2016 ANNUAL REPORT

黎氏建築
Lai Si Construction

(SEHK Stock Code: 2266)

Lai Si Enterprise Holding Limited
黎氏企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

30'S Year of excellent

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. CHAN Chun Sing
Mr. CHAN Iok Chun
Mr. MAK Heng Ip

AUDIT COMMITTEE

Mr. CHAN Chun Sing *(Chairman)*
Mr. CHAN Iok Chun
Mr. MAK Heng Ip

REMUNERATION COMMITTEE

Mr. MAK Heng Ip *(Chairman)*
Mr. LAI Ieng Man
Mr. LAI Meng San
Mr. CHAN Chun Sing
Mr. CHAN Iok Chun

NOMINATION COMMITTEE

Mr. LAI Ieng Man *(Chairman)*
Ms. LAI Ieng Wai
Mr. CHAN Chun Sing
Mr. CHAN Iok Chun
Mr. MAK Heng Ip

COMPANY SECRETARY

Mr. FUNG Kar Fai, *HKICPA*

AUTHORISED REPRESENTATIVES

Mr. LAI Meng San
Mr. FUNG Kar Fai, *HKICPA*

REGISTERED OFFICE

P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTERS IN MACAU

Unit C, 9/F.
Industrial Tong Lei
Nos. 16A-16D
Avenida do Almirante Lacerda
Macau

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 501, 5/F.
The L.Plaza
Nos. 367-375
Queen's Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

COMPLIANCE ADVISER

Messis Capital Limited

LEGAL ADVISERS AS TO HONG KONG LAW

Loeb & Loeb LLP

PRINCIPAL BANKERS

Bank of China Macau Branch
Tai Fung Bank Limited
OCBC Wing Hang Bank Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

2266

COMPANY'S WEBSITE

www.lai-si.com

INVESTOR RELATIONS CONTACT

Strategic Financial Relations (China) Limited
2402 & 29A, Admiralty Centre 1
18 Harcourt Road
Hong Kong

DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings:

"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
"Board" or "Board of Directors"	the board of Directors of the Company
"CAGR"	compounded annual growth rate
"Combo Restaurant"	Combo Restaurant Management Company Limited (金葡餐飲管理有限公司)
"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
"Frost & Sullivan"	Frost & Sullivan Limited, an international market research consultant and an Independent Third Party
"Frost & Sullivan Report"	a market research report commissioned by the Group and prepared by Frost & Sullivan on the overview of the industries in which the Group operates or intends to operate
"Group"	the Company and its subsidiaries
"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)
"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
"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
"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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	shareholder(s) of the Company
"Shares"	ordinary share(s) of HK$0.01 each in the issued capital of the Company
"SHKMCL"	SHK-Mac Capital Limited
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary(ies)"	LSHKHL, LSMAHL, WTMAHL, Lai Si, Lai Si (HK), Well Team
"Well Team"	Well Team Engineering Company Limited (宏天工程有限公司)
"WTMAHL"	WTMA Holding Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"MOP" or "Macau Pataca"	Macau Pataca, the lawful currency of Macau
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent



RETAIL PROJECTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Lai Si Enterprise Holding Limited, I am pleased to present the audited annual results of the Group for the year ended 31 December 2016.

COMPANY OVERVIEW

Established in the 1980s, the Group has nearly 30 years of experience in the fitting-out and construction industry in Macau. 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 works, mainly in Macau.

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 by the Group can be broadly classified into two categories, namely general construction and heritage conservation. 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, 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 2016, the Group completed 38 projects and was awarded 31 projects. The Group's revenue increased by approximately 30.3% from approximately MOP220.7 million for the year ended 31 December 2015 to approximately MOP287.7 million for the year ended 31 December 2016. For the year ended 31 December 2016, excluding the one-off listing expenses incurred, the Group recorded profit after tax of approximately MOP44.3 million, representing an increase of approximately 7.1% over the previous financial year.

The shares of the Company were listed on the Main Board of the Stock Exchange on 10 February 2017. Listing expenses incurred during our successful listing amounted to approximately MOP14.1 million for the year ended 31 December 2016. Profit for the year was approximately MOP30.2 million, which represents a decrease of approximately 26.9% from that of the previous financial year of approximately MOP41.4 million.

MARKET REVIEW

According to the Frost & Sullivan Report, the gaming industry of Macau recorded a downturn in 2015, which decreased the demand for hotels and casinos. However, the infrastructure development in Macau provides growth opportunities in the long run and the tourism industry of Macau is expected to rebound in the near future. Further, it is an industry norm that a commercial construction project refurbishes its interior decoration every three to five years, which indicates a stimulus that many hotels, retail stores and offices, which were built from 2011 to 2015, are to be renovated from 2016 to 2020. As such, the fitting-out market in Macau is expected to experience a modest growth at a CAGR of approximately 10.0% over the period from 2016 to 2020.

OUTLOOK

The Group aims to further strengthen its position and overall competitiveness of its fitting-out and construction businesses in Macau and to gain a foothold in the fitting-out market in Hong Kong. Given the growth potential in fitting-out market in Hong Kong, we believe that the Listing will enable the Group to gain exposure in the fitting-out industry in Hong Kong and capture potential growth and enhance its brand awareness and publicity in Hong Kong.

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
24 March 2017

HOTEL AND CASINO PROJECTS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On 10 February 2017, 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.

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 works, mainly in Macau. According to the Frost & Sullivan Report, in terms of revenue, the Group was the second largest commercial fitting-out contractor in Macau in 2015, with market share of approximately 6.1%. During the year ended 31 December 2016, all of the Group's revenue was derived in Macau and Hong Kong and the Group undertook projects from both private and public sectors.

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 of (i) fitting-out works; (ii) construction works; and (iii) repair and maintenance services. During the year ended 31 December 2016, the total value for the new fitting-out projects awarded to the Group, representing the aggregate awarded contract sum, amounted to approximately MOP153.3 million as compared to that of approximately MOP162.9 million for the year ended 31 December 2015. As at 31 December 2016, the Group had an aggregate value of backlog for fitting-out projects and construction projects of approximately MOP107.8 million as compared to that of approximately MOP180.3 million for the year ended 31 December 2015.

FINANCIAL REVIEW

The following table sets forth a breakdown of the Group's revenue during the years ended 31 December 2016 and 2015 by business segments:

	Year ended 31 December			
	2016		2015	
	MOP'000	**%**	MOP'000	%
Fitting-out works	**280,076**	**97.3**	216,922	98.3
Construction works	**5,659**	**2.0**	1,281	0.6
Repair and maintenance works	**1,942**	**0.7**	2,508	1.1
Total	**287,677**	**100.0**	220,711	100.0

FINANCIAL REVIEW (Continued)

Revenue

During the year ended 31 December 2016, the Group's revenue increased by approximately MOP67.0 million or 30.3%. The increase was attributable to increase in fitting-out works revenue of approximately MOP63.2 million or 29.1% and increase in construction works revenue of approximately MOP4.4 million or over 3.4 times.

The Group's fitting-out projects can be broadly divided into three categories by type of customers, namely (i) hotel and casino; (ii) retail shop and restaurant; and (iii) others. The following table sets forth a breakdown of the Group's revenue attributable to fitting-out works during the years ended 31 December 2016 and 2015 by categories:

	Year ended 31 December			
	2016		2015	
	MOP'000	**%**	MOP'000	%
Hotel and casino	**175,698**	**62.7**	138,154	63.7
Retail shop and restaurant	**104,378**	**37.3**	78,104	36.0
Others	**-**	**-**	664	0.3
Total	**280,076**	**100.0**	216,922	100.0

The increase in fitting-out works revenue was mainly attributable to increase in revenue from hotel and casino and retail shop and restaurant which increased by approximately MOP37.5 million or 27.2% and approximately MOP26.3 million or 33.6%, respectively. The increase in fitting-out works revenue was mainly due to more fitting-out projects with revenue recognised for the year ended 31 December 2016 as compared to the previous year.

The increase in revenue of construction works was mainly attributable to increase in revenue derived from heritage conservation of approximately MOP4.4 million or 3.4 times as compared to the previous year.

FINANCIAL REVIEW (Continued)

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 2016 and 2015 by business segments:

	Year ended 31 December			
	2016		2015	
	Gross profit MOP'000	**Gross profit margin %**	Gross profit MOP'000	Gross profit margin %
Fitting-out works	**71,664**	**25.6**	58,375	26.9
Construction works	**1,095**	**19.3**	74	5.8
Repair and maintenance works	**1,168**	**60.1**	1,783	71.1
Total/overall	**73,927**	**25.7**	60,232	27.3

During the year ended 31 December 2016, the Group's gross profit increased by approximately MOP13.7 million or 22.7% from approximately MOP60.2 million for the year ended 31 December 2015 to approximately MOP73.9 million for the year ended 31 December 2016. The increase in gross profit was mainly resulted from increase in number of projects.

The Group's gross profit margin decreased from approximately 27.3% for the year ended 31 December 2015 to approximately 25.7% for the year ended 31 December 2016. The decrease in gross profit margin was mainly attributable to lower gross profit margin from fitting-out works as a result of more intense competition for bidding for large scale fitting-out projects, as well as the increasing number and extent of works subcontracted to third parties.

Other Income, Gains and Losses

The Group's other income and gains decreased by approximately MOP1.9 million or 63.9% from approximately MOP3.0 million for the year ended 31 December 2015 to approximately MOP1.1 million for the year ended 31 December 2016. Such decrease was mainly attributable to decrease in imputed interest income of approximately MOP2.2 million.

FINANCIAL REVIEW (Continued)

Administrative Expenses

The Group's administrative expenses increased by approximately MOP8.2 million or 57.0% from approximately MOP14.3 million for the year ended 31 December 2015 to approximately MOP22.5 million for the year ended 31 December 2016. Such increase was mainly attributable to (a) increase in staff numbers and salaries to cope with business expansion; (b) increase in directors' remuneration; and (c) increase in other administrative expenses mainly due to increase in revenue.

Listing Expenses

The Group incurred listing expenses of approximately MOP14.1 million for the year ended 31 December 2016 while the Group did not incur any listing expenses for the year ended 31 December 2015.

Finance Costs

The Group's finance costs increased by approximately MOP0.5 million or 26.9% from approximately MOP1.8 million for the year ended 31 December 2015 to approximately MOP2.3 million for the year ended 31 December 2016. Such increase was mainly attributable to net increase in bank and other borrowings of approximately MOP51.5 million for the year ended 31 December 2016.

Income Tax Expense

The Group's income tax expense increased from approximately MOP5.8 million for the year ended 31 December 2015 to approximately MOP5.9 million for the year ended 31 December 2016. The Group's effective tax rate increased from approximately 12.3% for the year ended 31 December 2015 to approximately 16.4% for the year ended 31 December 2016. Such increase was mainly attributable to the non-tax deductible professional service fees of approximately MOP9.4 million in respect of the listing of the Shares of the Company incurred in 2016.

Profit and Total Comprehensive Income for the Year Attributable to Owners of the Company

As a result of above, the Group's profit and total comprehensive income for the year attributable to owners of the Company decreased by approximately MOP11.2 million or 26.9%, from approximately MOP41.4 million for the year ended 31 December 2015 to approximately MOP30.2 million for the year ended 31 December 2016.

FINANCIAL REVIEW (Continued)

Basic Earnings per Share

The Company's basic earnings per Share for the year ended 31 December 2016 was approximately MOP10.1 cents (2015: MOP13.8 cents), representing a decrease of approximately MOP3.7 cents or 26.8% which is in line with the profit for the year attributable to owners of the Company when compared to the year ended 31 December 2015.

Final Dividend

The Board does not recommend the payment of final dividend for the year ended 31 December 2016 (2015: Nil).

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and Financial Resources and Capital Structure

The management and control of the Group's financial, capital management and external financing functions are centralised at its headquarters in Macau. The Group adheres to the principle of prudent financial management to minimise financial and operational risks. The Group mainly relies on 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 2016, the Group's current liabilities exceeded its current assets by approximately MOP8,934,000. The Directors consider that the Group is able to mitigate the liquidity risk as the Group has obtained sufficient funds upon the receipt of proceeds from the share offer of the Shares after the Listing subsequent to 31 December 2016 to support its operation as well as other cash outflow commitments.

As at 31 December 2016, the Group had net bank balances and cash of approximately MOP2.7 million (31 December 2015: MOP1.9 million), which comprised bank balances and cash of approximately MOP10.3 million (31 December 2015: MOP1.9 million) and bank overdrafts of approximately MOP7.6 million (31 December 2015: Nil).

As at 31 December 2016, the Group had an aggregate of pledged bank deposits of approximately MOP1.7 million (31 December 2015: MOP1.1 million) that are used to secure banking facilities.

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Liquidity and Financial Resources and Capital Structure (Continued)

As at 31 December 2016, bank and other borrowings amounted to MOP98.5 million (31 December 2015: MOP47.0 million) of which approximately MOP36.0 million, MOP3.9 million, MOP12.2 million and MOP46.4 million (31 December 2015: MOP42.4 million, MOP0.8 million, MOP2.4 million and MOP1.4 million) will mature within one year, one year to two years, two years to five years and more than five years, respectively.

The Group continued to maintain a healthy liquidity position. As at 31 December 2016, the Group's current assets and current liabilities were approximately MOP208.1 million (31 December 2015: MOP212.2 million) and approximately MOP217.1 million (31 December 2015: MOP109.6 million), respectively. The Group's current ratio as at 31 December 2016 decreased to approximately 1.0 (31 December 2015: 1.9) mainly due to the dividend of MOP70.0 million declared and settled during the year ended 31 December 2016, which reduced the bank balances and cash. The Group has maintained sufficient liquid assets to finance its operations.

Gearing ratio of the Group, calculated by dividing total debts (including bank and other borrowings) with total equity, was approximately 1.6 as at 31 December 2016 (31 December 2015: 0.4). The increase in gearing ratio was primarily due to an increase in bank borrowings to finance the acquisition of the Group's property.

As at 31 December 2016, the share capital and equity attributable to owners of the Company amounted to approximately MOP86,000 and MOP67.6 million, respectively (31 December 2015: MOP85,000 and MOP107.5 million, respectively).

Charge on the Group's Assets

As at 31 December 2016, the leasehold land and building, construction in progress and pledged bank deposits pledged to secure certain borrowings granted to the Group amounted to MOP18.3 million, MOP54.2 million and MOP1.7 million (31 December 2015: MOP3.7 million, nil and MOP1.1 million), respectively.

Contingent Liabilities and Capital Commitments

In October 2012, one of the supporting pillars of the residential building called "Sin Fong Garden Building" collapsed due to the loss of stability. It was alleged that such collapse was caused by the dismantlement and construction of the foundation works 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 compensation for the loss of property, in a total sum of approximately HK$49.0 million, 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.

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Contingent Liabilities and Capital Commitments (Continued)

In October 2015, the Macau Government further filed a lawsuit against several defendants including Lai Si, seeking compensation for the costs incurred by the Macau Government for (i) measures it had taken to prevent Sin Fong Garden Building from collapsing; (ii) ensuring the safety of citizens and adjacent buildings; and (iii) the technical advisors and experts it had hired to study the causes of the incident, in a total sum of approximately MOP12.8 million, to be borne jointly by the defendants.

Up to the date of this report, the proceedings are still awaiting to be scheduled for the trial hearings. After consulting the Macau Legal Advisers (as defined in the Prospectus), the Directors 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 has been made to the financial statements. The Controlling Shareholders have undertaken to indemnify the Group against all losses and liabilities arising from the above proceedings.

As at 31 December 2016, the Group had operating lease commitments of approximately MOP175,000 (31 December 2015: MOP513,000).

As at 31 December 2016, the Group did not have any capital commitments (31 December 2015: Nil).

Exposure to Fluctuations in Exchange Rates and Interest Rates and Corresponding Hedging Arrangements

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

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

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

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 arises from the carrying amount of the respective recognised financial assets as stated in the combined statements 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 each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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 this regard, the Directors consider that the credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 December 2016 on trade and retention receivables from the Group's five major customers amounting to approximately MOP61.5 million (2015: MOP21.1 million) and accounted for approximately 79% (2015: 53%) of the Group's total trade and retention receivables. 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.

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Credit Exposure (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.

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

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2016, the following significant events took place:

(i) On 23 January 2017, the Reorganisation as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus was duly completed.

(ii) On 18 January 2017, written resolutions of the sole Shareholder of the Company were passed to approve the following which were completed on 10 February 2017:

  (a) the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$10,000,000 divided into 1,000,000,000 Shares by the creation of an additional 962,000,000 Shares of HK$0.01 each;

  (b) subject to the share premium account of the Company being credited as a result of the share offer resulting from the Listing, the directors were authorised to allot and issue a total of 299,950,000 Shares, credited as fully paid at par, to the sole Shareholder by way of capitalisation of a sum of HK$2,999,500 standing to the credit of the share premium account of the Company; and

  (c) the share option scheme of the Company was conditionally adopted on 18 January 2017 and the principal terms of which are set out in Appendix VI to the Prospectus.

EVENTS AFTER THE REPORTING PERIOD (Continued)

(iii) On 10 February 2017, a total of 299,950,000 Shares were allotted and issued, credited as fully paid at par, to the sole Shareholder by way of capitalisation of a sum of HK$2,999,500 standing to the credit of the share premium account of the Company, and that such shares to be allotted and issued, as nearly as possible, without involving fractions, and such share to rank pari passu in all respects with the then existing issued shares of the Company.

(iv) On 10 February 2017, 100,000,000 ordinary Shares with a par value of HK$0.01 each of the Company were issued at a price of HK$1.15 per Share by way of share offer. On the same date, the Shares were listed on the Main Board of the Stock Exchange.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the total number of full-time employees of the Group was 183 (31 December 2015: 168).

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 approximately MOP60.4 million for the year ended 31 December 2016 (2015: MOP52.7 million).

The Company adopted a share option scheme so that the Company may grant options to the eligible participants as incentives or rewards for their contribution to the Group.

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 share offer (the "**Share Offer**") (as defined in 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.

Net Proceeds from the Share Offer

	Net proceeds (HK$ million)		
	Available	**Utilised**	**Unutilised**
Finance fitting-out projects in Macau	49.4	8.0	41.4
Finance construction projects in Macau	17.9	–	17.9
Finance the start-up costs of fitting-out business in Hong Kong	9.0	–	9.0
Hire additional staff for the Group's business operation	4.5	–	4.5
General working capital	9.0	8.0	1.0
	89.8	16.0	73.8

As at 24 March 2017, the unutilised net proceeds from the Share Offer were deposited in the bank accounts of the Group.

PROSPECTS AND STRATEGIES

The Group remains cautiously optimistic of the fitting-out industry in Macau and Hong Kong. The Group believes that growth opportunities exist in Macau and Hong Kong in the next few years.

According to the Frost & Sullivan Report, the fitting-out market in Macau is expected to experience a modest growth at a CAGR of approximately 12.4% over the period from 2015 to 2020, and achieve approximately MOP11,539.3 million in the year of 2020 due to the completion of the Hong Kong – Zhuhai – Macau Bridge which is expected to promote tourism in Macau in the coming years. Besides, it is an industry norm that a commercial construction project refurbishes its interior decoration every three to five years, which indicates a stimulus that many hotels, retail stores and offices, which were built from 2011 to 2015, are to be renovated from 2016 to 2020.

According to the Frost & Sullivan Report, the Hong Kong fitting-out market is expected to experience a relatively lower growth rate at a CAGR of approximately 10.2%, reaching approximately HK$11,741.2 million by the end of 2020. The continuous growth in the fitting-out market is mainly stimulated by steady economic growth and the growing property market. Developments in shopping malls, residential units and urban renewal are the driving forces of the property market, which will improve the demand for fitting-out services.

As disclosed in the Prospectus, the Group's principal business objective is to further strengthen its position and overall competitiveness of its fitting-out and construction businesses in Macau and to gain a foothold in the fitting-out market in Hong Kong. The Group intends to achieve this by (a) strengthening the Group's financial capabilities to undertake more new and larger scale fitting-out projects and construction projects; (b) strengthening the Group's in-house team of experienced personnel; and (c) expanding the Group's market coverage to gain a foothold in the fitting-out market in Hong Kong.

To achieve the Group's future expansion plans, the Directors intend to (i) use approximately HK$59.3 million (equivalent to approximately MOP61.1 million) to strengthen the Group's financial capabilities to undertake more new and larger scale fitting-out projects and construction projects; (ii) use approximately HK$4.5 million (equivalent to approximately MOP4.6 million) to further strengthen the Group's in-house team of experienced personnel; and (iii) use approximately HK$9.0 million (equivalent to approximately MOP9.3 million) to expand the Group's market coverage to gain a foothold in the fitting-out market in Hong Kong and the remaining proceeds will be used as general working capital.



CONSTRUCTION PROJECTS

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. LAI Ieng Man (黎英萬), aged 65, 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 and Lai Si (HK). 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 29 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 37, 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 and Lai Si (HK). 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 15 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 standing committee member of the Chinese People's Political Consultative Conference Guangdong Yangjiang Committee (中國人民政治協商會議廣東省陽江市委員會常務委員) from January 2012 to January 2017 and a committee member of the Guangdong Provincial Committee of the Chinese 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. 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).

DIRECTORS (Continued)

Executive Directors (Continued)

Ms. LAI Ieng Wai (黎盈惠), aged 36, 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 and Well Team. 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 10 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 38, 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 5 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. CHAN Chun Sing (陳振聲), aged 37, was appointed as an independent non-executive Director on 18 January 2017, 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. Chan has over 13 years of experience in the fields of accounting, auditing and compliance matters of listed companies in Hong Kong. He obtained a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University, Hong Kong in 2001. In November 2015, having completed an executive master of business administration programme, Mr. Chan obtained a master of business administration from the Chinese University of Hong Kong, Hong Kong. Mr. Chan has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since April 2006 and a member of the Hong Kong Institute of Directors since March 2013.

Mr. Chan worked for Deloitte Touche Tohmatsu from September 2001 to July 2011 and his last position held was senior manager in the audit department. He has been appointed as an independent non-executive director of Winson Holdings Hong Kong Limited (a company listed on the Stock Exchange, stock code: 8421) since February 2017. Mr. Chan also served as an independent non-executive director of Northern New Energy Holdings Limited (formerly known as Noble House (China) Holdings Limited) (a company listed on the Stock Exchange, stock code: 8246) from December 2011 to October 2013. He joined a private company as chief financial officer from July 2013 to February 2014 and was appointed as executive director from March 2014 to April 2015 and was designated as non-executive director since May 2015. Mr. Chan has been appointed as the chief financial officer of Lap Kei Engineering (Holdings) Limited (a company listed on the Stock Exchange, stock code: 8369) since February 2015.

DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Mr. CHAN Iok Chun (陳玉泉), aged 51, 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 14 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 he was responsible for the overall business development and operation management of Lei Kei Trading. In November 2010, Mr. Chan founded Lei Kei Telecommunication Holdings Limited, which is principally engaged in retail and wholesale of telecommunication equipment in Macau. He has been the chief executive officer of Lei Kei Telecommunication Holdings Limited since its incorporation and is responsible for its overall business development and operation management.

Mr. MAK Heng Ip (麥興業), aged 35, was appointed as an independent non-executive Director on 18 January 2017, and is the chairman of the Remuneration Committee and a member of the Audit 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. Mak has over 10 years of experience in the legal field in Macau. He obtained a bachelor of law in Chinese language from the University of Macau, Macau in September 2004. Mr. Mak has been a registered lawyer at the Macau Lawyers Association since July 2009. In May 2013, he founded Mak Heng Ip Law Firm and has been a partner of it since then.

SENIOR MANAGEMENT

Mr. Wayne John HALLAS, aged 48, is the executive project director of the Group. He joined the Group on 12 February 2016 and he is primarily responsible for the overall management of the Group's fitting-out and construction projects.

Mr. Hallas obtained a craft certificate in carpentry and joinery from the Leeds College of Building, United Kingdom in May 1986. Prior to joining the Group, Mr. Hallas worked for Projexasia Limited as a director from July 2013 to January 2014 and Structure Tone Asia as a director of operations from August 2010 to May 2013. During August 2001 to March 2010, he worked for InProjects Group Limited and his last position held is a group director.

Mr. Andrew ROBINSON, aged 49, is the project director of the Group. He joined the Group on 29 July 2015 and he is primarily responsible for the overall management of the Group's fitting-out and construction projects.

Prior to joining the Group, Mr. Robinson worked for EC Harris (Hong Kong) Limited from July 2014 to March 2015, his last position held was a deputy project director. During September 2002 to June 2014, he worked in the project management department of InProjects Limited and his last position held was an associate director.

Mr. YIM Chee Hin Henry Virgo (嚴之顯), aged 59, is the commercial manager of the Group. He joined the Group on 16 October 2014 and he is primarily responsible for the quantity surveying matters of the Group's fitting-out and construction projects.

Mr. Yim obtained a higher national certificate in building studies from the Business and Technician Education Council in July 1989, a higher certificate in building studies from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1989 and a bachelor 's degree of science in quantity surveying from Nottingham Trent University, the United Kingdom (a long distance learning course at Hong Kong College of Technology) in February 2013. He has been an associate member of the Chartered Institution of Civil Engineering Surveyors since September 1987 and a member of Shenzhen Cost Engineer Association since May 2007. Prior to joining the Group, Mr. Yim worked for Ming Shun Construction and Property Investment Limited (Macau) as managing quantity surveyor from October 2013 to July 2014. From August 2011 to November 2012, he worked for Hsin Chong Construction Company Limited as an assistant managing quantity surveyor. During September 2000 to February 2011, Mr. Yim worked for Barbican Construction Company, Limited and his last held position was commercial manager.

SENIOR MANAGEMENT (Continued)

Mr. FUNG Kar Fai (馮家輝), aged 48, is the finance manager and the company secretary of the Group. He joined the Group on 20 January 2016 and he is primarily responsible for the financial reporting, financial planning, treasury, financial control matters and the company secretarial matters of the Group.

Mr. Fung obtained a bachelor 's degree of administrative studies in accounting from York University in Canada in June 1994. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since October 1998. Prior to joining the Group, Mr. Fung worked for Xiao Nan Guo Holdings Limited, a wholly-owned subsidiary of Xiao Nan Guo Restaurants Holdings Limited (a company listed on the Stock Exchange, stock code: 3666) from July 2007 to July 2014 and his last position held was a finance manager.

COMPANY SECRETARY

Mr. FUNG Kar Fai (馮家輝), aged 48, 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.


新中央


周大福
周大福

HERITAGE PROJECTS

CORPORATE GOVERNANCE REPORT

The Board hereby presents this corporate governance report in the Group's annual report for the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to achieving 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, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices.

The CG Code has been applicable to the Company with effect from the Listing Date and was not applicable to the Company during the year ended 31 December 2016. The Board is of the view that since the Listing Date up to the date of this report (the "Relevant Period"), the Company has complied with all applicable code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules 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.

The Model Code was not applicable to the Company before the Listing Date. Specific enquiry has been made with all the Directors and the Directors have confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the Relevant Period.

During the Relevant Period, the Company is not aware of any incident of non-compliance of the Securities Dealing Code by the relevant employees.

BOARD OF DIRECTORS

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

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

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*	*65*	*Over 29 years of experience in fitting-out and construction industry*
Mr. Lai Meng San (Chief Executive Officer)	*M*	*37*	*Bachelor's degree of technology in architectural science*
Ms. Lai Ieng Wai	*F*	*36*	*Bachelor's degree of arts in economics*
Ms. Cheong Weng Si	*F*	*38*	*Bachelor's degree of business administration in accounting*
Independent Non-executive Directors			
Mr. Chan Chun Sing	*M*	*37*	*Master of business administration and a certified public accountant of the Hong Kong Institute of Certified Public Accountants*
Mr. Chan Iok Chun	*M*	*51*	*Over 14 years of experience in retail industry of mobile phones and related accessories*
Mr. Mak Heng Ip	*M*	*35*	*Bachelor of law in Chinese language*

The biographical information of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 26 to 29 of this annual report.

The relationships between the Directors are also disclosed in the respective Director's biography under the section "Biographies of Directors and Senior Management" on pages 26 to 29 of this annual report.

BOARD OF DIRECTORS (Continued)

Attendance Records of Directors and Committee Members

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

The attendance record of each director at the Board and Board Committee meetings held during the Relevant Period is set out in the table below:

	Attendance/Number of Meetings		
Name of Director	**Board**	**Nomination Committee**	**Audit Committee**
Mr. Lai Ieng Man	1/1	1/1	N/A
Mr. Lai Meng San	1/1	N/A	N/A
Ms. Lai Ieng Wai	1/1	1/1	N/A
Ms. Cheong Weng Si	1/1	N/A	N/A
Mr. Chan Chun Sing	1/1	1/1	1/1
Mr. Chan Iok Chun	1/1	1/1	1/1
Mr. Mak Heng Ip	1/1	1/1	1/1

Besides the above-mentioned Board meeting, the Chairman also held a meeting with the independent non-executive Directors without the presence of executive Directors during the Relevant Period.

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 the overall management of the Group's corporate strategies planning. The Chief Executive Officer focuses on the overall management of the Group's business development and marketing matters.

BOARD OF DIRECTORS (Continued)

Independent Non-executive Directors

During the Relevant Period, 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 at least 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 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.

Appointment and Re-election of Directors

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

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

Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, then 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 of the Directors

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.

BOARD OF DIRECTORS (Continued)

Responsibilities of the Directors (Continued)

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.

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 Ms. Lai Ieng Wai, an executive Director.

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 will receive formal, comprehensive and tailored 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 will be arranged and reading material on relevant topics will be provided to Directors where appropriate.

BOARD OF DIRECTORS (Continued)

Continuous Professional Development of Directors (Continued)

Immediately prior to the Listing, all Directors have been given the relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest.

During the Relevant Period, the following Directors attended training sessions arranged by professional firms:–

Directors	**Topic**
Executive Directors	
Mr. Lai Ieng Man	*Training on director's responsibilities*
Mr. Lai Meng San	*Training on director's responsibilities*
Ms. Lai Ieng Wai	*Training on director's responsibilities*
Ms. Cheong Weng Si	*Training on director's responsibilities*
Independent non-executive Directors	
Mr. Chan Chun Sing	*Trainings on director's responsibilities*
Mr. Mak Heng Ip	*Training on director's responsibilities*
Mr. Chan Iok Chun	*Training on director's responsibilities*

In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee on 18 January 2017, 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 websites of the Company and of Hong Kong Exchanges and Clearing Limited 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 the section headed "Corporate Information" on pages 2 to 3 of this annual report.

BOARD COMMITTEES (Continued)

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the Company's financial information, 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 can use to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held a meeting on 24 March 2017 to review, in respect of the year ended 31 December 2016, the 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, appointment of external auditors and relevant scope of works and, continuing connected transactions.

Remuneration Committee

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.

The Remuneration Committee has not held any meeting during the Relevant Period.

Pursuant to code provision B.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2016 is as follows:

	Number of employee(s)
Not exceeding MOP1,000,000	2
MOP1,000,000 to MOP2,000,000	3

BOARD COMMITTEES (Continued)

Nomination Committee

The primary 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.

The Company also recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has adopted a "Board Diversity Policy" (the "Policy") which sets out the approach to achieve diversity on the Board and the Nomination Committee is responsible for monitoring the implementation of the Policy. 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 Policy, including but not limited to gender, age, cultural and educational background, or professional experience etc. The Nomination Committee will discuss any revisions which may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee held a meeting on 24 March 2017 to review the independence of the Independent Non-executive Directors, to consider the qualifications of the retiring directors standing for election at the 2017 annual general meeting, to review the structure, size and composition of the Board and to review the Policy. 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. Having reviewed the composition of the Board, details of which are set out under the section headed "Board of Directors" on page 35 of this report, the Nomination Committee considered that there is an appropriate balance of Board diversity.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

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 Securities Dealing Code, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

RISK MANAGEMENT AND INTERNAL CONTROL

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 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.

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 summarised 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.

MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS
(Continued)

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 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 (the "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.

In addition, the Company has communicated to all relevant staff regarding the implementation of the Inside Information Disclosure Policy.

The Board considers that the Company's existing measures are effective and appropriate compliance mechanisms to safeguard the Company and its officers in discharging their disclosure obligations in respect of inside information.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements and combined financial information of the Company for the year ended 31 December 2016.

The statements of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements and combined financial information are set out in the independent auditor's reports on the consolidated financial statements and the combined financial information on pages 60 to 63 and pages 83 to 89 of this annual report.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. 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 Hong Kong Exchanges and Clearing Limited after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to article 64 of the Articles of Association, an extraordinary general meeting shall also 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 General Meetings

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

Putting Forward Enquiries to the Board

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

SHAREHOLDERS' RIGHTS (Continued)

Contact Details

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

Address:	Unit 501, 5/F. The L.Plaza, Nos. 367-375 Queen's Road Central, Hong Kong (For the attention of the Board of Directors)
Fax:	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 the Shareholders and investors, where the financial information and other relevant information of the Company are available for public access.

CONSTITUTIONAL DOCUMENTS

In preparation for the Listing, the Company has adopted the amended and restated Memorandum and Articles of Association pursuant to a special resolution passed by the sole Shareholder on 18 January 2017. Since then, the Company has not made any changes to its Memorandum and Articles of Association. An up to date version of the Company's Memorandum and Articles of Association is also available on the websites of the Company and of Hong Kong Exchanges and Clearing Limited.

The Directors are pleased to present this report, the consolidated financial statements and the combined financial information of the Group for the year ended 31 December 2016.

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 1 to the combined financial information.

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

PRINCIPAL ACTIVITIES

The Group provides services of fitting-out works as an integrated fitting-out contractor, construction works as a main contractor and repair and maintenance works.

The Company acts as an investment holding company and provides corporate management services. The principal activities of its subsidiaries are set out in note 34 to the combined financial information.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income and the combined statement of profit or loss and other comprehensive income on pages 64 and 90 respectively.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2016.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2016 and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this report. The description of principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed "Management Discussion and Analysis" in this report. The financial risk management objectives and policies of the Group are set out in notes 11 and 31 to the consolidated financial statements and the combined financial information, respectively. In addition, discussions on the Group's relationships with key stakeholders, environmental policies and performance and compliance with relevant laws and regulations which have a significant impact on the Group are as follows:

BUSINESS REVIEW (Continued)

Relationship with Key Stakeholders

The Group's success also depends on the support from key stakeholders which comprise employees, customers and subcontractors and suppliers.

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.

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.

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.

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.

BUSINESS REVIEW (Continued)

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 2016 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.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past four financial years is set out on page 160 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2016 are set out in note 15 to the combined financial information.

BANK AND OTHER BORROWINGS

Details of movements in the bank and other borrowings of the Group during the year ended 31 December 2016 are set out in note 22 to the combined financial information.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2016 are set out in notes 8 and 23 to the consolidated financial statements and the combined financial information, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company did not have reserves available for distribution to Shareholders in accordance with the Articles of Association.

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2016 are set out in the consolidated statement of changes in equity on page 66 of this annual report and note 9 to the consolidated financial statements and in the combined statement of changes in equity on page 93 of this annual report and note 24 to the combined financial information, respectively.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year ended 31 December 2016 and up to the date of this report were:

Executive Directors:
- Mr. Lai Ieng Man (appointed on 1 June 2016)
- Mr. Lai Meng San (appointed on 1 June 2016)
- Ms. Lai Ieng Wai (appointed on 1 June 2016)
- Ms. Cheong Weng Si (appointed on 15 June 2016)

Independent non-executive Directors:
- Mr. Chan Chun Sing (appointed on 18 January 2017)
- Mr. Chan Iok Chun (appointed on 18 January 2017)
- Mr. Mak Heng Ip (appointed on 18 January 2017)

In accordance with article 108(a) of the Articles of Association, Ms. Cheong Weng Si, Mr. Chan Iok Chun and Mr. Mak Heng Ip 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.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out in the section headed "Biographies of Directors and Senior Management".

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company, and each of the independent non-executive Directors has signed an appointment letter with the Company, for a term of three years commencing from the Listing Date which may be terminated by either party with three months' written notice.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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

Since the Shares of the Company were not listed on the Stock Exchange as at 31 December 2016, Divisions 7 and 8 of Part XV of the SFO, section 352 of the SFO and the Model Code contained in the Listing Rules were not applicable to the Company and the Directors and chief executive of the Company as at 31 December 2016.

As at the date of this report, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the 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%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

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, UNDERLYING SHARES AND DEBENTURES

Since the shares of the Company were not listed on the Stock Exchange as at 31 December 2016, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company and the substantial shareholders as at 31 December 2016.

As at the date of this report, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying shares and debentures 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.

Save as disclosed above, as at the date of this report, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2016 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 conditionally adopted a share option scheme (the "Share Option Scheme") pursuant to the written resolutions of the sole Shareholder passed on 18 January 2017. 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.

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

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

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

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

SHARE OPTION SCHEME (Continued)

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.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" above, there were no equity-linked agreements entered into by the Group, or existed during the year ended 31 December 2016.

CONNECTED TRANSACTIONS

The Group entered into certain related party transactions, which constituted connected transactions of the Group, with related parties during the year ended 31 December 2016 as set out in note 32(a) to the combined financial information.

CONNECTED TRANSACTIONS (Continued)

During the year ended 31 December 2016, the Group entered into various transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under the Listing Rules in relation to the continuing connected transactions during the year ended 31 December 2016. Details of the continuing connected transactions of the Group for the year ended 31 December 2016 are set out below:

Connected Person	Nature of Transaction	Transaction Amount for the Year Ended 31 December 2016 MOP'000
Exempt continuing connected transactions		
Combo Restaurant (Note 1) and its subsidiary(ies) (the "Combo Group")	Provision of catering services by the Combo Group to the Group for the benefit of the latter's employees	349
Combo Restaurant(Note 1)	Lease of certain portion of the property at Unit C, 9/F., Industrial Tong Lei, Nos. 16A-16D Avenida do Almirante Lacerda, Macau by Well Team to Combo Restaurant	36
Non-exempt continuing connected transactions		
Mr. Lai Ieng Man (Note 2)	Provision of services of (a) construction works; and (b) repair and maintenance works, all in Macau, by the Group to Mr. Lai Ieng Man	42

Notes:

1. Combo Restaurant is owned as to 30% by Ms. Cheong Weng Si, being one of the executive Directors, and 70% by Independent Third Parties.

2. Mr. Lai Ieng Man is one of the executive Directors.

CONNECTED TRANSACTIONS (Continued)

The independent non-executive Directors have reviewed and confirmed that the above 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 Shareholders as a whole.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as those disclosed in the paragraph headed "Connected Transactions" and in note 32 to the combined financial information, 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 2016 or at any time during the year.

CONTRACTS OF SIGNIFICANCE BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE SUBSIDIARIES

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 32 to the combined financial information.

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 2016.

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.

PERMITTED INDEMNITY PROVISIONS

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.

EMOLUMENT POLICY

The emolument policy of the employees of the Group was set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emolument of the Directors are reviewed and recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the period from the Listing Date up to the latest practicable date prior to the issue of this report as required under the Listing Rules.

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

During the year ended 31 December 2016, the aggregate amount of revenue from continuing operations attributable to the Group's five largest customers accounted for 85.5% of the Group's total revenue from continuing operations and the revenue from the Group's largest customer was accounted for 45.4% of the Group's total revenue from continuing operations.

In addition, the Group's purchases attributable to its five largest subcontractors and suppliers accounted for 30.6% of the Group's total purchase from continuing operations.

At no time during the year ended 31 December 2016 did the Directors, their close associates or Shareholders (which to the best knowledge of the Directors own more than 5% of the total number of issued Shares) had any interests in any of the five largest customers of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this report.

CORPORATE GOVERNANCE

During the period from the Listing Date to the date of this report, the Company has complied with all the applicable provisions of the CG Code as set out in Appendix 14 of the Listing Rules. The CG Code is not applicable to the Company before the Listing Date. Details of corporate governance report are set out on pages 34 to 46 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

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

USE OF PROCEEDS FROM THE SHARE OFFER

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.

AUDITOR

The consolidated financial statements and the combined financial information have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
Lai Ieng Man
Chairman

Macau
24 March 2017

Deloitte. 德勤

TO THE MEMBERS 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 (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 64 to 82, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity for the period from 1 June 2016 (date of incorporation) to 31 December 2016, 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 2016, and of its consolidated financial performance for the year then ended in accordance with Hong Kong Financial Reporting standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "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 judgment, were of most significance in our audit of the consolidated financial statements of the current year.

No key audit matters were identified in our audit of the consolidated financial statements of the current year.

OTHER INFORMATION

The directors of the Company 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 of the Company are responsible for the preparation of the 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.

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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 judgment 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.

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

- 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.

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, related safeguards.

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 partner on the audit resulting in this independent auditor's report is Ms. Lam Sau Fung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JUNE 2016 (DATE OF INCORPORATION) TO 31 DECEMBER 2016

	NOTE	MOP'000
Administrative expenses		(412)
Listing expenses		(8,748)
Loss before taxation		(9,160)
Income tax expense	6	-
Loss and total comprehensive expenses for the period attributable to owners of the Company		(9,160)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	NOTES	MOP'000
Current assets		
Deferred listed expenses		**3,963**
Prepayment		**190**
Amount due from ultimate holding company	7	**1**
		4,154
Current liabilities		
Accruals		**8,110**
Amount due to a related company	7	**5,203**
		13,313
Net current liabilities	–	**(9,159)**
Capital and reserve		
Share capital	8	**1**
Accumulated loss		**(9,160)**
Total equity	–	**(9,159)**

The financial statements on pages 64 to 82 were approved and authorised for issue by the Board of Directors on 24 March 2017 and are signed on its behalf by:

Lai Ieng Man
Director

Lai Meng San
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JUNE 2016 (DATE OF INCORPORATION) TO 31 DECEMBER 2016

	Share capital MOP'000	Accumulated loss MOP'000	Total MOP'000
At 1st June, 2016 (date of incorporation)	**1**	**-**	**1**
Loss and total comprehensive expenses for the period	**-**	**(9,160)**	**(9,160)**
At 31st December, 2016	**1**	**(9,160)**	**(9,159)**

1. GENERAL 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 consolidated 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") on 10 February 2017. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and its principal place of business is located at Unit C, 9/F., Industrial Tong Lei, Nos. 16A-16D, Avenida do Almirante Lacerda, Macau.

The Company is an investment holding company and the principal activities of its subsidiaries are set out in Note 12.

Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange (the "Reorganisation"), the Company has become the holding company of its operating subsidiaries including Lai Si Construction & Engineering Company Limited and Well Team Engineering Company Limited on 23 January 2017 and Lai Si Construction (Hong Kong) Company Limited on 18 January 2017 (collectively the "Subsidiaries"). Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" of the prospectus dated 27 January 2017 issued by the Company (the "Prospectus").

The consolidated financial statements are presented in Macau Pataca ("MOP") which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2016, the Group's and the Company's current liabilities exceeded its current assets by MOP9,159,000. The directors of the Company consider that the Group is able to mitigate the liquidity risk as the Group has obtained sufficient funds upon the receipt of proceeds from the share offer of the Company's shares after the listing on the Stock Exchange subsequent to 31 December 2016 to support its operation as well as other cash outflow commitments.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has consistently applied all the new and revised HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the accounting periods beginning on 1 June 2016 for the period.

The Group has not early applied the following new and amendments to HKFRSs or HKASs issued by the HKICPA that have been issued but not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual improvements to HKFRs 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2018, as appropriate.

Based on the group structure as at 31 December 2016, the directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the future.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before taxation' as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Current tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax is recognised in other comprehensive income or directly in equity, respectively.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including amount due from ultimate holding company) is measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidences of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including amount due to a related company) are subsequently measured at amortised cost using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of on monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

5. LOSS FOR THE PERIOD

	MOP'000
Loss for the period has been arrived at after charging:	
Directors' remuneration	-
Auditor's remuneration	412
Listing expenses	8,748

6. INCOME TAX EXPENSE

No provision for taxation has been made in the consolidated financial statements as the Group had no assessable profit for the period.

The income tax expense for the period can be reconciled to the loss before taxation in the combined statements of profit or loss and other comprehensive income as follows:

	MOP'000
Loss before taxation	(9,160)
Tax at the tax rate of 12%	(1,099)
Tax effect of expenses not deductible for tax purpose	1,099
Income tax expense for the period	-

7. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY/AMOUNT DUE TO A RELATED COMPANY

The amounts are unsecured, interest-free and are repayable on demand.

The related company has common shareholders with the Company.

8. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital MOP'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 June 2016 (date of incorporation) to 31 December 2016	**38,000,000**	**391**
Issued:		
At 1 June 2016 (date of incorporation) to 31 December 2016	**50,000**	**1**

9. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(a) Statement of financial position

	MOP'000
Non-current assets	
Investment in subsidiaries	-*
Current assets	
Deferred listing expenses	3,963
Prepayment	190
Amount due from ultimate holding company	1
	4,154
Current liabilities	
Accruals	8,110
Amount due to a related company	5,203
	13,313
Net current liabilities	(9,159)
Capital and reserve	
Share capital	1
Accumulated loss	(9,160)
Total equity	(9,159)

* Less than MOP1,000

9. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

(b) Movement in the reserve of the Company is as follows:

	Accumulated loss MOP'000
At 1 June 2016 (date of incorporation)	-
Loss for the period	9,160
At 31 December 2016	9,160

10. CAPITAL RISK 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 capital structure of the Group consists of net debt, which includes amount due to a related company and equity attributable to the owners of the Company, comprising issued share capital and accumulated loss.

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, 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.

11. FINANCIAL INSTRUMENTS

Categories of financial instruments

	MOP'000
Financial assets	
Loans and receivables	**1**
Financial liabilities	
Amortised cost	**5,203**

Financial risk management objectives and policies

The Group's financial instruments include amount due from ultimate holding company and amount due to a related company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group is exposed to currency risk primarily through fund transfer and expense on behalf of the Group that are denominated in a currency other than the group entities' functional currency. The currencies giving rise to this risk are primarily HK$. As the exchange rate of HK$/MOP is relatively stable, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK$/MOP exchange rates. No sensitivity analysis is presented as the exposure is considered to be immaterial.

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.

11. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Currency risk (Continued)

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 MOP'000	Liabilities MOP'000
HK$ against MOP	**1**	**5,203**

Liquidity risk

As at 31 December 2016, the Group's and the Company's current liabilities exceeded its current assets by MOP9,159,000. The directors of the Company consider that the Group is able to mitigate the liquidity risk as the Group has obtained sufficient funds upon the receipt of proceeds from the share offer of the Company's shares after the listing on the Stock Exchange subsequent to 31 December 2016 to support its operation as well as other cash outflow commitments.

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 based on 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.

	MOP'000
Non-interest bearing financial liabilities – on demand	**5,203**

11. FINANCIAL INSTRUMENTS (Continued)

Fair value

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 their fair values.

12. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Place of incorporation/ establishment	Date of establishment/ incorporation	Issued and fully paid-up share capital	Attributable equity interest held by the Company as at 31 December 2016	Principal activities
LSMA Holding Limited*	The British Virgin Islands (the "BVI")	7 June 2016	United States Dollar ("USD") 10	100%	Investment holding
WTMA Holding Limited*	The BVI	7 June 2016	USD10	100%	Investment holding
LSHK Holding Limited*	The BVI	7 June 2016	USD10	100%	Investment holding

* Directly held by the Company

13. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to 31 December 2016, the following significant events took place:

(i) On 23 January 2017, the Reorganisation as detailed in the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 27 January 2017 in connection with the listing of the shares of the Company on the Stock Exchange ("the Prospectus") was duly completed.

(ii) On 18 January 2017, written resolutions of the sole shareholder of the Company were passed to approve the followings which were completed on 10 February 2017:

(a) the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares to HK$10,000,000 divided into 1,000,000,000 shares by the creation of an additional 962,000,000 shares of HK$0.01 each;

(b) subject to the share premium account of the Company being credited as a result of the share offer resulting from the proposed listing, the directors were authorised to allot and issue a total of 299,950,000 shares, credited as fully paid at par, to the sole shareholder by way of capitalisation of a sum of HK$2,999,500 standing to the credit of the share premium account of the Company; and

(c) the share option scheme of the Company was conditionally adopted on 18 January 2017 and the principal terms of which are set out in Appendix VI to the Prospectus.

(iii) on 10 February 2017, total of 299,950,000 Shares were allotted and issued, credited as fully paid at par, to the sole shareholder by way of capitalisation of a sum of HK$2,999,500 standing to the credit of the share premium account of the Company, and that such shares to be allotted and issued, as nearly as possible, without involving fractions, and such share to rank pari passu in all respects with the then existing issued shares of the Company.

(iv) On 20 February 2017, 100,000,000 ordinary shares with a par value of HK$0.01 each of the Company were issued at a price of HK$1.15 by way of public offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

Deloitte. 德勤

TO THE MEMBERS OF LAI SI ENTERPRISE HOLDING LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the combined financial information of Lai Si Enterprise Holding Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 90 to 159, which comprise the combined statement of financial position as at 31 December 2016, and the combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows for the year then ended, and notes to the combined financial information, including a summary of significant accounting policies (the "Combined Financial Information").

In our opinion, the Combined Financial Information has been properly prepared, in all material respects, in accordance with the basis of presentation set out in note 2 to the Combined Financial Information and significant accounting policies set out in note 4 to the Combined Financial Information which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "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 Combined Financial Information 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 judgment, were of most significance in our audit of the Combined Financial Information of the current year. These matters were addressed in the context of our audit of the Combined Financial Information as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

TO THE MEMBERS OF LAI SI ENTERPRISE HOLDING LIMITED (Continued)
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Contract revenue and costs of fitting-out works, alternation and additions and construction works/ amounts due from (to) customers for contract work	
We identified the contract revenue, costs of fitting-out works, alternation and additions and construction works and amounts due from (to) customers for contract work as key audit matters due to the extent of significant degree of management's judgement on the estimation of contract revenue and contract costs. The Group recognised contract revenue and costs of fitting-out works, alternation and additions and construction works by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. As set out in note 5 to the Combined Financial Information, the Group estimated total contract revenue in accordance with the terms set out in the relevant contracts, or in case of variation order, based on terms of architect's instructions or other forms of agreements or other correspondences and management's experience. The Group estimated total contract costs of fitting-out works, alternation and additions 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 the management's best estimates and judgments, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.	Our procedures in relation to the contract revenue, costs of fitting-out works, alternation and additions and construction works and amounts due from (to) customers for contract work included: • Agreeing the total budget contract revenue to the contracts and variation orders, if any, to architect's instructions or other forms of agreements or other correspondences, discussing with the project managers of the Group to evaluate the reasonableness of their estimated total budget contract revenue based on the size and complexity of the contracts, on a sample basis; • Discussing with the project managers of the Group to evaluate the reasonableness of their estimated total contract costs, taking into account of factors including the profit margin of similar projects, and to understand the status of completion of the relevant fitting-out works, alternation and additions and construction projects, on a sample basis; • Verifying the reasonableness of estimated total contract by matching against the latest costs quotations provided by major subcontractors/ suppliers/vendors, on a sample basis;

TO THE MEMBERS OF LAI SI ENTERPRISE HOLDING LIMITED (Continued)
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Contract revenue and costs of fitting-out works, alternation and additions and construction works/ amounts due from (to) customers for contract work	
The contract revenue and costs of fitting-out works, alternation and additions and construction works amounting to approximately MOP285,735,000 and MOP212,553,000, respectively were recorded in the combined statement of profit or loss and other comprehensive income for the year ended 31 December 2016. As disclosed in note 19 to the Combined Financial Information, the carrying amounts of amounts due from (to) customers for contract work amounting to approximately MOP60,601,000 and MOP6,798,000, respectively were recorded in the combined statement of financial position at 31 December 2016.	• Verifying whether uncertified work before year end has been reasonably recognised as contract costs, by performing the following procedures: (1) Checking the latest inspection reports, invoices or other documents issued by the subcontractors/suppliers/vendors before year end date for the verification of the value of work already performed during the year, on a sample basis; (2) Checking the Group's internal progress report as well as inspecting other supporting documents including the inspection reports, invoices or other documents issued by the subcontractors/suppliers/vendors subsequent to year end date, on a sample basis; and • Checking calculation of stage of completion, on sample basis and performing comparisons between the percentage of completion and the percentage of progress billing on selected contracts to identify and investigate any significant differences.

TO THE MEMBERS OF LAI SI ENTERPRISE HOLDING LIMITED (Continued)
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables and retention receivables	
We identified the recoverability of trade receivables and retention receivables as a key audit matter due to the use of judgment and estimates by the management in assessing the recoverability of trade receivables and retention receivables. As set out in note 5 to the Consolidated Financial Information, in determining not to make allowance for trade receivables and retention receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of each individual debtor. As disclosed in note 17 to the Combined Financial Information, the carrying amount of trade receivables and retention receivables which are past due but not provided for impairment loss amounting to approximately MOP19,702,000 and MOP3,331,000 were recorded as at 31 December 2016.	Our procedures in relation to recoverability of trade receivables and retention receivables included: • Evaluating the aging analysis of the trade receivables and retention receivables at the end of the reporting period to challenge management's estimates on the credit quality of trade receivables and retention receivables; • Assessing the accuracy of the aging analysis of trade receivables and retention receivables by checking to the original invoices issued by the Group to the customers and by checking to the contracts for defects liability period, respectively, on a sample basis; and • Assessing the reasonableness of recoverability of trade receivables and retention receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements, and aging analysis of each individual debtor which has overdue balance, on a sample basis.

TO THE MEMBERS OF LAI SI ENTERPRISE HOLDING LIMITED (Continued)
(Incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the Combined Financial Information and our auditor's report thereon.

Our opinion on the Combined Financial Information does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Combined Financial Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Combined Financial Information 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 COMBINED FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Combined Financial Information in accordance with the accounting policies which conform 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 Combined Financial Information that are free from material misstatement, whether due to fraud or error.

In preparing the Combined Financial Information, 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.

TO THE MEMBERS OF LAI SI ENTERPRISE HOLDING LIMITED (Continued)
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED FINANCIAL INFORMATION

Our objectives are to obtain reasonable assurance about whether the Combined Financial Information 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 Combined Financial Information.

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

- Identify and assess the risks of material misstatement of the Combined Financial Information, 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 Combined Financial Information 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.

TO THE MEMBERS OF LAI SI ENTERPRISE HOLDING LIMITED (Continued)
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED FINANCIAL INFORMATION (Continued)

- Evaluate the overall presentation, structure and content of the Combined Financial Information, including the disclosures, and whether the Combined Financial Information 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 Combined Financial Information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Combined Financial Information 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 partner on the audit resulting in this independent auditor's report is Ms. Lam Sau Fung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 March 2017

COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	**2016** **MOP'000**	2015 MOP'000
Revenue	6	**287,677**	220,711
Cost of sales		**(213,750)**	(160,479)
Gross profit		**73,927**	60,232
Other income, gains and losses	8	**1,096**	3,036
Administrative expenses		**(22,497)**	(14,326)
Listing expenses		**(14,081)**	–
Finance costs	9	**(2,265)**	(1,785)
Profit before taxation		**36,180**	47,157
Income tax expense	10	**(5,944)**	(5,792)
Profit and total comprehensive income for the year attributable to owners of the Company	11	**30,236**	41,365
Earnings per share			
– basic (MOP cents)	14	**10.1**	13.8

COMBINED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	NOTES	2016 MOP'000	2015 MOP'000
Non-Current Assets			
Property, plant and equipment	15	**76,558**	4,952
Interest in an associate	16	**-**	40
		76,558	4,992
Current assets			
Trade and other receivables	17	**94,038**	46,246
Amounts due from related parties	18(a)	**-**	28,955
Amounts due from directors	18(b)	**41,508**	78,741
Amount due from ultimate holding company	18(c)	**1**	-
Amounts due from customers for contract work	19	**60,601**	55,284
Pledged bank deposits	20	**1,732**	1,051
Bank balances and cash	20	**10,246**	1,890
		208,126	212,167
Current liabilities			
Trade and other payables	21	**80,386**	27,906
Amounts due to related parties	18(a)	**-**	246
Amount due to a director	18(b)	**667**	667
Amounts due to customers for contract work	19	**6,798**	16,350
Tax payable		**23,168**	17,488
Bank overdrafts	20	**7,568**	-
Bank and other borrowings	22	**98,473**	46,965
		217,060	109,622

COMBINED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	NOTES	2016 MOP'000	2015 MOP'000
Net current (liabilities) assets		**(8,934)**	102,545
Total assets less current liabilities		**67,624**	107,537
Net assets		**67,624**	107,537
Capital and reserves			
Share capital	23	**86**	85
Reserves		**67,538**	107,452
		67,624	107,537

The Combined Financial Information on pages 90 to 159 were approved and authorised for issue by the Board of Directors on 24 March 2017 and are signed on its behalf by:

Lai Ieng Man
DIRECTOR

Lai Meng San
DIRECTOR

COMBINED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company				
	Share capital MOP'000	**Legal reserve** MOP'000 (Note (a))	**Other reserve** MOP'000 (Note (b))	**Accumulated profits** MOP'000	**Total** MOP'000
At 1 January 2015	75	38	(5,098)	71,147	66,162
Incorporation of Lai Si (HK) (as defined in Note 2)	10	-	-	-	10
Profit and total comprehensive income for the year	-	-	-	41,365	41,365
At 31 December 2015	**85**	**38**	**(5,098)**	**112,512**	**107,537**
Incorporation of the Company	**1**	**-**	**-**	**-**	**1**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**30,236**	**30,236**
Dividend recognised as distribution (Note 12)	**-**	**-**	**-**	**(70,000)**	**(70,000)**
Arising from the business transfer (Note (c))	**-**	**-**	**-**	**(150)**	**(150)**
At 31 December 2016	**86**	**38**	**(5,098)**	**72,598**	**67,624**

Notes:

(a) In accordance with the Article 377 of the Commercial Code of 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 legal reserve, until the amount reaches half of the respective share capital.

(b) Other reserve represents the fair value adjustments recognised in equity as deemed distribution to the Controlling Shareholders (as defined in Note 2) for advances to certain related parties in which the Controlling Shareholders have joint control or control as disclosed in Note 18(a)(c) and (a)(f).

(c) On 7 June 2016, the business and the assets and liabilities of Constructor Civil Lai Ieng Man were transferred to Lai Si (as defined in Note 2) for a cash consideration of MOP150,000, and have been accounted for as deemed distribution to Mr. Lai Ieng Man during the year ended 31 December 2016.

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 MOP'000	2015 MOP'000
Operating activities		
Profit before taxation	**36,180**	47,157
Adjustments for:		
Depreciation of property, plant and equipment	**479**	465
Provision for trade receivables	**88**	–
Loss on dissolution of an associate company	**40**	–
Imputed interest income	**(743)**	(2,981)
Interest on bank borrowings	**2,265**	1,785
Operating cash flows before movements in working capital	**38,309**	46,426
Increase in trade and other receivables	**(47,880)**	(37,202)
Increase in amounts due from directors	**(44)**	(857)
Increase in amounts due to related parties	**34**	11
Increase in amounts due from customers for contract work	**(5,317)**	(33,744)
Increase in pledged bank deposits	**(681)**	(403)
Increase in trade and other payables	**52,480**	15,649
(Decrease) increase in amounts due to customers for contract work	**(9,552)**	15,383
Cash generated from operations	**27,349**	5,263
Macau Complementary Tax paid	**(264)**	(380)
Net cash from operating activities	**27,085**	4,883
Investing activities		
Advances to directors	**(8,339)**	(83,508)
Advances to related parties	**(3,977)**	(1,852)
Purchase of property, plant and equipment	**(72,085)**	(731)
Repayments from directors	**8,821**	57,613
Repayments from related parties	**40**	529
Net cash used in investing activities	**(75,540)**	(27,949)

	2016 **MOP'000**	2015 MOP'000
Financing activities		
New bank borrowings raised	**113,980**	50,240
Repayments of bank and other borrowings	**(62,472)**	(23,739)
Dividend paid	**-**	–
Interest paid	**(2,265)**	(1,785)
Net cash from financing activities	**49,243**	24,716
Net increase in cash and cash equivalents	**788**	1,650
Cash and cash equivalents at the beginning of the year	**1,890**	240
Cash and cash equivalents at the end of the year	**2,678**	1,890
Represented by:		
Bank balances and cash	**10,246**	1,890
Less: bank overdrafts	**(7,568)**	–
	2,678	1,890

1. GENERAL 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 consolidated 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") on 10 February 2017. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and its principal place of business is located at Unit C, 9/F., Industrial Tong Lei, Nos. 16A-16D, Avenida do Almirante Lacerda, Macau.

The Company is an investment holding company and the principal activities of its subsidiaries are set out in Note 34.

The combined financial information is presented in Macau Pataca ("MOP") which is the same as the functional currency of the Company.

2. REORGANISATION AND BASIS OF PRESENTATION OF THE COMBINED FINANCIAL INFORMATION

The companies now comprising the Company and its subsidiaries (the "Group") underwent the group reorganisation (the "Reorganisation"). Prior to the Reorganisation, the entire equity interests of Lai Si Construction & Engineering Company Limited ("Lai Si"), Well Team Engineering Company Limited ("Well Team") and Lai Si Construction (Hong Kong) Company Limited ("Lai Si (HK)") were directly held by four individuals, namely Mr. Lai Ieng Man, Mr. Lai Meng San, son of Mr. Lai Ieng Man, Ms. Lai Ieng Wai and/or Ms. Lai Ieng Fai, daughters of Mr. Lai Ieng Man on behalf of the family of Mr. Lai Ieng Man. Lai Si, Well Team and Lai Si (HK) were beneficially and wholly owned by the family members of Mr. Lai Ieng Man collectively as the controlling shareholders (the "Controlling Shareholders").

As part of the Reorganisation, on 19 February 2016, Ms. Lai Ieng Fai transferred her entire equity interest, being 20% of the share capital of Well Team, to Ms. Lai Ieng Wai for a cash consideration of MOP5,000.

On 25 May 2016, SHK-Mac Capital Limited ("SHKMCL") was incorporated in the British Virgin Islands ("BVI") with limited liability and 50 shares, 30 shares and 20 shares were allotted and credited as fully paid at par to Mr. Lai Ieng Man, Mr. Lai Meng San and Ms. Lai Ieng Wai, respectively.

On 1 June 2016, the Company was incorporated in the Cayman Islands with limited liability and is wholly-owned by SHKMCL.

2. REORGANISATION AND BASIS OF PRESENTATION OF THE COMBINED FINANCIAL INFORMATION (Continued)

For the purpose of holding the operating subsidiaries of the Company, on 7 June 2016, LSMA Holding Limited ("LSMAHL"), WTMA Holding Limited ("WTMAHL") and LSHK Holding Limited ("LSHKHL") were incorporated in the BVI with limited liabilities as intermediate holding companies and are wholly-owned by the Company.

On 18 January 2017, the Controlling Shareholders transferred the entire equity interests in Lai Si (HK) to LSHKHL for cash consideration of HK$10. Lai Si (HK) then became an indirect wholly-owned subsidiary of the Company.

On 23 January 2017, the Controlling Shareholders transferred the entire equity interests in Lai Si and Well Team to LSMAHL and WTMAHL for cash considerations of MOP10 and MOP10, respectively. Lai Si and Well Team then became indirect wholly-owned subsidiaries of the Company.

On 7 June 2016, the business and the assets and liabilities of Constructor Civil Lai Ieng Man, a commercial enterprise with unlimited liability wholly owned by Mr. Lai Ieng Man were transferred by Mr. Lai Ieng Man to Lai Si for a cash consideration of MOP150,000 (the "Business Transfer").

Constructor Civil Lai Ieng Man, which commenced business on 27 January 1987, is a commercial enterprise in Macau owned by Mr. Lai Ieng Man. Prior to the Business Transfer, Constructor Civil Lai Ieng Man was engaged in the provision of labour to Lai Si for performance of fitting-out and construction works. For the purpose of transferring the employment permits for the foreign workers held by Constructor Civil Lai Ieng Man, Mr. Lai Ieng Man and Lai Si entered into the Business Transfer.

The Reorganisation was completed on 23 January 2017. Since Constructor Civil Lai Ieng Man, Lai Si, Well Team and Lai Si (HK) were under common control by the Controlling Shareholders, the Business Transfer and the equity transfer of Lai Si, Well Team and Lai Si (HK) have been considered for as a business combination involving businesses under common control. For the purpose of presenting the combined financial information of the entities comprising the Group for the year ended 31 December 2016 which is before the completion of the Reorganisation, the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") has been applied.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the years ended 31 December 2016 and 2015 have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the years ended 31 December 2016 and 2015 or since the respective dates of incorporation, which is a shorter period. The combined statements of financial position of the Group as at 31 December 2016 and 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates, taken into account the respective dates of incorporation.

2. REORGANISATION AND BASIS OF PRESENTATION OF THE COMBINED FINANCIAL STATEMENTS (Continued)

As at 31 December 2016, the Group's and the Company's current liabilities exceeded its current assets by MOP8,934,000 and MOP9,159,000 respectively. The directors of the Company consider that the Group is able to mitigate the liquidity risk as the Group has obtained sufficient funds upon the receipt of proceeds from the share offer of the Company's shares after the listing on the Stock Exchange subsequent to 31 December 2016 to support its operation as well as other cash outflow commitments.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has consistently applied all the new and revised HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the HKICPA that are effective for the accounting periods beginning on 1 January 2016 for both current and prior year.

The Group has not early applied the following new and amendments to HKFRSs and HKASs issued by the HKICPA that have been issued but not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and related Amendment
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018 as appropriate.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the financial information of the Group in future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 "Leases"

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in Note 26, total operating lease commitments of the Group in respect of staff quarters, carparks and warehouses at 31 December 2016 amounted to MOP175,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the financial information as right-of-use assets and lease liabilities.

The directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the financial information of the Group in the future.

4. SIGNIFICANT ACCOUNTING POLICIES

The combined financial information has been prepared in accordance with accounting policies set as below which conform with HKFRSs issued by the HKICPA. In addition, the combined financial information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The combined financial information has been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the combined financial information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of combination

The combined financial information incorporates the financial information of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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 combination.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving businesses under common control

The combined financial information incorporates the financial information items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Interest in an associate

An associate is an entity over which the Group has 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 results and assets and liabilities of an associate are incorporated in the combined financial information using the equity method of accounting. Under the equity method, an interest in an associate is initially recognised in the combined statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest in an associate (Continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts given to customers.

Revenue is recognised when the amount of revenue can be reliably measured: when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from fixed price supply and installation contracts including fitting-out works, alteration and addition and construction works is recognised on the percentage of completion method, measured by reference to the value of work performed during the year. Variations in contract work and claims are included to the extent that they have been agreed with the customers.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Repair and maintenance service income and consultancy fee income are recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Supply and installation contracts including fitting-out works, alteration and addition and construction works

Where the outcome of a supply and installation contract including fitting-out works, alteration and addition and construction works can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a supply and installation contract including fitting-out works, alteration and addition and construction works cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the combined statement of financial position, as a liability, as other payables. Amounts billed for work performed but not yet paid by the customers are included in the combined statement of financial position under trade and other receivables.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Retirement benefit costs

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the combined statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined financial information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in subsidiaries and an associate except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amount(s) due from related parties/directors/ultimate holding company, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period or observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to related parties/director, bank overdrafts and bank and other borrowings) are subsequently measured at amortised cost using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of on monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

Property, plant and equipment

Property, plant and equipment, other than properties under construction as describe below, are stated in the combined statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation is recognised to write off the cost of assets, other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous Contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contracts is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

The following are 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 twelve months.

Estimation uncertainty on supply and installation contracts including fitting-out, alteration and addition works and construction works

The Group estimated total contract revenue in accordance with the terms set out in the relevant contracts, or in case of variation order, 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 of fitting-out works, alternation and additions 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 the management's best estimates and judgments, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised. If the price of interior decorative materials or the wages of labour or the subcontracting fees varied 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.

Estimated impairment of trade and retention receivables

The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of each individual debtor. 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.

As at 31 December 2016, the carrying amounts of trade and retention receivables are MOP78,125,000 (2015: MOP39,557,000).

6. REVENUE

Revenue represents the net amounts received and receivable for fitting-out, alteration and addition works, construction works and repair and maintenance services rendered by the Group to customers, net of discounts.

An analysis of the Group's revenue for the year is as follows:

	2016 **MOP'000**	2015 MOP'000
Contract revenue from fitting-out, alternation and addition works	**280,076**	216,922
Contract revenue from construction works	**5,659**	1,281
Repair and maintenance services	**1,942**	2,508
	287,677	220,711

7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the management of the Group, in order for the CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

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

(b) Construction works; and

(c) Repair and maintenance services.

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

7. SEGMENT INFORMATION (Continued)

Segment revenue and profit

The following is an analysis of the Group's revenue and results by operating segments:

For the year ended 31 December 2016

	Fitting-out, alternation and addition works MOP'000	Construction works MOP'000	Repair and maintenance services MOP'000	Total MOP'000
Segment revenue – external	**280,076**	**5,659**	**1,942**	**287,677**
Segment results	**67,982**	**331**	**310**	**68,623**
Corporate expenses				**(17,193)**
Other income, gains and losses				**1,096**
Listing expenses				**(14,081)**
Finance costs				**(2,265)**
Profit before taxation				**36,180**

7. SEGMENT INFORMATION (Continued)

Segment revenue and profit (Continued)

For the year ended 31 December 2015

	Fitting-out, alternation and addition works MOP'000	Construction works MOP'000	Repair and maintenance services MOP'000	Total MOP'000
Segment revenue – external	216,922	1,281	2,508	220,711
Segment results	54,770	58	1,773	56,601
Corporate expenses				(10,695)
Other income, gains and losses				3,036
Finance costs				(1,785)
Profit before taxation				47,157

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results mainly represented profit earned by each segment, excluding income and expenses of the corporate function, which include certain other income, gains and losses, certain administrative expenses, listing expenses and finance costs.

7. SEGMENT INFORMATION (Continued)

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the operations.

	Revenue	
	2016	2015
	MOP'000	MOP'000
Macau	**286,774**	220,711
Hong Kong	**903**	–
	287,677	220,711

Information about the Group's non-current assets (excluding financial instruments) is presented based on the geographical location of the assets. All non-current assets of the Group are located in Macau.

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December	
	2016	2015
	MOP'000	MOP'000
Customer A (note (a))	**N/A(b)**	27,707
Customer B (note (a))	**37,482**	N/A(b)
Customer C (note (a))	**N/A(b)**	93,766
Customer D (note (a))	**N/A(b)**	N/A(b)
Customer E (note (a))	**130,476**	N/A(b)
Customer F (note (a))	**N/A(b)**	N/A(b)
Customer G (note (a))	**N/A(b)**	N/A(b)
Customer H (note (a))	**37,471**	N/A(b)

7. SEGMENT INFORMATION (Continued)

Information about major customers (Continued)

notes:

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

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

(c) No single customer in respect of construction works and repair and maintenance services contributed 10% or more to the Group's revenue for both years.

8. OTHER INCOME, GAINS AND LOSSES

	2016 **MOP'000**	2015 MOP'000
Provision for trade receivables (Note 17)	**(88)**	–
Net exchange gain (loss)	**406**	1
Consultancy fee income	**-**	13
Imputed interest income	**743**	2,981
Loss on dissolution an associate company	**(40)**	-
Others	**75**	41
	1,096	3,036

9. FINANCE COSTS

	2016 **MOP'000**	2015 MOP'000
Interest on bank borrowings	**2,265**	1,785

10. INCOME TAX EXPENSE

	2016 MOP'000	2015 MOP'000
The income tax expense comprises:		
Macau Complementary Tax		
– current year	**5,944**	5,792

Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding MOP600,000 for both years.

Hong Kong Profits Tax at 16.5% has not been provided as the Group had no assessable profits arising in Hong Kong for both current and prior years.

The income tax expense for the year can be reconciled to the profit before taxation in the combined statements of profit or loss and other comprehensive income as follows:

	2016 MOP'000	2015 MOP'000
Profit before taxation	**36,180**	47,157
Tax at the tax rate of 12%	**4,342**	5,659
Tax effect of expenses not deductible for tax purpose	**1,693**	536
Tax effect of income not taxable for tax purpose	**(116)**	(358)
Tax effect of tax losses not recognised	**172**	–
Effect of different tax rate at 16.5% of a subsidiary operating in other jurisdiction	**(75)**	–
Tax effect of tax exemption under Macau Complimentary Income Tax	**(72)**	(72)
Others	**-**	27
Income tax expense for the year	**5,944**	5,792

10. INCOME TAX EXPENSE (Continued)

As at 31 December 2016, the Group had unused tax loss of MOP1,044,000 available to offset against future profits. No deferred tax asset had been recognised in respect of the unused tax loss due to unpredictability of future profit streams. The tax losses as at 31 December 2016 might be carried forward indefinitely.

11. PROFIT FOR THE YEAR

	2016 MOP'000	2015 MOP'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**412**	18
Depreciation of property, plant and equipment	**479**	465
Directors' emoluments		
– fees	**-**	-
– other emoluments	**4,464**	2,034
Fitting-out, alteration and addition works	**207,989**	158,549
Construction works	**4,564**	1,205
Contract costs recognised as expense	**212,553**	159,754
Staff costs		
Gross staff costs (including directors' emoluments)	**60,436**	52,725
Less: Staff costs capitalised to contract costs	**(47,010)**	(45,290)
	13,426	7,435
Minimum operating lease payments	**329**	385

12. DIVIDEND

During the year ended 31 December 2016, a dividend of MOP70,000,000 was declared by Lai Si to the Controlling Shareholders.

Other than the above, no dividend has been paid or declared by other companies comprising the Group during the years ended 31 December 2016 and 2015.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments and chief executive's emoluments

Executive directors

Details of the emoluments paid or payable by the Group to the directors of the subsidiaries who were appointed as the directors of the Company during the years ended 31 December 2016 and 2015 for their services rendered are as follows:

	Year ended 31 December 2016				
Name of directors	Fees MOP'000	Salaries and other allowance MOP'000	Discretionary bonus MOP'000	Retirement benefit scheme contributions MOP'000	Total MOP'000
Mr. Lai Ieng Man	-	1,356	36	-	1,392
Mr. Lai Meng San	-	1,305	29	1	1,335
Ms. Lai Ieng Wai	-	1,236	26	1	1,263
Ms. Cheong Weng Si	-	473	-	1	474
	-	4,370	91	3	4,464

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments and chief executive's emoluments (Continued)

Executive directors (Continued)

	Year ended 31 December 2015				
Name of directors	Fees MOP'000	Salaries and other allowance MOP'000	Discretionary bonus MOP'000	Retirement benefit scheme contributions MOP'000	Total MOP'000
Mr. Lai Ieng Man	-	468	36	-	504
Mr. Lai Meng San	-	720	29	1	750
Ms. Lai Ieng Wai	-	338	26	1	365
Ms. Cheong Weng Si	-	414	-	1	415
	-	1,940	91	3	2,034

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

The emoluments of the above directors include those services rendered by them to the companies now comprising the Group during the years ended 31 December 2016 and 2015.

The Company did not have chief executive officer during the years ended 31 December 2016 and 2015. Mr. Lai Ieng Man was appointed as a director on 1 June 2016 and designated as an executive director and appointed as the chairman of the Company on 18 July 2016. Mr. Lai Meng San was appointed as a director on 1 June 2016 and designated as an executive director and appointed as chief executive officer of the Company on 18 July 2016, Ms. Lai Ieng Wai was appointed as a director of the Company on 1 June 2016 and designated as an executive director on 18 July 2016. Ms. Cheong Weng Si was appointed as a director of the Company on 15 June 2016 and designated as an executive director on 18 July 2016. None of the directors or the chief executive waived or agreed to waive any emoluments during the years ended 31 December 2016 and 2015.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments and chief executive's emoluments (Continued)

Independent non-executive directors

No independent non-executive directors were appointed by the Company during the years ended 31 December 2016 and 2015. Mr. Chan Chun Sing, Mr. Chan Iok Chun and Mr. Mak Heng Ip were appointed as independent non-executive directors of the Company on 18 January 2017.

(b) Employees' emoluments

The five highest paid individuals of the Group during the year ended 31 December 2016 include 3 directors (2015: 1 director), details of whose emoluments are set out in Note 13(a) above. Details of the emoluments of the remaining 2 individuals for the year ended 31 December 2016 (2015: 4 individuals) are as follows:

	2016 **MOP'000**	2015 MOP'000
Salaries and other allowance	**2,933**	4,337
Discretionary bonus	**195**	127
Retirement benefit scheme contributions	**4**	–
	3,132	4,464

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments (Continued)

The emoluments of the remaining highest paid employees were within the following bands:

	2016 **MOP'000**	2015 MOP'000
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**2**	3

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to any of the directors of the Company or chief executive or five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

14. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit for the year attributable to owners of the Company of MOP30,236,000 (2015: MOP41,365,000) and 300,000,000 ordinary shares for the years ended 31 December 2016 and 2015 on the assumption that the Reorganisation and the capitalisation issue as detailed in Note 35(i) and (iii) had been completed on 1 January 2015. No diluted earnings per share is presented for both years as there was no potential ordinary share outstanding.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings MOP'000	Leasehold improvement MOP'000	Plant and machinery MOP'000	Furniture, fixtures and equipment MOP'000	Motor vehicles MOP'000	Construction in progress MOP'000	Total MOP'000
COST							
At 1 January 2015	4,077	214	339	780	10	-	5,420
Additions	-	-	439	210	82	-	731
At 31 December 2015	4,077	214	778	990	92	-	6,151
Additions	-	-	5	169	-	71,911	72,085
At 31 December 2016	4,077	214	783	1,159	92	71,911	78,236
DEPRECIATION							
At 1 January 2015	327	167	16	223	1	-	734
Provided for the year	82	47	127	192	17	-	465
At 31 December 2015	409	214	143	415	18	-	1,199
Provided for the year	78	-	164	227	10	-	479
At 31 December 2016	487	214	307	642	28	-	1,678
CARRYING VALUES							
At 31 December 2016	3,590	-	476	517	64	71,911	76,558
At 31 December 2015	3,668	-	635	575	74	-	4,952

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	50 years
Leasehold improvement	Over the shorter of term of lease, or 33%
Plant and machinery	20%
Furniture, fixtures and equipment	20% – 25%
Motor vehicles	20%

16. INTEREST IN AN ASSOCIATE

	2016 MOP'000	2015 MOP'000
Cost of unlisted investment in an associate	-	40

The Group's associate at 31 December 2015 represents the 40% equity interest in 江蘇華建建設（澳門）有限公司 ("Jiangsu Hua Jian") which has been dissolved in June 2016. Jiangsu Hua Jian is accounted for using equity method in this combined financial information. Particulars of Jiangsu Hua Jian as at 31 December 2016 and 2015 are as follows:

Name of entity	Form of entity	Place of establishment/ operation	Class of shares held	Proportion of issued capital and voting rights held by the Company		Principal activities
				2016	2015	
Jiangsu Hua Jian	Incorporated	Macau	Ordinary	-	40%	Inactive

During the year ended 31 December 2015 and up to the date of dissolution of Jiangsu Hua Jian, there were no income or expenses being recorded.

17. TRADE AND OTHER RECEIVABLES/RETENTION RECEIVABLES

	2016 MOP'000	2015 MOP'000
Trade receivables	52,811	27,382
Retention receivables	25,314	12,175
Deferred listing expenses	3,963	-
Other receivables, prepayment and deposits	11,950	6,689
Total trade and other receivables	94,038	46,246

17. TRADE AND OTHER RECEIVABLES/RETENTION RECEIVABLES (Continued)

Trade receivables

The Group allows an average credit period of 30 days to its customers. The following is an aged analysis of trade receivables presented based on invoice dates at the end of the reporting period, net of allowance for doubtful debts.

	2016	2015
	MOP'000	MOP'000
1 – 30 days	**33,109**	14,756
31 – 60 days	**889**	4,315
61 – 90 days	**3,118**	5,853
Over 90 days	**15,695**	2,458
	52,811	27,382

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly.

As at 31 December 2016, included in the Group's trade receivable balances were receivables with aggregate carrying amount of MOP19,702,000 (2015: MOP12,627,000), which were past due at the end of the reporting period for which the Group had not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts were still considered recoverable. Accordingly, the directors of the Company believe that no impairment loss was required. The Group does not hold any collateral over these balances.

17. TRADE AND OTHER RECEIVABLES/RETENTION RECEIVABLES (Continued)

Trade receivables (Continued)

Ageing of trade receivables which are past due but not impaired based on the overdue date at the end of reporting period:

	2016 MOP'000	2015 MOP'000
Overdue		
1 – 30 days	**889**	4,315
31 – 60 days	**3,118**	5,622
61 – 90 days	**8,460**	461
Over 90 days	**7,235**	2,229
	19,702	12,627

Movement in the allowance for doubtful debts

	2016 MOP'000	2015 MOP'000
Brought forward from last year	**2,005**	2,005
Provided for the year	**88**	–
Carried forward to next year	**2,093**	2,005

Included in the allowance for doubtful debts as at 31 December 2016 are individually impaired trade receivables with an aggregate balance of MOP2,093,000 (2015: MOP2,005,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

17. TRADE AND OTHER RECEIVABLES/RETENTION RECEIVABLES (Continued)

Retention receivables

Retention receivables are unsecured, interest-free and recoverable at the end of the defects liability period of individual contracts, ranging from 2 months to 2 years from the date of the completion of the respective project.

The following is an aged analysis of retention receivables which are to be settled, based on the expiry of the defects liability period, at the end of each reporting period.

	2016 **MOP'000**	2015 MOP'000
On demand or within one year	**19,636**	3,932
After one year	**5,678**	8,243
	25,314	12,175

Included in Group's retention receivables balances as at 31 December 2016 were receivables with aggregate carrying amount of MOP3,331,000 (2015: MOP575,000), which were past due at the end of the reporting period for which the Group had not provided for impairment loss. The Group does not hold any collateral over these balances.

In determining the recoverability of trade and retention receivables, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

The Group's trade and retention receivables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2016 **MOP'000**	2015 MOP'000
HK$	**25,801**	31,629

18. AMOUNT(S) DUE FROM (TO) RELATED PARTIES/DIRECTORS/ULTIMATE HOLDING COMPANY

(a) Amounts due from (to) related parties:

			Maximum amount outstanding during	
	2016 MOP'000	2015 MOP'000	**2016 MOP'000**	2015 MOP'000
Non-trade nature				
– Lai Si Construction (Singapore) Pte. Limited (notes a, b and g)	**-**	–	**598**	–
– Blue Sky Design Studio (notes a, b and d)	**-**	2	**42**	2
– Mantaly Property Company Limited ("Mantaly Property") (notes a and f)	**-**	1,913	**2,225**	1,913
– Man Tong Trading (notes a, b and g)	**-**	(14)	**N/A**	N/A
– Ms. Lai Ieng Fai (note b and g)	**-**	(208)	**N/A**	N/A
– Premier Property Company Limited ("Premier Property ") (notes a and f)	**-**	2,112	**2,462**	2,112
– Tak Nang Investment & Development Co., Ltd. (notes a and e)	**-**	5,420	**5,668**	5,420
– 陽江宏高房地產發展有限公司 ("陽江宏高") (notes a and c)	**-**	19,506	**20,044**	19,506
	-	28,731		

18. AMOUNT(S) DUE FROM (TO) RELATED PARTIES/DIRECTORS/ULTIMATE HOLDING COMPANY (Continued)

(a) Amounts due from (to) related parties: (Continued)

			Maximum amount outstanding during	
	2016	2015	**2016**	2015
	MOP'000	MOP'000	**MOP'000**	MOP'000
Trade nature				
– Combo Restaurant Management Company Limited ("Combo Restaurant") (notes a, b and g)	**-**	(24)		
– Milestone Engineering Company Limited ("Milestone Engineering") (notes a, b and d)	**-**	2		
	-	(22)		
	-	28,709		
Analysed for reporting purposes as:				
Amounts due from related parties	**-**	28,955		
Amounts due to related parties	**-**	(246)		
	-	28,709		

notes:

(a) The Controlling Shareholders who are also directors of the Company have beneficial interest over these related companies.

(b) The balances are unsecured, non-interest bearing and repayable on demand.

18. AMOUNT(S) DUE FROM (TO) RELATED PARTIES/DIRECTORS/ULTIMATE HOLDING COMPANY (Continued)

(a) Amounts due from (to) related parties: (Continued)

notes: (Continued)

(c) The balances comprised several advances to 陽江宏高 which were unsecured, non-trade in nature, interest bearing at a fixed interest rate of 13% per annum which was payable on monthly basis. As at 31 December 2015, the principal amount of approximately MOP20,044,000 was due for repayment. No interest income was recorded during the year ended 31 December 2016 and 31 December 2015 as the terms of interest payment had been breached.

After the management's assessment on the business plan of 陽江宏高, the directors of the Company were in the opinion that the expected date of demand for repayment would be in 2016. The balances are measured at amortised cost using the effective interest method with an effective interest rate of 13% per annum at initial recognition date and subsequently carried at amortised cost using effective interest method. During the year ended 31 December 2016, imputed interest income of approximately MOP539,000 (2015: MOP2,160,000) was credited to profit or loss.

During the year, the principal amount of MOP20,044,000 had been assigned to Mr. Lai Ieng Man as detailed in Note 25.

(d) Blue Sky Design Studio was cancelled on 12 August 2016 and Milestone Engineering was dissolved on 21 June 2016.

During the year ended 31 December 2016, the principal amount of MOP519,000 had been assigned to Mr. Lai Ieng Man as detailed Note 25.

(e) The balances were unsecured, interest-free and repayable on demand. In the opinion of the directors, the expected date of demand for repayment would be in 2016. The balances are measured at amortised cost using the effective interest method with an effective interest rate of 13% per annum at initial recognition date and subsequently carried at amortised cost using effective interest method. During the year ended 31 December 2016, imputed interest income of approximately MOP125,000 (2015: MOP501,000) was credited to profit or loss.

During the year, the principal amount of MOP5,652,000 had been assigned to Mr. Lai Ieng Man as detailed in Note 25.

18. AMOUNT(S) DUE FROM (TO) RELATED PARTIES/DIRECTORS/ULTIMATE HOLDING COMPANY (Continued)

(a) Amounts due from (to) related parties: (Continued)

notes: (Continued)

(f) The balances were unsecured, non-trade in nature and repayable on demand. In the opinion of the directors, the expected date of demand for repayment would be in 2016. The balances are measured at amortised cost using the effective interest method with an effective interest rate of 13% per annum at initial recognition date, resulting in a deemed distribution to the Controlling Shareholders of MOP556,000 recognised in other reserve as at 31 December 2014 as the Controlling Shareholders have control in Mantaly Property and Premier Property. The imputed interest income was subsequently recognised in profit or loss. For the year ended 31 December 2016, imputed interest income of approximately MOP79,000 (2015: MOP320,000) was credited to profit or loss.

During the year ended 31 December 2016, the principal amount of MOP6,824,000 had been assigned to Mr. Lai Ieng Man as detailed in Note 25.

(g) During the year, the aggregated principal amounts of MOP316,000 had been assigned to Mr. Lai Ieng Man as detailed in Note 25.

The amounts due from related parties denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2016 **MOP'000**	2015 MOP'000
Renminbi ("RMB")	**-**	19,506

18. AMOUNT(S) DUE FROM (TO) RELATED PARTIES/DIRECTORS/ULTIMATE HOLDING COMPANY (Continued)

(b) Amounts due from (to) directors:

			Maximum amount outstanding during	
	2016	2015	**2016**	2015
	MOP'000	MOP'000	**MOP'000**	MOP'000
Non-trade nature				
– Mr. Lai Ieng Man	**30,665**	67,985	**68,031**	105,772
– Mr. Lai Meng San	**3,850**	3,807	**4,325**	3,807
– Ms. Lai Ieng Wai	**(667)**	(667)	**N/A**	N/A
	33,848	71,125		
Trade nature				
– Mr. Lai Ieng Man	**6,993**	6,949		
	40,841	78,074		
Analysed for reporting purposes as:				
Amounts due from directors	**41,508**	78,741		
Amount due to a director	**(667)**	(667)		
	40,841	78,074		

Except for the trade receivables due from Mr. Lai Ieng Man amounting to MOP6,993,000 as at 31 December 2016 (2015: MOP6,949,000), the remaining balances are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

The trade receivables due from Mr. Lai Ieng Man are repayable on demand with no fixed credit terms. As at 31 December 2016 and 2015, the trade receivables due from Mr. Lai Ieng Man are past due but not impaired. The Group does not hold any collateral over this balance.

18. AMOUNT(S) DUE FROM (TO) RELATED PARTIES/DIRECTORS/ULTIMATE HOLDING COMPANY (Continued)

(b) Amounts due from (to) directors: (Continued)

The following is an aged analysis of the trade receivables from Mr. Lai Ieng Man presented based on invoice dates at the end of each reporting period.

	2016 MOP'000	2015 MOP'000
1 – 30 days	**–**	84
31 – 60 days	**–**	–
Over 90 days	**6,993**	6,865
	6,993	6,949

(c) Amount due from ultimate holding company:

	2016 MOP'000	2015 MOP'000
Amount due from ultimate holding company	**1**	–

The ultimate holding company is SHKMCL. The balance is unsecured, non-interest bearing and repayable on demand.

19. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2016 **MOP'000**	2015 MOP'000
Contracts in progress at the end of each reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**430,338**	225,585
Less: Progress billings	**(376,535)**	(186,651)
	53,803	38,934
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**60,601**	55,284
Amounts due to customers for contract work	**(6,798)**	(16,350)
	53,803	38,934

As at 31 December 2016, retention receivables held by customers for contract work amounting to MOP25,314,000 (2015: MOP12,175,000), were set out in Note 17.

20. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/BANK OVERDRAFTS

Bank balances and cash comprise cash on hand and bank balances. Except for the interest-free bank balances amounting to MOP10,000 as at 31 December 2016 (2015: MOP10,000), the remaining balances carry interest at prevailing market interest rates which were ranging from 0.0001% to 0.01% per annum as at 31 December 2016 and 2015.

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities and bank borrowings granted to the Group. As at 31 December 2016 and 2015, the pledged bank deposits carried fixed interest rate of 0.01% per annum.

Secured bank overdrafts carry interest at prevailing best lending rates quoted by the banks in Macau ("Prime Rate") less 0.5% per annum and is repayable on demand. The effective interest rate on bank overdrafts as at 31 December 2016 is 4.75% per annum (2015: N/A).

20. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/BANK OVERDRAFTS (Continued)

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

	2016 **MOP'000**	2015 MOP'000
HK$	**3,209**	218
RMB	**9**	–

21. TRADE AND OTHER PAYABLES

Trade and other payables at the end of the reporting period comprise amounts outstanding for trade purposes and daily operating costs. The average credit period taken for trade purchase is 30 to 90 days.

	2016 **MOP'000**	2015 MOP'000
Trade payable	**32,232**	21,252
Retention payable (note)	**3,293**	210
Accruals and other payables	**44,861**	6,444
Total trade and other payables	**80,386**	27,906

note: Retention payables are interest-free and payable at the end of the defects liability period of individual contracts, ranging from 1 to 2 years from the completion date of the respective project.

21. TRADE AND OTHER PAYABLES (Continued)

The following is an aged analysis of trade payables presented based on the invoice dates at the end of each reporting period:

	2016 MOP'000	2015 MOP'000
1 – 30 days	**7,545**	8,075
31 – 60 days	**5,121**	4,179
61 – 90 days	**6,577**	682
Over 90 days	**12,989**	8,316
	32,232	21,252

The retention payables are to be settled within 1 to 2 years, based on the expiry of defects liability period, at the end of the reporting period.

The following is an aged analysis of retention payables which are to be settled, based on the expiry of the defects liability period, at the end of the reporting period.

	2016 MOP'000	2015 MOP'000
On demand or within one year	**3,293**	210

The Group's trade and retention payables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2016 MOP'000	2015 MOP'000
HK$	**2,279**	3,705
RMB	**3,793**	2,126

22. BANK AND OTHER BORROWINGS

	2016 MOP'000	2015 MOP'000
Variable-rate bank borrowings (note a)	**98,473**	46,922
Other borrowing (note b)	**-**	43
	98,473	46,965
Carrying amounts repayable (note c):		
On demand or within one year	**35,998**	42,367
More than one year, but not exceeding two years	**3,895**	753
More than two years, but not exceeding five years	**12,222**	2,448
More than five years	**46,358**	1,397
	98,473	46,965
Less: Amounts shown under current liabilities	**(98,473)**	(46,965)
Amounts shown under non-current liabilities	**-**	-

notes:

(a) All bank borrowings contain a repayment on demand clause and are shown under current liabilities.

(b) The amount represents the interest-free loan from Macau government in November 2008. The loan is repayable half-yearly by 14 instalments and the final instalment was repaid in November 2016.

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

The variable rate bank borrowings amounting to MOP5,322,000 as at 31 December 2015 (2016: nil) carried interest at Prime Rate less 1.5% or 2.0% per annum. The variable rate bank borrowings amounting to MOP80,198,000 as at 31 December 2016 (2015: MOP41,600,000), carry interests at Prime Rate plus or minus from 0.25% to 2.65% (2015: from 0.25% to 0.75%) per annum. The remaining variable rate bank borrowing amounting to MOP18,275,000 as at 31 December 2016 (2015: nil) carries interests at three months Hong Kong Interbank offered Rate ("HIBOR") plus 2.3% (2015: nil) per annum. The effective interest rates on the borrowings as at 31 December 2016 (which are also equal to contracted interest rate) range from 2.6% to 4.5% (2015: 4% to 5.5%).

22. BANK AND OTHER BORROWINGS (Continued)

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 a legal charge over an office building held by the Group (included in property, plant and equipment), pledged bank deposits as disclosed in Note 20, certain properties owned by Mr. Lai Meng San and promissory notes endorsed by Lai Si and Well Team which were guaranteed by Mr. Lai Ieng Man, Mr. Lai Meng San and Ms. Lai Ieng Wai.

The Group's borrowings denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2016 **MOP'000**	2015 MOP'000
HK$	**10,209**	20,600

23. SHARE CAPITAL

The Company has been incorporated on 1 June 2016. As at 31 December 2016, the Reorganisation has not been completed. The Reorganisation was completed on 23 January 2017.

For the purpose of the combined financial information, the issued share capital of the Group as at 1 January 2015 represents the combined share capital of Lai Si and Well Team. The issued share capital of the Group as at 31 December 2015 represents the combined share capital of Lai Si, Well Team and Lai Si (HK). The issued share capital of the Group as at 31 December 2016 represents the combined share capital of the Company, Lai Si, Well Team and Lai Si (HK).

23. SHARE CAPITAL (Continued)

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital MOP'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 June 2016 (date of incorporation) to 31 December 2016	38,000,000	391
Issued:		
At 1 June 2016 (date of incorporation) to 31 December 2016	50,000	1

24. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(a) Statement of financial position

	MOP'000
Non-current assets	
Investment in subsidiaries	–*
Current assets	
Deferred listing expenses	3,963
Prepayment	190
Amount due from ultimate holding company	1
	4,154
Current liabilities	
Accruals	8,110
Amount due to a related company	5,203
	13,313
Net current liabilities	(9,159)
Capital and reserve	
Share capital	1
Accumulated loss	(9,160)
Total equity	(9,159)

* Less than MOP1,000

24. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

(b) Movement in the reserve of the Company is as follows:

	Accumulated loss MOP'000
At 1 June 2016 (date of incorporation)	–
Loss for the period	9,160
At 31 December 2016	**9,160**

25. MAJOR NON-CASH TRANSACTIONS

Save as disclosed in other notes, during the years ended 31 December 2016 and 2015, the Group has entered into the following non-cash transactions:

(i) During the year ended 31 December 2016, dividend amounting to MOP70,000,000 declared by Lai Si were settled by way of offsetting against the amount due from Mr. Lai Ieng Man, the director of the Company.

(ii) During the year ended 31 December 2016, the amounts due from (to) related parties with an aggregate amount of MOP33,355,000 were assigned to Mr. Lai Ieng Man and were net off against the amount due from Mr. Lai Ieng Man.

(iii) During the year ended 31 December 2016 and the period from 5 May 2015 (date of incorporation of Lai Si (HK)) to 31 December 2015, the share capital in the Company and Lai Si (HK) of MOP515 and MOP10,000, respectively, were settled through amounts due from directors.

(iv) During the year ended 31 December 2016, the consideration of Business Transfer amounting to MOP150,000 was settled by way of offsetting against the amount due from Mr. Lai Ieng Man.

26. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of staff quarters, carparks and warehouses which fall due as follows:

	2016 **MOP'000**	2015 MOP'000
Within one year	**175**	409
In the second to fifth year inclusive	**–**	104
	175	513

Leases are negotiated for lease terms ranging from one to three years and rentals are fixed throughout the lease period.

27. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to secure the bank borrowings, bank overdrafts and credit facilities granted to the Group:

	2016 **MOP'000**	2015 MOP'000
Leasehold land and buildings and construction in progress included in property, plant and equipment	**75,501**	3,668
Pledged bank deposits (note)	**1,732**	1,051
	77,233	4,719

Note: Pledged bank deposits related to sales proceeds received from certain fitting-out works projects which were pledged to secure the Group's banking facilities.

28. PERFORMANCE BONDS

As at 31 December 2016, the Group has issued performance bonds in respect of fitting-out, alteration and addition works and construction works contracts through a bank amounting to MOP25,469,000 (2015: MOP22,285,000). The bonds are secured and guaranteed by pledged bank deposits as disclosed in Note 20, promissory notes endorsed by Lai Si which were guaranteed by Mr. Lai Ieng Man, Mr. Lai Meng San and Ms. Lai Ieng Wai and certain properties owned by Mr. Lai Ieng Man.

29. RETIREMENT BENEFIT PLANS

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

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

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

During the year, the Group has made contributions to retirement benefit schemes as follows:

	2016 **MOP'000**	2015 MOP'000
Contribution paid and payable	**487**	328
Less: Capitalised to contract costs	**(429)**	(311)
	58	17

30. CAPITAL RISK 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.

The capital structure of the Group consists of net debt, which includes bank and other borrowings disclosed in Note 22, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital, legal reserve and accumulated profits.

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.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 **MOP'000**	2015 MOP'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**131,764**	150,348
Financial liabilities		
Amortised cost	**143,088**	70,605

Financial risk management objectives and policies

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

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk

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 directors of the Company consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity.

The Group currently does not have a foreign currency hedging policy. However, the management of the 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**	
	2016 MOP'000	2015 MOP'000	**2016 MOP'000**	2015 MOP'000
HK$ against MOP	**29,010**	31,847	**12,488**	24,395
RMB against MOP	**9**	19,506	**3,793**	2,126

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 rates. As a result, the directors of the Company consider that the sensitivity of the Group's exposure towards the change in foreign exchange rates between HK$/MOP is minimal.

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

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.

A positive (negative) number below indicates an increase (a decrease) in post-tax profit for the year where 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 (decrease) in post-tax profit	
	2016 MOP'000	2015 MOP'000
RMB against MOP	**167**	(765)

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

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances, bank overdrafts and bank borrowings (see Note 20 for details of bank balances, pledged bank deposits and bank overdrafts and Note 22 for details of 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.

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 HIBOR and the Prime Rate arising from the Group's bank borrowings and bank overdrafts.

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 overdrafts and bank borrowings, the analysis is prepared assuming bank overdrafts and 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 overdrafts and 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 2016 would decrease/increase by approximately MOP467,000 (2015: MOP207,000).

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk

At the end of each reporting period, the Group's and 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 is arising from the carrying amount of the respective recognised financial assets as stated in the combined statement of financial position.

In order to minimise the credit risk, 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 each 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 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 this regard, the directors of the Company consider that the credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 December 2016 on trade and retention receivables from the Group's 5 major customers amounting to MOP61,493,000 (2015: MOP21,133,000) and accounted for 79% (2015: 53%) of the Group's total trade and retention receivables. 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. Other than concentration of credit risk on trade and retention receivables, the Group has concentration of credit risk on amounts due from directors. Amounts due from directors amounted to MOP41,508,000 as at 31 December 2016 (2015: MOP78,741,000). Details of which are set out in Note 18.

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

In order to minimise the credit risk, management of the Group review 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.

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

Liquidity risk

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 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.

As at 31 December 2016, the Group's and the Company's current liabilities exceeded its current assets by MOP8,934,000 and MOP9,159,000 respectively. The directors of the Company consider that the Group is able to mitigate the liquidity risk as the Group has obtained sufficient funds upon the receipt of proceeds from the share offer of the Company's shares after the listing on the Stock Exchange subsequent to 31 December 2016 to support its operation as well as other cash outflow commitments.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2016, the Group has available unutilised banking facilities of approximately MOP24,538,000 (2015: MOP44,402,000) of which MOP1,531,000 (2015: MOP4,937,000) can only be utilised by issuance of performance bonds by the bank in relation to fitting-out works projects.

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 based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

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

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	**On demand or less than 1 month MOP'000**	**3 months to 1 year MOP'000**	**Over 1 year MOP'000**	**Total undiscounted cash flows MOP'000**	**Total carrying amount MOP'000**
31 December 2016						
Non-derivative financial liabilities						
Trade and other payables	**-**	**36,380**	**-**	**-**	**36,380**	**36,380**
Amount due to a director	**-**	**667**	**-**	**-**	**667**	**667**
Bank overdrafts	**4.75**	**7,568**	**-**	**-**	**7,568**	**7,568**
Variable rate bank borrowings (note)	**3.19**	**98,473**	**-**	**-**	**98,473**	**98,473**
		143,088	**-**	**-**	**143,088**	**143,088**

	Weighted average interest rate %	On demand or less than 1 month MOP'000	3 months to 1 year MOP'000	Over 1 year MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
31 December 2015						
Non-derivative financial liabilities						
Trade and other payables	-	22,727	-	-	22,727	22,727
Amounts due to related parties	-	246	-	-	246	246
Amount due to a director	-	667	-	-	667	667
Interest-free other borrowing	-	-	43	-	43	43
Variable rate bank borrowings (note)	4.90	46,922	-	-	46,922	46,922
		70,562	43	-	70,605	70,605

31. FINANCIAL INSTRUMENTS (Continued)

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 month' time band in the above maturity analysis. As at 31 December 2016, the aggregate carrying amount of these bank borrowings amounted to MOP98,473,000 (2015: MOP46,922,000). Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows (estimated based on the interest rate at the end of the reporting period) are set out below.

	Weighted average interest rate %	On demand or less than 1 month MOP'000	Less than 3 months MOP'000	3 months to 1 year MOP'000	1 year to 5 years MOP'000	Over 5 years MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
Variable rate bank borrowings								
31 December 2016	**3.19**	**5,573**	**15,380**	**17,924**	**23,707**	**47,835**	**110,419**	**98,473**
31 December 2015	4.90	13,106	8,178	21,860	3,345	1,460	47,949	46,922

Fair value

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 combined financial information approximate their fair values.

32. RELATED PARTY TRANSACTIONS

(a) Transactions

Save as disclosed in other notes, during the years ended 31 December 2016, the Group entered into the following transactions with its related parties:

		2016 MOP'000	2015 MOP'000
Mr. Lai Ieng Man	Construction works provided	-	855
	Repair and maintenance services provided	42	2
Treasure Lake Greenfood Kitchen Catering Management Company Limited (note)	Fitting-out works provided	3,086	1,030
Combo Restaurant (as defined in Note 18)	Food and beverage services received	349	212
	Rental income	36	36

note: Mr. Lai Meng San, one of the Controlling Shareholders and a director of the Company, has beneficial interest over the related company.

(b) Balances

Details of the balances with related parties are set out in the combined statement of financial position and Note 18.

32. RELATED PARTY TRANSACTIONS (Continued)

(c) Pledge of assets and guarantees in support of the banking facilities

As at 31 December 2016, the Group had obtained three banking facilities from three banks (2015: three banks) which were secured by the followings:

(i) Properties held by Mr. Lai Meng San; and

(ii) Promissory notes endorsed by Lai Si and Well Team which were guaranteed by Mr. Lai Ieng Man, Mr. Lai Meng San and Ms. Lai Ieng Wai.

The extent of these facilities utilised by the Group as at 31 December 2016 amounted to MOP104,701,000 (2015: MOP46,922,000).

(d) Compensation of key management personnel

The remuneration of key management personnel of the Group during the year is as follows:

	2016 **MOP'000**	2015 MOP'000
Salaries and other allowance	**8,835**	2,358
Discretionary bonus	**406**	54
Retirement benefits scheme contributions	**16**	1
	9,257	2,413

The remuneration of key management personnel is determined with regard to the performance of individuals and market trends.

33. CONTINGENT LIABILITIES

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 compensation for the loss of property, in a total sum of approximately HK$48,950,000, to be borne jointly by the defendants. However, according to the report issued by the team of technical advisers and experts engaged by the Macau Government to study the causes of the incident, the collapse of Sin Fong Garden Building was caused by the substandard supporting pillars of Sin Fong Garden Building, instead of the dismantlement and foundation work undertaken in the adjacent new residential building.

In October 2015, the Macau Government has further filed a lawsuit against several defendants including Lai Si, seeking compensation for the costs incurred by the Macau Government for (i) measures it had taken to prevent Sin Fong Garden Building from being collapsed; (ii) ensuring the safety of citizens and adjacent buildings; and (iii) the technical advisers and experts it had hired to study the causes of the incident, in a total sum of approximately MOP12,806,000, to be borne jointly by the defendants.

Up to the date of issuance of the combined financial information the proceedings are still awaiting to be scheduled for the trial hearings. 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 to the combined financial information. The Controlling Shareholders and SHKMCL have undertaken to indemnify the Group against all losses and liabilities arising from the above proceedings.

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Date of establishment/ incorporation	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Company		Principal activities
					2016	2015	
LSMAHL*	The BVI	The BVI	7 June 2016	United States Dollar ("USD") 10	**100%**	N/A	Investment holding
WTMAHL*	The BVI	The BVI	7 June 2016	USD10	**100%**	N/A	Investment holding
LSHKHL*	The BVI	The BVI	7 June 2016	USD10	**100%**	N/A	Investment holding
Lai Si	Macau	Macau	8 November 2004	MOP50,000	**100%**	100%	Construction works, fitting-out works and provision of repair and maintenance services
Well Team	Macau	Macau	5 September 2006	MOP25,000	**100%**	100%	Holding of office building
Lai Si (HK)	Hong Kong	Hong Kong	5 May 2015	HK$10,000	**100%**	100%	Construction works, fitting-out works and provision of repair and maintenance services

* Directly held by the Company

35. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to 31 December 2016, the following significant events took place:

(i) On 23 January 2017, the Reorganisation as detailed in the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 27 January 2017 in connection with the listing of the shares of the Company on the Stock Exchange ("the Prospectus") was duly completed.

(ii) On 18 January 2017, written resolutions of the sole shareholder of the Company were passed to approve the followings which were completed on 10 February 2017:

(a) the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares to HK$10,000,000 divided into 1,000,000,000 shares by the creation of an additional 962,000,000 shares of HK$0.01 each;

(b) subject to the share premium account of the Company being credited as a result of the share offer resulting from the proposed listing, the directors of the Company were authorised to allot and issue a total of 299,950,000 shares, credited as fully paid at par, to the sole shareholder by way of capitalisation of a sum of HK$2,999,500 standing to the credit of the share premium account of the Company; and

(c) the share option scheme of the Company was conditionally adopted on 18 January 2017 and the principal terms of which are set out in Appendix VI to the Prospectus.

(iii) On 10 February 2017, total of 299,950,000 shares were allotted and issued, credited as fully paid at par, to the sole shareholder by way of capitalisation of a sum of HK$2,999,500 standing to the credit of the share premium account of the Company, and that such shares to be allotted and issued, as nearly as possible, without involving fractions, and such share to rank pari passu in all respects with the then existing issued shares of the Company.

(iv) On 10 February 2017, 100,000,000 ordinary shares with a par value of HK$0.01 each of the Company were issued at a price of HK$1.15 by way of public offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

FINANCIAL SUMMARY

	Year ended 31 December			
	2016	2015	2014	2013
	MOP'000	MOP'000	MOP'000	MOP'000
RESULTS				
Revenue	**287,677**	220,711	117,753	59,340
Profit before taxation	**36,180**	47,157	49,671	17,244
Income tax expense	**(5,944)**	(5,792)	(6,346)	(2,362)
Profit for the year	**30,236**	41,365	43,325	14,882
Profit for the year attributable to:				
Owners of the Company	**30,236**	41,365	43,325	14,882
Earnings per share				
Basic (MOP cents)	**10.1**	13.8	14.4	5.0

	At 31 December			
	2016	2015	2014	2013
	MOP'000	MOP'000	MOP'000	MOP'000
ASSETS AND LIABILITIES				
Total assets	**284,684**	217,159	114,526	64,438
Total liabilities	**(217,060)**	(109,622)	(48,364)	(29,457)
Net assets	**67,624**	107,537	66,162	34,981
Equity attributable to owners of the Company	**67,624**	107,537	66,162	34,981
Total equity	**67,624**	107,537	66,162	34,981

Note: The results for the years ended 31 December 2013, 2014 and 2015 have been prepared on a combined basis to indicate the results of the Group as if the Group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The figures for the years ended 31 December 2013, 2014 and 2015 have been extracted from the Company's Prospectus dated 27 January 2017.