	8,920	6.2
Repair and maintenance services	**3,610**	**2.1**	3,686	2.5
Total	**172,373**	**100.0**	144,117	100.0

During the year ended 31 December 2022, the Group's revenue increased by approximately MOP28.3 million or 19.6%. The increase was mainly attributable to the increase in revenue from fitting-out works by approximately MOP19.4 million or 14.8% and increase in revenue from construction works by approximately MOP8.9 million or 99.9%.

The following table sets forth a breakdown of the Group's revenue attributable to fitting-out works during the years ended 31 December 2022 and 2021 by type of customers:

	Year ended 31 December			
	2022		2021	
	MOP'000	**%**	MOP'000	%
Hotel and casino	**1,556**	**1.0**	65,521	49.8
Retail shops and restaurants	**128,457**	**85.1**	56,051	42.6
Others	**20,918**	**13.9**	9,939	7.6
Total	**150,931**	**100.0**	131,511	100.0

The increase in fitting-out works revenue during the year ended 31 December 2022 was mainly attributable to the increase in revenue from customers of retail shops and restaurants by approximately MOP72.4 million or 129.2%. Fitting-out works revenue from other customers also increase.

The increase in revenue of construction works during the year ended 31 December 2022 was mainly attributable to the increase in revenue derived from general construction of approximately MOP8.9 million or 99% 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 2022 and 2021 by business segments:

	Year ended 31 December			
	2022		2021	
	Gross profit MOP'000	**Gross profit margin %**	Gross profit MOP'000	Gross profit margin %
Fitting-out works	**40,132**	**26.6**	23,281	17.7
Construction works	**(5,428)**	**(30.4)**	(133)	(1.5)
Repair and maintenance services	**1,110**	**30.7**	1,447	39.3
Total/overall	**35,814**	**20.8**	24,595	17.1

During the year ended 31 December 2022, the Group's gross profit increased by approximately MOP11.2 million or approximately 45.6% from approximately MOP24.6 million for the year ended 31 December 2021 to approximately MOP35.8 million for the year ended 31 December 2022. 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 17.1% for the year ended 31 December 2021 to approximately 20.8% for the year ended 31 December 2022. 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 revenue finally confirmed.

Other income, gains and losses, net

The Group incurred net loss over other income and gains of approximately MOP1.9 million for the year ended 31 December 2022, as compared with net loss over other income and gains of approximately MOP15.3 million for the year ended 31 December 2021. Net loss reduced was due to provision made for financial assets and contract assets being reduced from MOP16.6 million for the year ended 31 December 2021 to MOP0.7 million written back for the year ended 31 December 2022. In addition, there was an impairment loss on property, plant and equipment MOP3.2 million made for the year ended 31 December 2022.

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. Therefore, expected credit losses provision has been revised accordingly.

Administrative expenses

The Group's administrative expenses decreased by approximately MOP2.4 million or 8.5% from approximately MOP28.7 million for the year ended 31 December 2021 to approximately MOP26.3 million for the year ended 31 December 2022. Such decrease was mainly due to decrease in administrative expenses under cost control measures taken.

Finance costs

The Group's finance costs increased by approximately MOP0.2 million or 12% from approximately MOP1.3 million for the year ended 31 December 2021 to approximately MOP1.5 million for the year ended 31 December 2022. Such increase was attributable to the increase in bank loans interest rates during the year ended 31 December 2022.

Income tax expense/(credit)

The Group's income tax credit approximately MOP0.3 million for the year ended 31 December 2021 was changed to approximately MOP0.9 million income tax expense for the year ended 31 December 2022. Tax expense for the year ended 31 December 2022 was in line with the profit made for the year.

Profit/(loss) and total comprehensive income/(loss) for the year attributable to owners of the Company

As a result of the above, the Group made profit for the year attributable to owners of the Company of approximately MOP5.3 million for the year ended 31 December 2022 as compared with loss of approximately MOP20.7 million for the year ended 31 December 2021.

Basic earnings/(loss) per share

The Company's basic earnings per share for the year ended 31 December 2022 was MOP1.3 cents (2021: loss per share MOP5.2 cents), representing an increase of MOP6.5 cents which is in line with the profit for the year attributable to owners of the Company when compared to the year ended 31 December 2021.

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 2022, the Group's current assets exceeded its current liabilities by MOP17.4 million (2021: MOP5.3 million).

As at 31 December 2022, the Group had bank balances and cash of MOP22.4 million (2021: MOP11.5 million).

As at 31 December 2022, the Group had an aggregate of pledged bank deposits of MOP14.6 million (2021: MOP14.5 million) that were used to secure banking facilities.

As at 31 December 2022, bank and other borrowings amounted to MOP31.0 million (2021: MOP47.8 million) of which MOP3.6 million, MOP3.1 million, MOP10.1 million and MOP14.2 million (2021: MOP4.9 million, MOP4.9 million, MOP13.7 million and MOP24.3 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 MOP30.5 million as at 31 December 2022 (2021: MOP33.5 million), carry interest at 2.65% below the prevailing best lending rate quoted by the bank in Macau (the "Prime Rate") (2021: 2.65% below the Prime Rate) per annum. The remaining interest-bearing bank borrowing amounting to MOP13.1 million as at 31 December 2021 carried interests at three months Hong Kong Interbank Offered Rate (HIBOR) plus 2.3% per annum. The effective interest rates on the borrowings as at 31 December 2022 (which are also equal to contracted interest rate) range from 3.2% to 4% (2021: 2.5% to 4%).

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

The Group continued to maintain a healthy liquidity position. As at 31 December 2022, the Group's current assets and current liabilities were MOP102.3 million (2021: MOP100.3 million) and MOP85.0 million (2021: MOP95.1 million), respectively. The Group's current ratio increased to 1.2 (2021: 1.1). The increase was in line with profit making situation during the year ended 31 December 2022. 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 0.25 as at 31 December 2022 (2021: 0.41). The decrease in gearing ratio was primarily due to bank loan repayment made during year ended 31 December 2022.

As at 31 December 2022, the share capital and equity attributable to owners of the Company amounted to MOP4.1 million and MOP123.5 million, respectively (2021: MOP4.1 million and MOP118.1 million, respectively).

Charge on the Group's assets

As at 31 December 2022, land and building, investment properties and bank deposits were pledged to secure certain borrowings granted to the Group amounted to MOP76.3 million, nil and MOP14.6 million (2021: MOP80.4 million, MOP27.0 million and MOP14.5 million), respectively.

Contingent liabilities and operating lease and capital commitments

(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 advisors and experts engaged by the Macau Government to study the causes of the incident, the collapse of Sin Fong Garden Building was caused by the substandard supporting pillars of Sin Fong Garden Building, instead of the dismantlement and foundation work undertaken in the adjacent new residential building.

The first hearing date for the lawsuit filed by several flat owners of Sin Fong Garden Building is postponed to start on 17 November 2023. 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 2022. The Controlling Shareholders have undertaken to indemnify the Group against all losses and liabilities arising from the above proceedings.

(b) Dispute on payment with a subcontractor

As at 31 December 2022, 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 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 2022.

(c) Dispute on payment with a subcontractor

As at 31 December 2022, 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 with interest of MOP2,428,000.

Up to the date of this 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 2022.

(d) 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 MOP4,627,000. 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, and the plaintiff subcontractor decided not to look forward to the Court of First Instance on 17 May 2022.

(e) 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 "High 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 in February 2017.

The Company took out an application on 3 May 2022 to dismiss the Amended Writ and strike out the Amended Statement of Claim (the "Strike-out Summons") against the Company. The hearing for the Strike-out Summons was heard on 7 November 2022 (the "Hearing") in the High Court. After hearing submissions from the legal representatives of the plaintiff and the Company, the High Court had granted an order to dismiss the Amended Writ and strike out the Amended Statement of Claim against the Company at the Hearing. The Company is no longer a party to the case.

As at 31 December 2022, the Group did not have any capital commitments (2021: 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 2022 on trade receivables and contract assets from the Group's five major customers amounting to approximately MOP38.2 million (2021: MOP23.1 million) and accounted for approximately 66.3% (2021: 43.0%) of the Group's total trade receivables and contract assets. The major customers of the Group are certain reputable organisations. The management of the Group considers that the credit risk is limited in this regard.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Liquid funds are also under the scope of review by the professional valuer as in account receivables.

EVENT AFTER THE REPORTING PERIOD

There are no significant events after 31 December 2022 and up to date of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the total number of full-time employees of the Group was 138 (2021: 146).

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 MOP39.5 million for the year ended 31 December 2022 (2021: MOP44.2 million).

The Company adopted a share option scheme (the "Share Option Scheme") so that the Company may grant options to the eligible participants as incentives or rewards for their contribution to the Group. Since the listing of the Shares, no share option had been granted under the Share Option Scheme.

USE OF PROCEEDS FROM THE SHARE OFFER

The Shares have been listed and traded on the Main Board of the Stock Exchange since 10 February 2017.

The net proceeds from the Placing and Public Offer (the "Share Offer") (as defined in the prospectus of the Company date 27 January 2017 (the "Prospectus")) amounted to approximately HK$89.8 million (equivalent to approximately MOP92.5 million) (after deducting underwriting fees and commissions and all related expenses). Such net proceeds are intended to be applied in accordance with the proposed application as disclosed in the Prospectus and as stated in the Company's announcement dated 7 August 2020.

	Net proceeds from the Share Offer*	**Utilised up to 31 December 2021**	**Utilised during the year 2022**	**Unutilised up to 31 December 2022**	**Expected timeline of full utilisation of the remaining proceeds from the Share Offer as at 31 December 2022**
	HK$ million	HK$ million	HK$ million	HK$ million	
Finance fitting-out projects in Macau	49.4	49.4	-	-	N/A
Finance construction projects in Macau	17.9	15.9	2	-	N/A
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	87.8	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 2022, 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. There is no more unutilised net proceeds from the Listing as at 31 December 2022.

PROSPECTS AND STRATEGIES

Outlook:

It has been three years since the COVID-19 pandemic broke out in early 2020. During those three years, many industries have been hit hard and Macau's economy suffered a serious downturn. As COVID-19 started to weaken at the end of 2022, customs clearance measures were introduced globally, which showed hope for an economy clouded by the pandemic for the previous three years.

After a massive wave of COVID-19 infection in early 2023, the Macau market gradually returned to normal. While the revival of the construction industry is not immediately apparent, it can be observed from the market that there has been an influx of visitors to Macau after its border opened, which was a driver for the upstream customers of construction industry such as catering, hotels and tourism. With the marked increase in traffic and the gaming license renewal being settled in late 2022, the Group believes there would be a significant increase in catering, hotels and gaming projects, which will boost the Group's results to pre-pandemic levels.

Regardless of the hardship, the Group will continue to work hard, persevere and achieve even greater operating results in the coming future by leveraging upon our strengths and with confidence.

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 2022.

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, code provisions and certain recommended best practices 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 2022, 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 2022.

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	71	Over 36 years of experience in fitting-out and construction industry
Mr. Lai Meng San *(Chief Executive Officer)*	M	43	Bachelor's degree of technology in architectural science
Ms. Lai Ieng Wai	F	42	Bachelor's degree of arts in economics
Ms. Cheong Weng Si	F	44	Bachelor's degree of business administration in accounting
Independent non-executive Directors			
Mr. Chan Iok Chun	M	57	Over 17 years of experience in retail industry of mobile phones and related accessories
Mr. Siu Wing Hay	M	48	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	M	45	Bachelor's degree of politics, master of business administration and Ph.D.

The biographical information of the Directors is set out in the section headed "Biographies of Directors and Senior Management" on pages 31 to 35 of the annual report for the year ended 31 December 2022.

The relationships between the Directors are disclosed in the respective Director's biography under the section "Biographies of Directors and Senior Management" on pages 31 to 35 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	6/7	N/A	2/2	2/2	1/1
Mr. Lai Meng San	7/7	N/A	N/A	2/2	1/1
Ms. Lai Ieng Wai	7/7	N/A	2/2	N/A	1/1
Ms. Cheong Weng Si	7/7	N/A	N/A	N/A	1/1
Mr. Chan Iok Chun	7/7	2/2	2/2	2/2	1/1
Mr. Siu Wing Hay (appointed on 10 February 2022)	6/6	2/2	1/1	1/1	1/1
Dr. Liu Ting Chi (appointed on 16 April 2022)	5/5	1/1	N/A	N/A	1/1
Mr. Chan Chun Sing (ceased on 10 February 2022)	1/1	N/A	1/1	1/1	N/A
Ms. Lam Mei Fong (ceased on 16 April 2022)	2/2	1/1	2/2	2/2	N/A

Apart from regular Board meetings, the Chairman also held one 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 2022, 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 2022, 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 2022 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	
Siu Wing Hay	A
Chan Iok Chun	B
Liu Ting Chi	B
Chan Chun Sing (ceased on 10 February 2022)	N/A
Lam Mei Fong (ceased 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, Mr. Chan Iok Chun and Dr. Liu Ting Chi. 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 two meetings in the year ended 31 December 2022, 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, Mr. Chan Iok Chun and Dr. Liu Ting Chi. 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 held two meetings during the year to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the executive Directors for the year 2022 as well as the updated terms of reference of the Remuneration Committee, and also met once in 2023 to make recommendation to the Board on the remuneration policy and the remuneration packages of the executive Directors and independent non-executive Directors for the year 2023.

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 2022 are as follows:

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

* 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 2022.

The Remuneration Committee also made recommendations to the Board on the renewal of appointments and remuneration packages of the executive Directors and 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, Mr. Chan Iok Chun and Dr. Liu Ting Chi. 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 twice to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, to consider the qualifications of the retiring directors standing for election at the annual general meeting and to assess the independence of the newly appointed independent non-executive directors pursuant to Rule 2.13 of the Listing Rules during the year 2022.

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.

Diversity at workforce levels (including our senior management) is disclosed in our Environmental, Social and Governance ("ESG") Report.

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 annually.

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. Details of the changes to the composition of the Board up to 21 April 2023, being latest practicable date, are set out in the section headed "Report of the Directors" in this annual report.

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 acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

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 47 to 52.

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 2022 amounted to MOP927,000 and MOP191,000, respectively. An analysis of the remuneration paid and payable to the 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 2022 is set out below:

Service Category	**Fees Paid/Payable** *MOP'000*
Audit Services	927
Non-audit Services	
– Interim Review Service	103
– Taxation Service	88
Total	1,118

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 2022, 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. Proposed amendments to the Articles of Association in this respect have been proposed to the Shareholders for consideration and adoption at the forthcoming annual general meeting. 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, 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:	9/F, Oriental Crystal Finance Centre, 107-109 Chatham Road South, Tsimshatsui, Kowloon, 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 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. A new set of Articles of Association has been proposed to the Shareholders for consideration and adoption at the forthcoming annual general meeting.

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. Considering that different channels have been implemented by the Company to communicate with its Shareholders, the Board confirmed the effectiveness of the policy during the year ended 31 December 2022.

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 ESG Report

Disclosures relating to the material ESG issues identified for the year ended 31 December 2022 have been included in the ESG Report pursuant to the requirements of Appendix 27 to the Listing Rules to be published separately on the same date of this annual report. The ESG Report will be available on the Company's website at https://www.lai-si.com/under the "Investor Relations" section.

DIRECTORS

Executive Directors

Mr. LAI Ieng Man (黎英萬), aged 71, 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 36 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 43, 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 21 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 42, 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 19 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 44, 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 12 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 48, 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 24 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Mr. CHAN Iok Chun (陳玉泉), aged 57, 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 17 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.

Dr. Liu Ting Chi (劉丁己), aged 45, 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 60, 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 56, 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 56, 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.

REPORT OF THE DIRECTORS

The Board present their report and the audited financial statements for the year ended 31 December 2022.

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. 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 2022, 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 16 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 2022 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 2022 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 profit for the year ended 31 December 2022 and the Group's financial position at that date are set out in the consolidated financial statements on pages 53 to 56.

The Board does not recommend the payment of final dividend for the year 31 December 2022 (2021: 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 2018, 2019, 2020, 2021 and 2022, as extracted from the audited financial statements or the Prospectus and represented/reclassified as appropriate, is set out on pages 139 to 140. 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 2022.

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 2022, the Company's reserves available for distribution, calculated in accordance with the Articles of Association, amounted to MOP67,197,000.

Details of movements in the reserves of the Group during the year ended 31 December 2022 are set out in the consolidated statement of changes in equity on page 57 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 88.3% of the total revenue for the year and revenue from the largest customer included therein amounted to 55.2%. Purchases from the Group's five largest subcontractors and suppliers accounted for less than 25% of the total purchases for the year. The percentage of purchases attributable to the largest supplier is 11.1%.

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 2022 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 (appointed on 16 April 2022)
Mr. CHAN Chun Sing (ceased on 10 February 2022)
Ms. LAM Mei Fong (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.

Mr. Chan Chun Sing resigned on 10 February 2022 upon completion of his employment term and Mr. Siu Wing Hay has been appointed as an independent non-executive Director, Chairman of the Audit Committee, a member of each the Renumeration Committee and the Nomination Committee in his place.

Ms. Lam Mei Fong did not stand for re-election at the 2022 annual general meeting upon completion of her employment term and Dr. Liu Ting Chi has been appointed as an independent non-executive Director in her replacement both with effect from 16 April 2022. It was determined by the Board that Mr. Lai Ieng Man, Mr. Lai Meng San and Ms. Lai Ieng Wai 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.

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.

REPORT OF THE DIRECTORS

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 31 to 35 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Siu Wing Hay, Mr. Chan Iok Chun and Dr. Liu Ting Chi 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 2022 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 2022, the Group did not make charitable donations (2021: nil).

DEBENTURE ISSUED

During the year ended 31 December 2022, the Group did not issue debenture (2021: 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 2022 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 2022.

CHANGE IN INFORMATION OF DIRECTORS

There was no change in information of Directors, which is required to be disclosed pursuant to Rule 13.51B of the Listing Rules, since the publication of the interim report of the Company for the six months ended 30 June 2022.

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

At 31 December 2022, 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 2022, 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 2022 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 at the beginning and end of the financial year end 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 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 2022 MOP'000
Exempt continuing connected transactions		
Lai Si Construction (Thailand) Company Limited [Note 1]	Project management services income	1,133
Ou Wai Health Company Limited [Note 2]	Fitting-out works provided	41
	Repair and maintenance services provided	106

Non-exempt continuing connected transaction

During the year ended 31 December 2022, 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)

Notes:

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, 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.

The Board proposed to make certain amendments to the Memorandum and Articles of Association at the forthcoming annual general meeting to reflect the core standards of shareholder protection introduced by the Stock Exchange, to reflect certain updates in relation to the applicable laws of the Cayman Islands and the Listing Rules and to provide flexibility to the Company in relation to the conduct of general meetings and to incorporate certain housekeeping changes.

AUDITOR

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 2023

bakertilly
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 53 to 137, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of 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 2022 and of its consolidated financial performance and its 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 (Continued)
(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 budget and 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, labour cost record, invoices or other documents issued by the subcontractors/suppliers/vendors; • Checking to the contracts and variation orders, architect's instructions or other form of agreements or other correspondence for the contract revenue recognised; and • Assessing reliability of management's assessment in forecasted costs by considering the historical actual costs and estimation of budgeted costs of completed projects.

Independent auditor's report to the shareholders of
Lai Si Enterprise Holding Limited (Continued)
(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, 20 and 38 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 (Continued)
(Incorporated in the Cayman Islands with limited liability)

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 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 (Continued)
(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 (Continued)
(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 2023
Tong Wai Hang
Practising certificate number P06231

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 MOP'000	2021 MOP'000
CONTINUING OPERATIONS			
REVENUE	5	**172,373**	144,117
Cost of sales		**(136,559)**	(119,522)
Gross profit		**35,814**	24,595
Other income, gains and losses, net	5	**2,858**	1,967
Administrative expenses		**(26,275)**	(28,714)
Reversal of/(impairment losses) on financial assets and contract assets	6	**693**	(16,571)
Impairment losses on prepayments	6	**-**	(1,843)
Impairment loss on property, plant and equipment	6	**(3,240)**	–
Changes in fair value of investment properties	6	**(2,163)**	1,133
Finance costs	7	**(1,498)**	(1,336)
Share of (loss)/profit of an associate		**(6)**	19
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	6	**6,183**	(20,750)
Income tax (expense)/credit	10	**(867)**	325
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**5,316**	(20,425)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	11	**-**	(313)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**5,316**	(20,738)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
		MOP cents	MOP cents
Basic and diluted			
– For profit/(loss) for the year		**1.3**	(5.2)
– For profit/(loss) from continuing operations		**1.3**	(5.1)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 MOP'000	2021 MOP'000
PROFIT/(LOSS) FOR THE YEAR	**5,316**	(20,738)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value, net of nil tax	**13**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**13**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**13**	–
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**5,329**	(20,738)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	**2022 MOP'000**	2021 MOP'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**76,632**	80,908
Investment properties	15	**24,823**	26,986
Investment in an associate	16	**6,914**	6,920
Equity investments designated at fair value through other comprehensive income	17	**1,393**	1,380
Total non-current assets		**109,762**	116,194
CURRENT ASSETS			
Inventories	18	**-**	3,360
Trade receivables	19	**21,916**	27,056
Contract assets	20	**35,789**	26,720
Prepayments, other receivables and other assets	22	**7,596**	16,534
Amount due from a director	35(b)	**-**	698
Amount due from the ultimate holding company	35(b)	**1**	1
Pledged bank deposits	23	**14,648**	14,463
Cash and bank balances	23	**22,386**	11,502
Total current assets		**102,336**	100,334
CURRENT LIABILITIES			
Trade payables	24	**25,694**	24,252
Contract liabilities	25	**15,321**	13,246
Other payables and accruals	26	**12,906**	10,234
Interest-bearing bank borrowings	27	**31,046**	47,309
Tax payable		**-**	20
Total current liabilities		**84,967**	95,061
NET CURRENT ASSETS		**17,369**	5,273
Total assets less current liabilities		**127,131**	121,467

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2022

	Notes	2022 MOP'000	2021 MOP'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	**-**	523
Deferred tax liabilities	28	**3,658**	2,800
Total non-current liabilities		**3,658**	3,323
Net assets		**123,473**	118,144
CAPITAL AND RESERVES			
Share capital	29	**4,120**	4,120
Reserves	31	**119,353**	114,024
Total equity		**123,473**	118,144

Lai Ieng Man
Director

Lai Meng San
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	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))	**Fair value reserve*** MOP'000 (note (e))	**Retained profits/ (accumulated losses)*** MOP'000	**Total equity** MOP'000
At 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 and 1 January 2022	**4,120**	**105,390**	**50**	**(5,098)**	**85**	**20,499**	**-**	**(6,902)**	**118,144**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,316**	**5,316**
Other comprehensive income for the year: - change in fair value of equity investment at fair value through other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**-**	**13**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**5,316**	**5,329**
At 31 December 2022	**4,120**	**105,390**	**50**	**(5,098)**	**85**	**20,499**	**13**	**(1,586)**	**123,473**

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 Si (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.

(e) The fair value reserve comprises the cumulative net change in the fair value of equity investments designated at fair value through other comprehensive income under HKFRS 9 that are held at the end of the reporting period.

* These reserve accounts comprise the consolidated reserves of MOP119,353,000 (2021: MOP114,024,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	**2022 MOP'000**	2021 MOP'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
– From continuing operations		**6,183**	(20,750)
– From a discontinued operation		**-**	(313)
Adjustments for:			
– Interest income	5	**(239)**	(476)
– Gain on termination of a lease	5	**-**	(8)
– Depreciation of property, plant and equipment	14	**1,005**	1,269
– Depreciation of right-of-use assets	6	**-**	39
– (Reversal of)/impairment losses on financial assets and contract assets	6	**(693)**	16,571
– Impairment losses on prepayments	6	**-**	1,843
– Impairment loss on property, plant and equipment	6	**3,240**	–
– Loss on written-off of items of property, plant and equipment	14	**31**	277
– Changes in fair value of investment properties	6	**2,163**	(1,133)
– Finance costs	7	**1,498**	1,336
– Share of loss/(profit) of an associate		**6**	(19)
		13,194	(1,364)
Decrease/(increase) in inventories		**3,360**	(3,360)
Decrease/(increase) in trade receivables		**5,114**	(18,187)
(Increase)/decrease in contract assets		**(8,350)**	24,686
Decrease/(increase) in prepayments, other receivables and other assets		**9,014**	(5,661)
Decrease in amount due from a director		**698**	–
Increase/(decrease) in trade payables		**1,442**	(27)
Increase in contract liabilities		**2,075**	10,366
Increase/(decrease) in other payables and accruals		**2,672**	(2,479)
Cash generated from operations		**29,219**	3,974
Income taxes paid		**(29)**	(18)
Net cash flows from operating activities		**29,190**	3,956
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**163**	630
Purchases of items of property, plant and equipment		**-**	(354)
Increase in pledged bank deposits		**(185)**	(316)
Increase in bank deposits with original maturity over three months		**(14)**	(69)
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		**(36)**	(8,390)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	**2022** **MOP'000**	2021 MOP'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank borrowings	32(a)	**(25,438)**	(4,777)
New bank loans	32(a)	**8,652**	–
Payment for principal portion of leases	32(a)	**-**	(38)
Payment for interest component of leases	32(a)	**-**	(1)
Interest paid	32(a)	**(1,498)**	(1,335)
Net cash used in financing activities		**(18,284)**	(6,151)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**10,870**	(10,585)
Cash and cash equivalents at beginning of the year		**7,387**	17,972
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**18,257**	7,387
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the statement of financial position	23	**22,386**	11,502
Bank deposits with original maturity over three months	23	**(4,129)**	(4,115)
Cash and cash equivalents as stated in the statement of cash flows		**18,257**	7,387

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 2022	2021	Principal activities
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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

a) Amendments to HKFRS 3 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 (the "Conceptual Framework") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below: (Continued)

b) Amendment 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 as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

d) 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 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 17	Insurance Contracts[1, 5]
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information[6]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")[2, 4]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 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

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

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.

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

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.

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 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 (provided that sufficient taxable profit is available) 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.

2.4 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures its investment properties and equity investments 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, 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 the consolidated statement of 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 the consolidated statement of profit or loss in the period in which it arises.

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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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	2%
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.

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 the consolidated statement of 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 the consolidated statement of profit or loss in the year of the retirement or disposal.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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 term.

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.

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(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 other income in the consolidated statement of profit or loss 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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 when the asset is derecognised, modified or impaired.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Gains and losses on these financial assets are never recycled to the consolidated statement of profit or loss. Dividends are recognised as other income in the consolidated 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 that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 365 days past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's historical recovery rate of financial assets over 90 days past due. However, 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 and interest-bearing bank borrowings.

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 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.

Derecognition of financial liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities (Continued)

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions (Continued)

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 and associate, 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.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward 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 carryforward 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 and associate, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

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.

Other income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Other income (Continued)

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).

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the MOP. As at the end of the reporting period, the assets and liabilities of these entities are translated into MOP at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into MOP at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

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 2022 was MOP24,823,000 (2021: MOP26,986,000). 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 2022 was MOP2,761,000 (2021: MOP14,682,000). The amount of unrecognised tax losses at 31 December 2022 was MOP51,405,000 (2021: MOP51,747,000). Further details are contained in note 28 to the financial statements.

Contingent liability

The Group will face a wide range of legal disputes in the course of continuing operations, and the results of the relevant disputes are highly uncertain.

When the economic benefits related to a particular legal dispute are considered to be extremely likely to flow out and measurable, the management of the Group will make corresponding provisions according to the professional legal advice. Except those contingent liabilities which are considered to be of extremely low possibility to result in outflow of economic benefits, the contingent liabilities of the Group are disclosed in note 33. The management uses judgment to determine whether a provision shall be made for the relevant administrative and legal dispute or whether the dispute shall be disclosed as a contingent liability.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a income-based valuation technique as detailed in note 37 to the financial statements. The valuation requires the Group make estimates about the expected cash flows from the asset and determine a suitable discount rate. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2022 was MOP1,393,000 (2021: MOP1,380,000). Further details are included in note 17.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for property, plant and equipment at the end of each reporting period. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

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, reversal of or impairment losses on financial assets, contract assets, prepayments and property, plant and equipment, changes in fair value of investment properties, finance costs, share of profit or loss 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 2022	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 customers from continuing operations	150,931	17,832	3,610	172,373
Segment results	39,845	(5,512)	1,096	35,429
Corporate expenses				(25,859)
Other income, gains and losses, net				2,858
Reversal of impairment losses on financial assets and contract assets				693
Impairment loss on property, plant and equipment				(3,240)
Loss on written-off of items of property, plant and equipment				(31)
Changes in fair value of investment properties				(2,163)
Finance costs				(1,498)
Share of loss of an associate				(6)
Profit before tax from continuing operations				6,183

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 customers 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)

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2022 MOP'000	2021 MOP'000
Macau	**163,543**	129,502
Hong Kong	**8,830**	14,615
	172,373	144,117

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

(b) Non-current assets

	2022 MOP'000	2021 MOP'000
Macau	**108,342**	114,723
Hong Kong	**27**	91
	108,369	114,814

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:

	2022 MOP'000	2021 MOP'000
Customer A [(a)]	**N/A[(d)]**	58,383
Customer B [(a)]	**N/A[(d)]**	21,105
Customer C [(b)]	**95,191**	N/A[(d)]
Customer D [(c)]	**21,339**	N/A[(d)]

Notes:

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

(b) The revenue was derived from fitting-out, alteration and addition works.

4. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers (Continued)

Notes: (Continued)

(c) The revenue was derived from fitting-out, alteration and addition works and construction works.

(d) 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:

	2022 MOP'000	2021 MOP'000
Revenue from contracts with customers		
Fitting-out, alteration and addition works	**150,931**	131,511
Construction works	**17,832**	8,920
Repair and maintenance services	**3,610**	3,686
	172,373	144,117

Revenue from contracts with customers

(i) Disaggregated revenue information

Year ended 31 December 2022

	Fitting-out, alteration and addition works MOP'000	**Construction works MOP'000**	**Repair and maintenance services MOP'000**	**Total MOP'000**
Geographical markets				
Macau	**142,321**	**17,832**	**3,390**	**163,543**
Hong Kong	**8,610**	**-**	**220**	**8,830**
Total revenue from contracts with customers	**150,931**	**17,832**	**3,610**	**172,373**
Timing of revenue recognition				
Services transferred over time	**150,931**	**17,832**	**-**	**168,763**
Services transferred at a point in time	**-**	**-**	**3,610**	**3,610**
Total revenue from contracts with customers	**150,931**	**17,832**	**3,610**	**172,373**

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

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue 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
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

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:

	2022 MOP'000	2021 MOP'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Fitting-out, alteration and addition works	**4,540**	1,213
Construction works	**7,989**	900
	12,529	2,113

(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.

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

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

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:

	2022 MOP'000	2021 MOP'000
Amount expected to be recognised as revenue:		
– Within one year	**62,550**	36,925
– After one year	**10,161**	–
	72,711	36,925

Other income, gains and losses, net

	Notes	**2022 MOP'000**	2021 MOP'000
Bank interest income		**239**	476
Gross rental income from investment property operating leases:			
– Fixed lease payments	21	**766**	734
Gross rental income from other operating leases	21	**236**	289
Government subsidies*		**797**	491
Foreign exchange differences, net		**(397)**	(1,951)
Consultancy service income	35(a)	**1,133**	1,830
Gain on termination of a lease		**-**	8
		2,774	1,877
Others		**84**	90
		2,858	1,967

* During the year ended 31 December 2022 and 2021, 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. PROFIT/(LOSS) BEFORE TAX

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

	Notes	**2022 MOP'000**	2021 MOP'000
Cost of services provided*		**136,559**	119,522
Depreciation of property, plant and equipment		**1,005**	1,233
Depreciation of right-of-use assets	21(a)	**-**	39
Expense relating to short-term leases	21(c)	**462**	581
Auditor's remuneration		**927**	927
Employee benefit expense (excluding directors' and chief executive's remuneration):*			
– Wages and salaries		**33,189**	38,014
– Pension scheme contributions**		**393**	412
(Reversal of)/impairment losses on financial and contract assets:			
– Impairment losses on trade receivables	19	**26**	3,142
– (Reversal of)/impairment losses on contract assets	20	**(719)**	13,429
		(693)	16,571
Impairment loss on property, plant and equipment	14	**3,240**	–
Impairment losses on prepayments	22	**-**	1,843
Loss on written-off of items of property, plant and equipment		**31**	–
Changes in fair value of investment properties	15	**2,163**	(1,133)

* Included in cost of services provided are the staff costs incurred in the amount of MOP24,573,000 (2021: MOP26,247,000).

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contribution.

7. FINANCE COSTS

	2022 MOP'000	2021 MOP'000
Interest on bank loans and overdrafts	**1,498**	1,335
Interest on lease liabilities	**-**	1
	1,498	1,336

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	
	2022 **MOP'000**	2021 MOP'000
Fees	**161**	165
Other emoluments:		
– Salaries, allowances and benefits in kind	**5,820**	5,330
– Discretionary bonus*	**–**	243
– Pension scheme contributions	**4**	4
	5,824	5,577
	5,985	5,742

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

	Fees **MOP'000**	**Salaries, allowances and benefits in kind** **MOP'000**	**Pension scheme contributions** **MOP'000**	**Total** **MOP'000**
2022				
Executive directors:				
– Mr. Lai Ieng Man	–	1,656	1	1,657
– Mr. Lai Meng San*	–	1,620	1	1,621
– Ms. Lai Ieng Wai	–	1,584	1	1,585
– Ms. Cheong Weng Si	–	960	1	961
Independent non-executive directors:				
– Mr. Chan Chun Sing (cessation on 10 February 2022)	7	–	–	7
– Mr. Chan Iok Chun	32	–	–	32
– Ms. Lam Mei Fong (cessation on 16 April 2022)	15	–	–	15
– Dr. Liu Ting Chi (appointed on 16 April 2022)	36	–	–	36
– Mr. Siu Wing Hay (appointed on 10 February 2022)	71	–	–	71
	161	5,820	4	5,985

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
	165	5,330	243	4	5,742

* 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 four directors (2021: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2021: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 MOP'000	2021 MOP'000
Salaries, allowances and benefits in kind	**1,080**	2,148
Discretionary bonus	**–**	94
Pension scheme contributions	**2**	20
	1,082	2,262

9. FIVE HIGHEST PAID EMPLOYEES (Continued)

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	
	2022	2021
HK$1,000,001 to HK$1,500,000 (equivalent to MOP1,030,001 to MOP1,545,000)	**1**	2

For the years ended 31 December 2022 and 2021, 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% (2021: 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 have no assessable profits during the year and a subsidiary incorporated in Hong Kong has available tax losses carried forward for future set off.

	2022 **MOP'000**	2021 MOP'000
Current – Macau		
– Charge for the year	**-**	20
– Under/(over)-provision in prior years	**9**	(558)
Deferred (note 28)	**858**	213
Total tax charge/(credit) for the year from continuing operations	**867**	(325)
Total tax charge for the year from discontinued operation	**-**	–
	867	(325)

10. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit/(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:

2022

	Macau MOP'000	Hong Kong MOP'000	Total MOP'000
Profit/(loss) before tax from continuing operations	**8,744**	**(2,561)**	**6,183**
Tax at the statutory tax rate	**1,049**	**(422)**	**627**
Expenses not deductible for tax	**42**	**506**	**548**
Income not subject to tax	**(252)**	**(28)**	**(280)**
Tax loss not allowed to be carried forward	**72**	**-**	**72**
Unrecognised tax losses utilised from previous periods	**-**	**(56)**	**(56)**
Adjustment in respect of current tax of previous period	**9**	**-**	**9**
Tax exemption under Macau complementary tax	**(53)**	**-**	**(53)**
Tax expense	**867**	**-**	**867**
Tax expense from continuing operations	**867**	**-**	**867**

10. INCOME TAX (Continued)

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)	(3,325)	(3,435)
Expenses not deductible for tax	490	1,633	2,123
Income not subject to tax	(175)	(3)	(178)
Tax loss not allowed to be carried forward	107	–	107
Tax loss not recognised	–	1,688	1,688
Tax exemption under Macau complementary tax	(72)	–	(72)
Overprovision in prior years	(558)	–	(558)
Tax credit	(318)	(7)	(325)
Tax credit from continuing operations	(318)	(7)	(325)
Tax charge from a discontinued operation	–	–	–

The share of tax attributable to an associate amounting to MOPNil (2021: MOPNil), is included in "Share of profit of an associate" in the consolidated statement of profit and loss.

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. fitting-out, alternation and addition works, construction works and repair and maintenance services. Upon the termination, related property, plant and equipment were written off. With the restaurant operations being classified as a discontinued operation, it was no longer included in the note for operating segment information.

The results of the restaurant operations for 2021 were presented below:

	2021 MOP'000
Revenue	–
Cost of sales	–
Other income, gains and losses, net	(277)
Expenses	(36)
Finance costs	–
Loss for the year from the discontinued operation	(313)

The net cash flows incurred by the restaurant operations for 2021 were as follows:

	2021 MOP'000
Operating activities	(60)
Investing activities	–
Financing activities	–
Net cash outflow	(60)

	MOP cents
Loss per share	
– Basic and diluted, from the discontinued operation	(0.1)

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

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

12. DIVIDEND

No dividend has been declared by the Group during the years ended 31 December 2022 and 2021.

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

The calculation of the basic earnings/(loss) per share amounts is based on the earnings/(loss) for the year attributable of the Company from continuing operations of MOP5,316,000 (2021: MOP20,425,000) and loss from a discontinued operation of MOPNil (2021: MOP313,000), and the weighted average number of ordinary shares of 400,000,000 (2021: 400,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

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 2022						
At 1 January 2022:						
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 1 January 2022, net of accumulated depreciation	80,368	36	-	143	361	80,908
Depreciation provided during the year	(805)	(5)	-	(67)	(128)	(1,005)
Impairment	(3,240)	-	-	-	-	(3,240)
Written-off	-	(31)	-	-	-	(31)
At 31 December 2022, net of accumulated depreciation and impairment	76,323	-	-	76	233	76,632
At 31 December 2022						
Cost	85,881	969	783	1,903	746	90,282
Accumulated depreciation and impairment	(9,558)	(969)	(783)	(1,827)	(513)	(13,650)
Net carrying amount	76,323	-	-	76	233	76,632

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 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 2021, 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 2022, certain of the Group's land and building with a net carrying amount of MOP76,323,000 (2021: MOP80,368,000) were pledged to secure interest-bearing bank borrowings granted to the Group (note 27).

During the year ended 31 December 2022, the management reviewed the carrying values of the assets of the Group and assessed that the carrying values of land and building exceeded their recoverable amounts in light of the worsen property market conditions in Macau. The recoverable amounts of the land and building have been determined based on their fair value less costs of disposal. The Group uses direct comparison method to estimate the fair value less costs of disposal of the assets which is based on the recent transaction prices for similar properties adjusted for nature, location and conditions of the property. The fair value measurement is categorised into Level 3 fair value hierarchy. The relevant assets were impaired to their recoverable amount of MOP76,323,000 which is their carrying values at year end and the impairment of MOP3,240,000 (2021: MOPNil) has been recognised in profit or loss during the year.

15. INVESTMENT PROPERTIES

	Note	**2022 MOP'000**	2021 MOP'000
Carrying amount at 1 January		**26,986**	25,853
(Loss)/gain from a fair value adjustment recognised in profit or loss	6	**(2,163)**	1,133
Carrying amount at 31 December		**24,823**	26,986

The Group's investment properties are all situated in Macau and they were revalued on 31 December 2022 based on valuations performed by Peak Vision Appraisals Limited, independent professionally qualified valuers, at HK$24,100,000 (equivalent to MOP24,823,000). 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 were pledged to secure general banking facilities granted to the Group (note 27). The pledge was discharged during the year ended 31 December 2022 upon the full settlement of the related interest-bearing bank borrowings.

Further particulars of the Group's investment properties are included on page 138 of the annual report.

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 2022 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**
Recurring fair value measurement for:				
Industrial properties	**-**	**-**	**24,823**	**24,823**

15. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

	Fair value measurement as at 31 December 2021 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
Recurring fair value measurement for:				
Industrial properties	–	–	26,986	26,986

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 (2021: Nil).

	Valuation technique	Significant unobservable input	Value 2022 MOP'000	Value 2021 MOP'000
Industrial properties	Income capitalisation method	Estimated monthly rental income, taking into account the monthly rental of MOP63,860 (2021: MOP63,860) with a capitalisation rate of 3.10% (2021: 2.80%)	**24,823**	26,986

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

	2022 **MOP'000**	2021 MOP'000
Share of net assets	**6,914**	6,920

Particulars of the associate are as follows:

Name of associate	**Place of incorporation/ registration and business**	**Equity interest attributable to the Group**		**Principal activity**
		2022	2021	
Aggressive Dragon Investment Company Limited ("Aggressive Dragon")	Macau	**20%**	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:

	2022 **MOP'000**	2021 MOP'000
Non-current assets	**34,568**	34,598
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**20%**	20%
Group's share of net assets of the associate	**6,914**	6,920
Revenue	**-**	–
(Loss)/profit for the year	**(30)**	93
Total comprehensive (loss)/income for the year	**(30)**	93

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

	2022 **MOP'000**	2021 MOP'000
Unlisted equity investments, at fair value		
– New Van Ar Development Company Limited	**1,393**	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

	2022 **MOP'000**	2021 MOP'000
Raw material	**-**	3,360

19. TRADE RECEIVABLES

	2022 **MOP'000**	2021 MOP'000
Trade receivables	**44,111**	49,225
Impairment	**(22,195)**	(22,169)
	21,916	27,056

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 MOPNil (2021: MOP1,571,000) and related parties of MOP948,000 (2021: MOP418,000), 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:

	2022 MOP'000	2021 MOP'000
Within 1 month	**13,062**	21,191
1 to 2 months	**5,273**	1,628
2 to 3 months	**233**	1,124
3 to 6 months	**686**	2,273
6 months to 1 year	**2,662**	808
Over 1 year	**-**	32
	21,916	27,056

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

	2022 MOP'000	2021 MOP'000
At beginning of year	**22,169**	22,098
Impairment losses (note 6)	**26**	3,142
Amount written off as uncollectible	**-**	(3,071)
	22,195	22,169

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.

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 2022

		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	**0.37%**	**0.38%**	**1.27%**	**1.94%**	**3.40%**	**6.84%**	**100%**	**50.32%**
Gross carrying amount (MOP'000)	**13,111**	**5,293**	**236**	**464**	**1,472**	**1,579**	**21,956**	**44,111**
Expected credit losses (MOP'000)	**49**	**20**	**3**	**9**	**50**	**108**	**21,956**	**22,195**

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

20. CONTRACT ASSETS

	31 December 2022 MOP'000	31 December 2021 MOP'000	1 January 2021 MOP'000
Contract assets arising from:			
– Fitting-out, alteration and addition works	**63,772**	50,173	93,477
– Construction works	**5,206**	10,455	12,118
	68,978	60,628	105,595
Impairment	**(33,189)**	(33,908)	(40,760)
	35,789	26,720	64,835

20. CONTRACT ASSETS (Continued)

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 increase in contract assets in 2022 was the result of the increase in scale of ongoing fitting-out, alteration and addition works and construction works. 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 2022, reversal of MOP719,000 (2021: provision of MOP13,429,000) 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:

	2022 **MOP'000**	2021 MOP'000
Within one year	**35,789**	26,720

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

	2022 **MOP'000**	2021 MOP'000
At beginning of year	**33,908**	40,760
(Reversal of)/impairment losses (note 6)	**(719)**	13,429
Amount written off as uncollectible	**-**	(20,281)
At end of year	**33,189**	33,908

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.

20. CONTRACT ASSETS (Continued)

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

	2022	2021
Expected credit loss rate	**48.12%**	55.93%
Gross carrying amount (MOP'000)	**68,978**	60,628
Expected credit loss (MOP'000)	**33,189**	33,908

As at 31 December 2022, included in the Group's contract assets were amounts due from related parties of MOP94,000 (2021: MOP638,000).

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. Other equipment generally has lease term of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. The lease contracts include termination options. During the year ended 31 December 2021, the Group had terminated the lease for property.

(a) Right-of-use asset

The carrying amount of the Group's right-of-use asset and the movements during the year ended 31 December 2021 were as follows:

	Property MOP'000
As at 1 January 2021	477
Depreciation charge	(39)
Termination of a lease	(438)
As at 31 December 2021	–

21. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year ended 31 December 2021 were as follows:

	MOP'000
As at 1 January 2021	484
Accretion of interest recognised during the year	1
Payments	(39)
Termination of a lease	(446)
As at 31 December 2021	–

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

	2022 MOP'000	2021 MOP'000
Interest on lease liabilities	**-**	1
Depreciation of right-of-use assets	**-**	39
Expense relating to short-term leases (included in administrative expenses)	**462**	581
Gain on termination of a lease	**-**	(8)
Total amount recognised in profit or loss	**462**	613

(d) The total cash outflow for leases is disclosed in note 32(b) 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 MOP1,002,000 (2021: MOP1,023,000), details of which are included in note 5 to the financial statements.

21. LEASES (Continued)

The Group as a lessor (Continued)

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 MOP'000	2021 MOP'000
Within one year	**945**	963
After one year but within two years	**529**	766
After two years but within five years	**123**	320
	1,597	2,049

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 MOP'000	2021 MOP'000
Prepayments and deposits	**8,681**	16,371
Other receivables	**758**	2,006
	9,439	18,377
Impairment allowance	**(1,843)**	(1,843)
	7,596	16,534

Prepayments mainly represent advance payments made to suppliers and subcontractors for fitting-out and construction projects. Impairment of prepayments during the year ended 31 December 2021 amounting to MOP1,843,000 was provided as management considered that the probability of utilising the advance payments to certain subcontractors was remote.

Included in the Group's other receivables are amounts due from the related parties of MOP496,000 (2021: MOP1,830,000).

The deposits and other receivables included in the above balances have no recent history of default and past due amounts. As at 31 December 2022 and 2021, 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 MOP42,000 as at 31 December 2022 (2021: MOP33,000), the remaining balances carried interest at prevailing market interest rates which were ranging from 0.0001% to 0.625% per annum as at 31 December 2022 (2021: 0.0001% to 0.01%).

Pledged bank deposits represent deposits amounting to MOP14,648,000 (2021: MOP14,463,000) pledged to banks to secure loan facilities and performance bonds granted to the Group. As at 31 December 2022, the pledged bank deposits carried interest at fixed interest rates ranging from 0.3% to 1.5% (2021: 1.1% to 1.6%) per annum.

Bank balances include bank deposits with original maturity over three months amounting to MOP4,129,000 as at 31 December 2022 (2021: MOP4,115,000).

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:

	2022 **MOP'000**	2021 MOP'000
HK$	**13,420**	18,150
Renminbi ("RMB")	**662**	1,430

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:

	2022 **MOP'000**	2021 MOP'000
Within 1 month	**5,754**	6,038
1 to 2 months	**5,815**	6,751
2 to 3 months	**3,787**	2,216
Over 3 months	**10,338**	9,247
	25,694	24,252

The trade payables are non-interest-bearing and are normally settled on 60-day terms. As at 31 December 2022, retention payables included in trade payables amounted to MOP2,366,000 (2021: MOP2,098,000) 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 2022 MOP'000	31 December 2021 MOP'000	1 January 2021 MOP'000
Short-term advances received from customers			
– Fitting-out, alteration and addition works	**10,749**	5,257	1,980
– Construction works	**4,572**	7,989	900
Total contract liabilities	**15,321**	13,246	2,880

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 2022 and 2021 was mainly due to increase in short-term advance received from customers in relation to the provision of fitting-out, alternation and additions (2021: fitting-out, alternation and additions and construction works).

26. OTHER PAYABLES AND ACCRUALS

	2022 MOP'000	2021 MOP'000
Accruals	**12,897**	10,225
Other payables	**9**	9
	12,906	10,234

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

27. INTEREST-BEARING BANK BORROWINGS

	2022 MOP'000	2021 MOP'000
Interest-bearing bank borrowings (secured)	**31,046**	47,832
Carrying amounts repayable (Note b):		
– Within one year	**3,573**	4,914
– In the second year	**3,147**	4,873
– In the third to fifth years, inclusive	**10,069**	13,736
– Beyond five years	**14,257**	24,309
	31,046	47,832
Less: Amounts shown under current liabilities (Note a)	**(31,046)**	(47,309)
Amounts shown under non-current liabilities	**-**	523

(a) Bank borrowings amounting to MOP31,046,000 (2021: MOP46,636,000) 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 MOP30,523,000 as at 31 December 2022 (2021: MOP33,543,000) carry interest at 2.65% below the prevailing best lending rate quoted by the bank in Macau (the "Prime Rate") (2021: 2.65% below the prevailing best lending rate) per annum.

The interest-bearing bank borrowings amounting to MOP523,000 as at 31 December 2022 (2021: MOP1,196,000) carry interest at 4% (2021: 4%) per annum.

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

The effective interest rates of the borrowings as at 31 December 2022 (which are also equal to the contractual interest rate) range from 3.2% to 4% (2021: 2.5% to 4%). The Group's borrowings are denominated in both MOP and HK$. These bank borrowings are under banking facilities for drawing loans and issuing performance bonds. As at 31 December 2022, the banking facilities are secured by the legal charge over the office building held by the Group (included in property, plant and equipment as disclosed in notes 14) and promissory notes of MOP2,200,000 endorsed by Lai Si which were guaranteed by the Company and the directors of the Company, Lai Ieng Man and Lai Meng San (2021: 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 of MOP2,200,000 endorsed by Lai Si and Well Team which were guaranteed by the Company).

27. INTEREST-BEARING BANK BORROWINGS (Continued)

The Group's two revolving credit facilities amounting to MOP25,600,000, of which none was utilised as at the end of the reporting period, are secured by pledged bank deposits as disclosed in note 23 and promissory notes of MOP72,980,000 endorsed by Lai Si which were guarantee by the Company and the directors of the Company, Lai Ieng Man and Lai Meng San.

28. DEFERRED TAX

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

Deferred tax liabilities

	2022		
	Depreciation allowance in excess of related depreciation and impairment MOP'000	**Gains on property revaluation MOP'000**	**Total MOP'000**
At 1 January 2022	**1,742**	**2,820**	**4,562**
Deferred tax credited to the consolidated statement of profit or loss and other comprehensive income during the year	**(314)**	**(259)**	**(573)**
Gross deferred tax liabilities at 31 December 2022	**1,428**	**2,561**	**3,989**

Deferred tax assets

	2022 Loss available for offsetting against future taxable profits MOP'000
At 1 January 2022	**1,762**
Deferred tax charged to the consolidated statement of profit or loss and other comprehensive income during the year	**(1,431)**
Gross deferred tax assets at 31 December 2022	**331**

28. DEFERRED TAX (Continued)

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	68	136	204
Gross deferred tax liabilities at 31 December 2021	1,742	2,820	4,562

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	(9)
Gross deferred tax assets at 31 December 2021	1,762

28. DEFERRED TAX (Continued)

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:

	2022 MOP'000	2021 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	**3,658**	2,800
Net deferred tax liabilities	**3,658**	2,800

The Group has tax losses arising in Macau of MOP18,363,000 (2021: MOP30,284,000) and Hong Kong of MOP35,803,000 (2021: MOP36,145,000) that are available for three years and indefinite, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Tax losses arising in Macau of MOP15,602,000 (2021: MOP15,602,000) and Hong Kong of MOP35,803,000 (2021: MOP36,145,000) have not been recognised as it is not considered probable that taxable profits will be available against the tax losses can be utilised.

During the year ended 31 December 2022, the Group had a tax loss of MOP604,000 (2021: MOP891,000) incurred by two of the Macau subsidiaries that is not allowed to be carried forward.

29. SHARE CAPITAL

Shares

	2022 MOP'000	2021 MOP'000
Issued and fully paid:		
– 400,000,000 (2021: 400,000,000) ordinary shares	**4,120**	4,120

There were no movements in the Company's share capital during the year (2021: 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 at the beginning and end of the financial year end 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 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 2022 and 2021.

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 57 of the financial statements.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

2022

	Bank borrowings MOP'000	Interest paid MOP'000	Total MOP'000
At 1 January 2022	**47,832**	**-**	**47,832**
Changes from financing cash flows	**(16,786)**	**(1,498)**	**(18,284)**
Finance costs recognised	**-**	**1,498**	**1,498**
At 31 December 2022	**31,046**	**-**	**31,046**

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

(b) Total cash outflow for leases

	2022 MOP'000	2021 MOP'000
Within operating activities	**462**	581
Within financing activities	**-**	39
	462	620

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 advisors and experts engaged by the Macau Government to study the causes of the incident, the collapse of Sin Fong Garden Building was caused by the substandard supporting pillars of Sin Fong Garden Building, instead of the dismantlement and foundation work undertaken in the adjacent new residential building.

The first hearing date for the lawsuit filed by several flat owners of Sin Fong Garden Building is postponed to start on 17 November 2023. 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 2022. The Controlling Shareholders have undertaken to indemnify the Group against all losses and liabilities arising from the above proceedings.

(b) Dispute on payment with a subcontractor

As at 31 December 2022, 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 2022.

(c) Dispute on payment with a subcontractor

As at 31 December 2022, 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 with interest of MOP2,428,000.

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 2022.

33. CONTINGENT LIABILITIES (Continued)

(d) 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 MOP4,627,000. 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, and the plaintiff subcontractor decided not to look forward to the Court of First Instance on 17 May 2022.

(e) 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.

The Company took out an application on 3 May 2022 to dismiss the Amended Writ and strike out the Amended Statement of Claim (the "Strike-out Summons") against the Company. The hearing for the Strike-out Summons was heard on 7 November 2022 (the "Hearing") in the High Court. After hearing submissions from the legal representatives of the plaintiff and the Company, the High Court had granted an order to dismiss the Amended Writ and strike out the Amended Statement of Claim against the Company at the Hearing. The Company is no longer a party to the case.

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:

	2022 MOP'000	2021 MOP'000
Lai Si Construction (Thailand) Company Limited (Note i)		
– Consultancy service income*	**1,133**	1,030
Lai Si Construction (Singapore) Pte Limited (Note ii)		
– Consultancy service income*	**-**	800
Easy Storage Company Limited (Note iii)		
– Fitting-out work income	**865**	221
Ou Wai Health Company Limited (Note iv)		
– Fitting-out work income*	**41**	839
– Repair and maintenance services income*	**106**	–

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 included in trade receivables as at 31 December 2021 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 presented as an amount due from a director in the consolidated statement of financial position as at 31 December 2021 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 (2021: 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 included in other receivables as at 31 December 2021.

(v) The Group had an outstanding balance due from its related company, Lai Si Construction (Singapore) Pte. Limited, of MOP496,000 (2021: MOP800,000) included in other receivables.

(vi) The Group had an outstanding balance due from its related company, Ou Wai Health Company Limited, of MOP493,000 (2021: MOP418,000) and MOP40,000 (2021: MOP418,000) 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 MOP455,000 (2021: MOPNil) and MOP54,000 (2021: MOP220,000) included in trade receivables and contract assets, respectively. The payment term is disclosed in note 19.

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

	2022 **MOP'000**	2021 MOP'000
Directors' fee	**161**	165
Salaries and other allowances	**7,637**	9,648
Discretionary bonus	**-**	434
Pension scheme contribution	**25**	46
Total compensation paid to key management personnel	**7,823**	10,293

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:

	2022 MOP'000	2021 MOP'000
Financial assets at amortised cost		
Trade receivables	**21,916**	27,056
Financial assets included in prepayments, other receivables and other assets	**1,475**	3,207
Amount due from a director	**–**	698
Amount due from the ultimate holding company	**1**	1
Pledged bank deposits	**14,648**	14,463
Cash and bank balances	**22,386**	11,502
	60,426	56,927
Financial assets at fair value through other comprehensive income – Equity instruments		
Equity designated at fair value through other comprehensive income	**1,393**	1,380
Total financial assets	**61,819**	58,307

	2022 MOP'000	2021 MOP'000
Financial liabilities at amortised cost		
Trade payables	**25,694**	24,251
Financial liabilities included in other payables and accruals	**9**	9
Interest-bearing bank borrowings	**31,046**	47,832
Total financial liabilities	**56,749**	72,092

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.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

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 as at 31 December 2021 and income approach as at 31 December 2022. 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.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022:

	Valuation technique	**Significant unobservable input**	**Sensitivity of fair value to the input**
Equity investments designated at fair value through other comprehensive income	Discounted cash flow	Post-tax discount rate of 10.10%	10% increase/decrease in discount rate would result in (decrease)/ increase in fair value by (MOP111,000)/ MOP145,000

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2022

	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	**-**	**-**	**1,393**	**1,393**

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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:

	2022 MOP'000	2021 MOP'000
Equity investments at fair value through other comprehensive income		
At 1 January	**1,380**	–
Total gain recognised in other comprehensive income	**13**	–
Purchases	**-**	1,380
At 31 December	**1,393**	1,380

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 (2021: 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**	
	2022 MOP'000	2021 MOP'000	**2022 MOP'000**	2021 MOP'000
HK$ against MOP	**21,672**	31,465	**7,478**	12,411
RMB against MOP	**662**	1,430	**3,145**	3,330

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	
	2022	2021
	MOP'000	MOP'000
RMB against MOP	**109**	209

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 and 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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

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 2022 would have decreased/increased by approximately MOP137,000 (2021: MOP210,000).

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.

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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

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.

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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2022

	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*	**–**	**–**	**–**	**68,978**	**68,978**
Trade receivables*	**–**	**–**	**–**	**44,111**	**44,111**
Financial assets included in prepayments, other receivables and other assets					
– Normal**	**1,475**	**–**	**–**	**–**	**1,475**
Amount due from the ultimate holding company					
– Normal**	**1**	**–**	**–**	**–**	**1**
Pledged deposits					
– Not yet past due	**14,648**	**–**	**–**	**–**	**14,648**
Cash and cash equivalents					
– Not yet past due	**22,386**	**–**	**–**	**–**	**22,386**
	38,510	**–**	**–**	**113,089**	**151,599**

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)

* 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 2022 on trade receivables and contract assets from the Group's five major customers amounting to MOP38,234,000 (2021: MOP23,142,000), which accounted for 66% (2021: 43%) 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.

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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

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	**2022**			
	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	**25,703**	**-**	**-**	**25,703**
Interest-bearing bank borrowings	**31,046**	**-**	**-**	**31,046**
	56,749	**-**	**-**	**56,749**

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	24,261	–	–	24,261
Interest-bearing bank borrowings	46,814	531	531	47,876
	71,075	531	531	72,137

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 2022, the aggregate carrying amount of these bank borrowings was MOP31,046,000 (2021: MOP46,636,000). 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 all 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 2022	**3.24**	**1,171**	**3,336**	**15,902**	**15,157**	**35,566**	**31,046**
31 December 2021	2.60	1,523	4,570	22,069	25,861	54,023	47,832

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 divided by total capital.

	2022 MOP'000	2021 MOP'000
Interest-bearing bank borrowings and total debt	**31,046**	47,832
Total debt	**31,046**	47,832
Equity	**123,473**	118,144
Total capital	**123,473**	118,144
Gearing ratio	**25.1%**	40.5%

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 2022, the Group has issued performance bonds amounting to MOP20,006,000 (2021: MOP13,986,000) 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 of MOP167,980,000 by Lai Si and the Company and guaranteed by the directors of the Company, Lai Ieng Man and Lai Meng San (2021: secured by pledged bank deposits as disclosed in note 23 and promissory notes of MOP167,980,000 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:

	2022 **MOP'000**	2021 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**	94
Prepayments	**181**	156
Cash and bank balances	**140**	130
Total current assets	**416**	381
CURRENT LIABILITIES		
Accruals	**1,473**	1,470
Due to subsidiaries	**13,116**	10,058
Total current liabilities	**14,589**	11,528
NET CURRENT LIABILITIES	**(14,173)**	(11,147)
Net assets	**71,317**	74,343
EQUITY		
Share capital	**4,120**	4,120
Reserves (Note)	**67,197**	70,223
Total equity	**71,317**	74,343

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 2021	105,390	(31,987)	73,403
Loss and total comprehensive loss for the year	–	(3,180)	(3,180)
At 31 December 2021 and 1 January 2022	**105,390**	**(35,167)**	**70,223**
Loss and total comprehensive loss for the year	**-**	**(3,026)**	**(3,026)**
At 31 December 2022	**105,390**	**(38,193)**	**67,197**

41. COMPARATIVE FIGURES

Certain comparative figures of the consolidated financial statements have been reclassified to conform with the current year's presentation.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2023.

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				
	2022	2021	2020	2019	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
CONTINUING OPERATIONS					
REVENUE	**172,373**	144,117	158,055	261,638	173,740
PROFIT/(LOSS) BEFORE TAX	**6,183**	(20,750)	(79,589)	10,567	3,864
Tax (expense)/credit	**(867)**	325	1,333	(2,052)	(1,546)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**5,316**	(20,425)	(78,256)	8,515	2,318
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	**-**	(313)	(2,301)	(2,130)	-
PROFIT/(LOSS) FOR THE YEAR	**5,316**	(20,738)	(80,557)	6,385	2,318
Profit/(loss) for the year attributable to:					
– Owners of the Company	**5,316**	(20,738)	(80,557)	6,385	2,318
	MOP cents	MOP cents	MOP cents	MOP cents	MOP cents
Earnings/(losses) per share					
Basic and diluted					
– For the year	**1.3**	(5.2)	(20.1)	1.6	0.6
– From profit/(loss) continuing operations	**1.3**	(5.1)	(19.6)	2.1	0.6
– For loss from a discontinued operation	**-**	(0.1)	(0.6)	(0.5)	-

FIVE-YEARS FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	As at 31 December				
	2022	2021	2020	2019	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Total assets	**212,098**	216,528	235,010	342,454	327,322
Total liabilities	**(88,625)**	(98,384)	(96,128)	(118,380)	(109,633)
Net assets	**123,473**	118,144	138,882	224,074	217,689
Equity attributable to owners of the Company	**123,473**	118,144	138,882	224,074	217,689
Total equity	**123,473**	118,144	138,882	224,074	217,689