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Lai Si Construction

Lai Si Enterprise Holding Limited

黎氏企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2266)

ANNUAL RESULTS ANNOUNCEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

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

	For the year ended		Year-on- year increase/ (decrease)
	31 December		
	2023	2022	
	MOP'000	MOP'000	
Revenue	88,189	172,373	(48.8%)
Gross profit	14,721	35,814	(58.9%)
Gross profit margin	16.7%	20.8%	(4.1%)
(Loss)/profit attributable to owners of the Company	(18,547)	5,316	N/A
Equity attributable to owners of the Company	104,944	123,473	(15.0%)
(Loss)/earnings per share (<i>MOP cents</i>)	(4.6)	1.3	N/A

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Lai Si Enterprise Holding Limited (the “**Company**”) is pleased to announce the consolidated financial information of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 together with the comparative figures for the corresponding year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>MOP’000</i>	2022 <i>MOP’000</i>
REVENUE	4	88,189	172,373
Cost of sales		<u>(73,468)</u>	<u>(136,559)</u>
Gross profit		14,721	35,814
Other income, gains and losses, net		2,639	2,858
Administrative expenses		(28,891)	(26,275)
(Impairment losses of)/reversal on financial assets and contract assets	5	(3,034)	693
Impairment loss on property, plant and equipment	5	(2,132)	(3,240)
Changes in fair value of investment properties	5	(1,030)	(2,163)
Finance costs		(1,002)	(1,498)
Share of profit/(loss) of an associate		<u>4</u>	<u>(6)</u>
(LOSS)/PROFIT BEFORE TAX	5	(18,725)	6,183
Income tax credit/(expense)	6	<u>178</u>	<u>(867)</u>
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(18,547)</u>	<u>5,316</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
		<i>MOP cents</i>	<i>MOP cents</i>
Basic and diluted			
– For (loss)/profit for the year		<u>(4.6)</u>	<u>1.3</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
(LOSS)/PROFIT FOR THE YEAR	(18,547)	5,316
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	<u>18</u>	<u>13</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>18</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>18</u>	<u>13</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u><u>(18,529)</u></u>	<u><u>5,329</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 MOP'000	2022 <i>MOP'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		73,621	76,632
Investment properties		23,793	24,823
Investment in an associate		6,918	6,914
Equity investments designated at fair value through other comprehensive income		1,411	1,393
Total non-current assets		105,743	109,762
CURRENT ASSETS			
Trade receivables	9	19,430	21,916
Contract assets		26,140	35,789
Prepayments, other receivables and other assets		7,736	7,596
Amount due from the ultimate holding company		1	1
Pledged bank deposits		11,128	14,648
Cash and bank balances		10,129	22,386
Total current assets		74,564	102,336
CURRENT LIABILITIES			
Trade payables	10	20,251	25,694
Contract liabilities		6,041	15,321
Other payables and accruals		11,914	12,906
Interest-bearing bank borrowings		33,543	31,046
Tax payable		120	–
Total current liabilities		71,869	84,967
NET CURRENT ASSETS		2,695	17,369
Total assets less current liabilities		108,438	127,131

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
NON-CURRENT LIABILITIES		
Defined benefit plan obligations	134	–
Deferred tax liabilities	3,360	3,658
	<hr/>	<hr/>
Total non-current liabilities	3,494	3,658
	<hr/>	<hr/>
Net assets	104,944	123,473
	<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES		
Share capital	4,120	4,120
Reserves	100,824	119,353
	<hr/>	<hr/>
Total equity	104,944	123,473
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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**”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and equity investments designated at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Macau patacas (“**MOP**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

- a) Amendments to HKAS 1 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 Making Materiality Judgement provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group’s financial statements.
- b) 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. Since the Group’s approach and policy align with the amendments, the amendments had no impact on the Group’s financial statements.

- c) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction 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. Since the Group did not have transactions that give rise to equal taxable and deductible temporary differences, the amendments did not have any impact to the Group.

- d) Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities’ exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

The implication of the abolition of the MPF-LSP offsetting mechanism:

In June 2022, the Hong Kong SAR Government (the “**Government**”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”), which will come into effect from 1 May 2025 (the “**Transition Date**”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“**MPF**”) scheme to reduce the long service payment (“**LSP**”) in respect of an employee’s service from the Transition Date (the abolition of the “**offsetting mechanism**”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. Since the amount of the catch-up profit or loss adjustment was not material, the Group did not restate the comparative figures in the financial statements.

2.1 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has three reportable operating segments as follows:

- (a) fitting-out, alteration and addition works segment engages in fitting-out works as an integrated fitting-out contractor;
- (b) construction works segment engages in construction works, with the Group acting as the main contractor; and
- (c) repair and maintenance services segment provides repair and maintenance services on an ad-hoc basis.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment's operating results, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that other income, gains and losses, net, impairment losses or reversal of on financial assets, contract assets 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.

Year ended 31 December 2023	Fitting-out, alteration and addition works <i>MOP'000</i>	Construction works <i>MOP'000</i>	Repair and maintenance services <i>MOP'000</i>	Total <i>MOP'000</i>
Segment revenue (note 4)				
Sales to external customers	<u>72,860</u>	<u>10,115</u>	<u>5,214</u>	<u>88,189</u>
Segment results	13,251	68	921	14,240
Corporate expenses				(28,410)
Other income, gains and losses, net				2,639
Impairment losses on financial assets and contract assets				(3,034)
Impairment loss on property, plant and equipment				(2,132)
Changes in fair value of investment properties				(1,030)
Finance costs				(1,002)
Share of profit of an associate				<u>4</u>
Loss before tax				<u><u>(18,725)</u></u>
Year ended 31 December 2022	Fitting-out, alteration and addition works <i>MOP'000</i>	Construction works <i>MOP'000</i>	Repair and maintenance services <i>MOP'000</i>	Total <i>MOP'000</i>
Segment revenue (note 4)				
Sales to external customers	<u>150,931</u>	<u>17,832</u>	<u>3,610</u>	<u>172,373</u>
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				<u>(6)</u>
Profit before tax				<u><u>6,183</u></u>

Geographical information

(a) Revenue from external customers

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Macau	66,950	163,543
Hong Kong	<u>21,239</u>	<u>8,830</u>
Total revenue	<u><u>88,189</u></u>	<u><u>172,373</u></u>

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

(b) Non-current assets

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Macau	104,324	108,342
Hong Kong	<u>8</u>	<u>27</u>
Total non-current assets	<u><u>104,332</u></u>	<u><u>108,369</u></u>

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

4 REVENUE

An analysis of revenue is as follows:

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Revenue from contracts with customers		
Fitting-out, alteration and addition works	72,860	150,931
Construction works	10,115	17,832
Repair and maintenance services	<u>5,214</u>	<u>3,610</u>
Total	<u><u>88,189</u></u>	<u><u>172,373</u></u>

5 (LOSS)/PROFIT BEFORE TAX

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

	2023	2022
	<i>MOP'000</i>	<i>MOP'000</i>
Cost of services provided*	73,468	136,559
Depreciation of property, plant and equipment	879	1,005
Expense relating to short-term leases**	459	462
Auditor's remuneration	876	927
Employee benefit expense (excluding directors' and chief executive's remuneration):*		
– Wages and salaries	29,656	33,189
– Expenses recognised in respect of defined benefit retirement plans obligation	134	–
– Pension scheme contributions***	220	393
Impairment losses/(reversal of) on financial and contract assets:		
– Impairment losses on trade receivables	749	26
– Impairment losses/(reversal of) on contract assets	2,285	(719)
	3,034	(693)
Impairment loss on property, plant and equipment	2,132	3,240
Loss on written-off of items of property, plant and equipment	–	31
Changes in fair value of investment properties	1,030	2,163

* Included in cost of services provided are the staff costs incurred in the amount of MOP18,302,000 (2022: MOP24,573,000).

** The Group has entered into leases for properties and other equipment used in its operations with lease terms of 12 months or less and/or is individually of low value.

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

6 INCOME TAX

Macau complementary tax has been provided at progressive rates up to 12% (2022: 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 a subsidiary incorporated in Hong Kong has available tax losses carried forward for future set off.

	2023	2022
	<i>MOP'000</i>	<i>MOP'000</i>
Current – Macau		
– Charge for the year	120	–
– Under-provision in prior years	–	9
Deferred	(298)	858
Total	(178)	867

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

2023

	Macau	Hong Kong	Total
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Loss before tax	(16,111)	(2,614)	(18,725)
Tax at the statutory tax rate	(1,933)	(432)	(2,365)
Expenses not deductible for tax	454	475	929
Income not subject to tax	(1)	(5)	(6)
Tax loss not allowed to be carried forward	1	–	1
Tax loss not recognised	1,435	–	1,435
Unrecognised tax losses utilised from previous periods	–	(38)	(38)
Tax exemption under Macau complementary tax	(134)	–	(134)
Tax credit	(178)	–	(178)

2022

	Macau <i>MOP'000</i>	Hong Kong <i>MOP'000</i>	Total <i>MOP'000</i>
Profit/(loss) before tax	<u>8,744</u>	<u>(2,561)</u>	<u>6,183</u>
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	<u>(53)</u>	<u>–</u>	<u>(53)</u>
Tax expense	<u>867</u>	<u>–</u>	<u>867</u>

7 DIVIDEND

No dividend has been declared by the Group during the years ended 31 December 2023 and 2022.

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

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/earnings for the year attributable of the Company of MOP18,547,000 (2022: MOP5,316,000), and the weighted average number of ordinary shares of 400,000,000 (2022: 400,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

9 TRADE RECEIVABLES

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Trade receivables	42,374	44,111
Impairment	<u>(22,944)</u>	<u>(22,195)</u>
Net carrying amount	<u>19,430</u>	<u>21,916</u>

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 related parties of MOP48,000 (2022: MOP948,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Within 1 month	13,116	13,062
1 to 2 months	4,603	5,273
2 to 3 months	1,402	233
3 to 6 months	97	686
6 months to 1 year	181	2,662
Over 1 year	31	–
	<hr/>	<hr/>
Total	19,430	21,916
	<hr/> <hr/>	<hr/> <hr/>

10 TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Within 1 month	4,007	5,754
1 to 2 months	2,867	5,815
2 to 3 months	1,992	3,787
Over 3 months	11,385	10,338
	<hr/>	<hr/>
Total	20,251	25,694
	<hr/> <hr/>	<hr/> <hr/>

The trade payables are non-interest-bearing and are normally settled on 60-day terms. As at 31 December 2023, retention payables included in trade payables amounted to MOP2,112,000 (2022: MOP2,366,000) which are interest-free and payable at the end of the defects liability period of individual contracts within 1 year from the completion date of the respective projects.

11 CONTINGENT LIABILITIES

(a) Sin Fong Garden Building

In October 2012, one of the supporting pillars of the residential building called “Sin Fong Garden Building” collapsed due to the loss of stability. Such collapse was accused to be caused by the dismantlement and construction of the foundation work undertaken in an adjacent new residential building project, of which Lai Si Construction & Engineering Company Limited (“Lai Si”) was one of the contractors. As a result, in September 2015, several flat owners of Sin Fong Garden Building filed a lawsuit against several defendants including Lai Si, seeking for a compensation for the loss of property, in a total sum of approximately HK\$48,950,000, to be borne jointly by the defendants. However, according to the report issued by the team of technical 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 hearings were held from 17 November 2023 to February 2024. Up to the date of this announcement, the court have not scheduled for the final trial. 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 2023. 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 2023, 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 MOP2,485,000.

The case is scheduled for first hearing on 6 May 2024. 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 2023.

(c) Dispute on payment with a subcontractor

As at 31 December 2023, 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 MOP1,926,000.

Up to the date of approval of this announcement, the case is not yet scheduled for first hearing. It is under the process of evidence disclosing. After consulting the Group’s lawyer, the directors of the Company are of the opinion that it is premature to give any opinion on the case and to make any provision in the consolidated financial statements as at 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On 10 February 2017 (the “**Listing Date**”), the Company’s shares (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 2023, the total value for the new fitting-out projects awarded to the Group, representing the aggregate awarded contract sum, amounted to approximately MOP100.1 million as compared to the year ended 31 December 2022 of approximately MOP201.4 million. As at 31 December 2023, the Group had an aggregate value of backlog for fitting-out projects and construction projects of approximately MOP91.0 million as compared to approximately MOP72.7 million as at 31 December 2022.

Financial review

Revenue

The following table sets forth a breakdown of the Group’s revenue during the years ended 31 December 2023 and 2022 by business segments:

	Year ended 31 December			
	2023		2022	
	<i>MOP’000</i>	<i>%</i>	<i>MOP’000</i>	<i>%</i>
Fitting-out works	72,860	82.6	150,931	87.6
Construction works	10,115	11.5	17,832	10.3
Repair and maintenance services	5,214	5.9	3,610	2.1
Total	88,189	100.0	172,373	100.0

During the year ended 31 December 2023, the Group's revenue decreased by approximately MOP84.2 million or 48.8%. The decrease was mainly attributable to the decrease in revenue from fitting-out works by approximately MOP78.1 million or 51.7% and decrease in revenue from construction works by approximately MOP7.7 million or 43.3%.

The following table sets forth a breakdown of the Group's revenue attributable to fitting-out works during the years ended 31 December 2023 and 2022 by type of customers:

	Year ended 31 December			
	2023		2022	
	<i>MOP'000</i>	%	<i>MOP'000</i>	%
Hotel and casino	1,806	2.5	1,556	1.0
Retail shops and restaurants	61,034	83.8	128,457	85.1
Others	10,020	13.7	20,918	13.9
Total	72,860	100.0	150,931	100.0

The decrease in fitting-out works revenue during the year ended 31 December 2023 was mainly attributable to the decrease in revenue from customers of retail shops and restaurants by approximately MOP67.4 million or 52.5%. Fitting-out works revenue from other customers also decrease.

The decrease in revenue of construction works during the year ended 31 December 2023 was mainly attributable to the decrease in revenue derived from general construction of approximately MOP7.7 million or 43.3% as compared to the previous year.

Gross profit

The following table sets forth a breakdown of the Group's gross profit/(loss) and gross profit/(loss) margin during the years ended 31 December 2023 and 2022 by business segments:

	Year ended 31 December		2022	
	2023			
	<i>Gross profit</i>	<i>Gross profit</i>	<i>Gross profit/</i>	<i>Gross profit/</i>
	<i>MOP'000</i>	<i>margin</i>	<i>(loss)</i>	<i>(loss)</i>
		<i>%</i>	<i>MOP'000</i>	<i>margin</i>
				<i>%</i>
Fitting-out works	13,610	18.7	40,132	26.6
Construction works	166	1.6	(5,428)	(30.4)
Repair and maintenance services	945	18.1	1,110	30.7
Total/overall	14,721	16.7	35,814	20.8

During the year ended 31 December 2023, the Group's gross profit decreased by approximately MOP21.1 million or approximately 58.9% from approximately MOP35.8 million for the year ended 31 December 2022 to approximately MOP14.7 million for the year ended 31 December 2023. The decrease in gross profit was mainly due to the decrease in fitting-out works projects. During a recession, the overall demand for fitting-out works and construction works in Macau decrease.

The Group's gross profit margin decreased from approximately 20.8% for the year ended 31 December 2022 to approximately 16.7% for the year ended 31 December 2023. The gross profit margin decrease was due to decreased gross profit margin of fitting-out works. The pricing strategies and profit margins have been adjusted to remain competitive and secure contracts.

Other income, gains and losses, net

The Group incurred net loss over other income and gains of approximately MOP3.6 million for the year ended 31 December 2023, as compared with net loss over other income and gains of approximately MOP1.9 million for the year ended 31 December 2022. Net loss increased was due to provision made for financial assets and contract assets being increased from MOP0.7 million written back for the year ended 31 December 2022 to MOP3.0 million made for the year ended 31 December 2023. In addition, there were an impairment loss on property, plant and equipment and investment properties MOP3.2 million made for the year ended 31 December 2023 as compared with MOP5.4 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 increased by approximately MOP2.6 million or 10.0% from approximately MOP26.3 million for the year ended 31 December 2022 to approximately MOP28.9 million for the year ended 31 December 2023. Such increase was mainly due to increase in incentive payment to employees.

Finance costs

The Group's finance costs decreased by approximately MOP0.5 million or 33.1% from approximately MOP1.5 million for the year ended 31 December 2022 to approximately MOP1.0 million for the year ended 31 December 2023. Such decrease was attributable to the decrease in bank loans during the year ended 31 December 2022 and that of 2023.

Income tax (credit)/expense

The Group's income tax expense approximately MOP0.9 million for the year ended 31 December 2022 was changed to approximately MOP0.2 million income tax credit for the year ended 31 December 2023. Tax credit for the year ended 31 December 2023 was in line with the loss made for the year and deferred tax on property, plant and equipment arose.

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

As a result of the above, the Group made loss for the year attributable to owners of the Company of approximately MOP18.5 million for the year ended 31 December 2023 as compared with profit of approximately MOP5.3 million for the year ended 31 December 2022.

Basic (loss)/earnings per share

The Company's basic loss per share for the year ended 31 December 2023 was MOP4.6 cents (2022: earnings per share MOP1.3 cents), representing a decrease of MOP5.9 cents which is in line with the loss for the year attributable to owners of the Company when compared to the year ended 31 December 2022.

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 2023, the Group's current assets exceeded its current liabilities by MOP2.7 million (2022: MOP17.4 million).

As at 31 December 2023, the Group had bank balances and cash of MOP10.1 million (2022: MOP22.4 million).

As at 31 December 2023, the Group had an aggregate of pledged bank deposits of MOP11.1 million (2022: MOP14.6 million) that were used to secure banking facilities.

As at 31 December 2023, bank and other borrowings amounted to MOP33.5 million (2022: MOP31.0 million) of which MOP8.1 million, MOP2.7 million, MOP8.7 million and MOP14.0 million (2022: MOP3.6 million, MOP3.1 million, MOP10.1 million and MOP14.2 million) will mature within one year, one year to two years, two years to five years and more than five years, respectively.

The bank overdraft amounting to MOP2,367,000 as at 31 December 2023 carry interest at 1.5% below the prevailing best lending rate quoted by the bank in Macau (the "**Prime Rate**") per annum.

The interest-bearing bank borrowings amounting to MOP28,070,000 as at 31 December 2023 carry interest at 2.85% below the Prime Rate per annum.

The interest-bearing bank borrowings amounting to MOP3,105,000 as at 31 December 2023 carry interest at 1.75% below the Prime Rate per annum.

The interest-bearing bank borrowings amounting to MOP30,523,000 as at 31 December 2022 carry interest at 2.65% below the Prime Rate per annum.

The interest-bearing bank borrowings amounting to MOP523,000 as at 31 December 2022, carry interest at 4% per annum.

The effective interest rates of the borrowings as at 31 December 2023 (which are also equal to the contractual interest rate) carry interest range from 3.8% to 4.4% (2022: 3.2% 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 Construction & Engineering Company Limited (“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 2023, the Group's current assets and current liabilities were MOP74.6 million (2022: MOP102.3 million) and MOP71.9 million (2022: MOP85.0 million), respectively. The Group's current ratio decreased to 1.04 (2022: 1.2). The decrease was in line with loss making situation during the year ended 31 December 2023. The Group has still maintained sufficient liquid assets to finance its operations.

Gearing ratio calculated by dividing total debts (including bank and other borrowings) with total equity was 0.32 as at 31 December 2023 (2022: 0.25). The increase in gearing ratio was primarily due to loss making situation during year ended 31 December 2023.

As at 31 December 2023, the share capital and equity attributable to owners of the Company amounted to MOP4.1 million and MOP104.9 million, respectively (2022: MOP4.1 million and MOP123.5 million, respectively).

Charge on the Group's assets

As at 31 December 2023, land and building and bank deposits were pledged to secure certain borrowings granted to the Group amounted to MOP73.4 million and MOP11.1 million (2022: MOP76.3 million and MOP14.6 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 hearings were held from 17 November 2023 to February 2024. Up to the date of this announcement, the court have not scheduled for the final trial. 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 2023. 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 2023, 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 MOP2,485,000.

The case is scheduled for first hearing on 6 May 2024. 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 2023.

(c) *Dispute on payment with a subcontractor*

As at 31 December 2023, 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 MOP1,926,000.

Up to the date of approval of this announcement, the case is not yet scheduled for first hearing. It is under the process of evidence disclosing. After consulting the Group's lawyer, the directors of the Company are of the opinion that it is premature to give any opinion on the case and to make any provision in the consolidated financial statements as at 31 December 2023.

As at 31 December 2023, the Group did not have any capital commitments (2022: 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 2023 on trade receivables and contract assets from the Group's five major customers amounting to approximately MOP11.1 million (2022: MOP38.2 million) and accounted for approximately 24.2% (2022: 66.3%) 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 2023 and up to date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the total number of full-time employees of the Group was 140 (2022: 138).

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 MOP36.3 million for the year ended 31 December 2023 (2022: MOP39.5 million).

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

PROSPECTS AND STRATEGIES

Outlook:

In the past 2023, the gaming revenue and the number of arrivals to Macau have met the government's expectations. Driven by gaming and tourism, Macau's market economy has gradually returned to the pre-pandemic level. Furthermore, the economic exchanges between Mainland China, Hong Kong and Macau are closer than before under the strong support of government policies, which has mutually promoted the development of tourism, retail and catering industries in such regions. The confidence of the consumer market has also been boosted, which is believed to bring new vitality to the construction industry.

As a well-known tourism and entertainment destination in the world, Macau's market prospect remains very positive. As the impact of the pandemic is fading away, the number of arrivals to Macau and the confidence of the consumer market have gradually increased, which will bring new opportunities and vitality to the construction industry. Meanwhile, the government's policies and measures and support for economic development are also conducive to the development of the construction industry. In such an economic environment in Hong Kong and Macau with promising market prospects, the Group will actively consider exploring a broader market to create more opportunities for the Group's development.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the “**AGM**”) is scheduled to be held on Tuesday, 25 June 2024. In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 19 June 2024 to Tuesday, 25 June 2024, both days inclusive, during which period no transfer of Shares will be registered. All transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 18 June 2024.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2023, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions (the “**Securities Dealing Code**”). Specific enquiry has been made with all the Directors and all of them confirmed that they have complied with the Model Code and the Securities Dealing Code during the year ended 31 December 2023.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 18 January 2017 in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely, Mr. Siu Wing Hay, Mr. Chan Iok Chun and Dr. Liu Ting Chi. Mr. Siu Wing Hay is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Company the accounting principles and policies adopted by the Group, and the financial information of the Group and the annual results of the Company for the year ended 31 December 2023.

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly Hong Kong Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement will be published on the respective websites of Stock Exchange (www.hkexnews.hk) and the Company's website (www.lai-si.com). The annual report for the year ended 31 December 2023 containing all the information required by the Listing Rules will be made available on the respective websites of the Stock Exchange and the Company and despatched to the shareholders of the Company who have elected to receive printed form in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners and other professional parties for their support during the year ended 31 December 2023.

By order of the Board
Lai Si Enterprise Holding Limited
黎氏企業控股有限公司
LAI Ieng Man
Executive Director and Chairman

Macau, 28 March 2024

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