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2017 Annual Report

Hong Kong | Macau

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黎氏建築

Lai Si Construction

Lai Si Enterprise Holding Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2266)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. 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

Ms. CHENG Pik Yuk, FCIS, FCS (PE)

AUTHORISED REPRESENTATIVES

Mr. LAI Meng San
Ms. CHENG Pik Yuk

REGISTERED OFFICE

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

HEADQUARTER IN MACAU

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 401, 4th Floor
The L.Plaza
Nos. 367-375
Queen's Road Central
Sheung Wan
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, in this annual report, 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
"CG Code"	the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"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
"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
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"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
"Relevant Period"	the period from the Listing Date to 31 December 2017
"Securities Dealing Code"	the code of conduct adopted by the Company regarding securities transactions by the Directors and employees, who because of his office or employment in the Group, is likely to possess inside information of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	shareholder(s) of the Company
"Share Offer"	the placing and public offer as defined in the Prospectus
"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


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RETAIL PROJECTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the audited annual results of the Group for the year ended 31 December 2017.

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 2017, the Group completed 33 projects and was awarded 40 projects. The Group's revenue decreased by approximately 4.6% from approximately MOP287.7 million for the year ended 31 December 2016 to approximately MOP274.4 million for the year ended 31 December 2017. For the year ended 31 December 2017, excluding the listing expenses incurred, the Group recorded profit after tax of approximately MOP21.1 million, representing a decrease of approximately 52.4% over the previous financial year.

The Shares were listed on the Main Board on 10 February 2017. Listing expenses incurred during our successful listing amounted to approximately MOP14.1 million for the year ended 31 December 2016. Subsequently, routine listing expenses incurred during the year ended 31 December 2017 amounted to approximately MOP3.0 million. Profit for the year was approximately MOP18.1 million for the year ended 31 December 2017, which represents a decrease of approximately 40.2% from that of the previous financial year of approximately MOP30.2 million.

CHAIRMAN'S STATEMENT

MARKET REVIEW

Our fitting-out business benefited from completion of certain major gaming companies, casinos and hotel projects as well as a number of large-scale construction projects in Macau in 2016, and the need to do renovation and alteration works by some casinos and hotels. From the fourth quarter of 2017 to the first quarter of 2018, both the number of tourists visiting Macau and the gaming tax data from the Macau Government showed a year-on-year growth. We believe that we are able to grasp the potential opportunities in the fitting-out market in Macau. In addition, the Group was more active in developing the Hong Kong market in 2017, and was successfully awarded large-scale fitting-out projects to gradually gain market recognition.

OUTLOOK

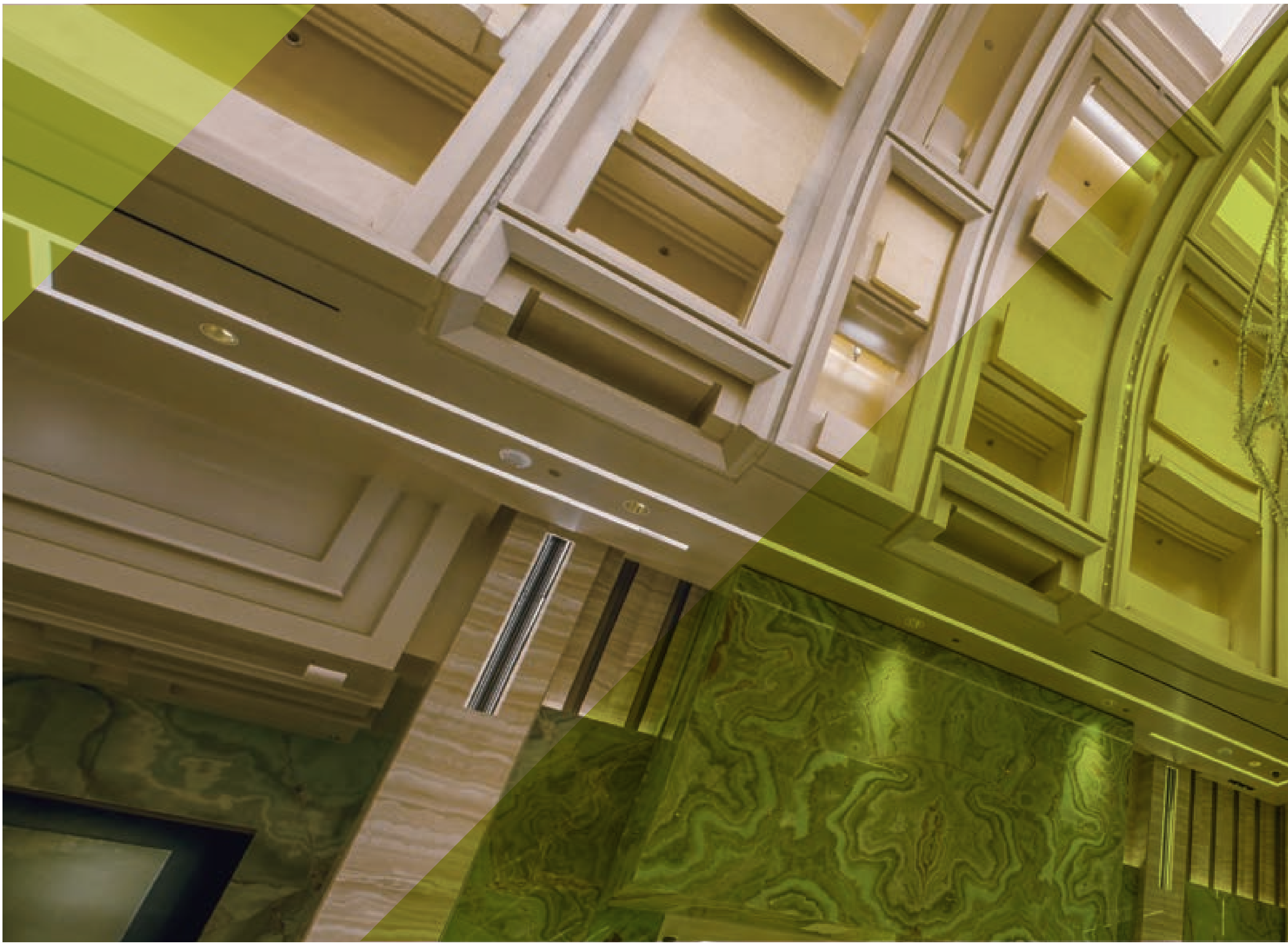
The Group will use its resources and advantages upon listing to further consolidate its position in the construction and engineering industry in Macau. Meanwhile, we will also strengthen the Group's position in the fitting-out market in Hong Kong and actively improve its market recognition.

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
29 March 2018





HOTEL AND CASINO PROJECTS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On 10 February 2017, the Shares were listed on the Main Board when 100,000,000 Shares were offered for subscription at HK$1.15 each.

Business review

The Group provides services of (i) fitting-out works as an integrated fitting-out contractor; (ii) construction works as a main contractor; and (iii) repair and maintenance services in Macau and Hong Kong. During the year ended 31 December 2017, 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 is mainly generated from (a) fitting-out works; (b) construction works; and (c) repair and maintenance services. During the year ended 31 December 2017, the total value for the new fitting-out projects awarded to the Group, representing the aggregate awarded contract sum, amounted to approximately MOP205.7 million as compared to approximately MOP153.3 million for the year ended 31 December 2016. As at 31 December 2017, the Group had an aggregate value of backlog for fitting-out projects and construction projects of approximately MOP42.4 million as compared to approximately MOP107.8 million for the year ended 31 December 2016.

FINANCIAL REVIEW

The following table sets forth a breakdown of the Group's revenue during the years ended 31 December 2017 and 2016 by business segments:

	Year ended 31 December			
	2017		2016	
	MOP'000	**%**	MOP'000	%
Fitting-out works	**236,131**	**86.1**	280,076	97.3
Construction works	**35,335**	**12.9**	5,659	2.0
Repair and maintenance services	**2,934**	**1.0**	1,942	0.7
Total	**274,400**	**100.0**	287,677	100.0

FINANCIAL REVIEW (Continued)

During the year ended 31 December 2017, the Group's revenue decreased by approximately MOP13.3 million or 4.6%. The decrease was attributable to the decrease in revenue from fitting-out works by approximately MOP43.9 million or 15.7%, partially offset by the increase in revenue from construction works by approximately MOP29.7 million or over 5.2 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 2017 and 2016 by type of customers:

	Year ended 31 December			
	2017		2016	
	MOP'000	**%**	MOP'000	%
Hotel and casino	**82,469**	**34.9**	175,698	62.7
Retail shop and restaurant	**72,922**	**30.9**	104,378	37.3
Others	**80,740**	**34.2**	–	–
Total	**236,131**	**100.0**	280,076	100.0

The decrease in fitting-out works revenue during the year ended 31 December 2017 was mainly attributable to the decrease in revenue from hotel and casino and retail shop and restaurant by approximately MOP93.2 million or 53.1% and approximately MOP31.5 million or 30.1%, respectively. However, the decrease was partially offset by the increase in fitting-out works revenue from other customer, of approximately MOP80.7 million, which was attributable to the contract awarded from Hong Kong Football Club. The overall decrease in fitting-out works revenue was mainly due to the decrease in the number of fitting-out projects with revenue recognised for the year ended 31 December 2017 as compared to the previous year.

The increase in revenue from construction works was mainly attributable to the increase in revenue derived from heritage conservation of approximately MOP18.7 million or approximately 4.2 times and increase in revenue from general construction of approximately MOP11.0 million or approximately 9.1 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 2017 and 2016 by business segments:

	Year ended 31 December			
	2017		2016	
	Gross profit MOP'000	**Gross profit margin %**	Gross profit MOP'000	Gross profit margin %
Fitting-out works	**43,234**	**18.3**	71,664	25.6
Construction works	**12,937**	**36.6**	1,095	19.3
Repair and maintenance services	**1,335**	**45.5**	1,168	60.1
Total/overall	**57,506**	**21.0**	73,927	25.7

During the year ended 31 December 2017, the Group's gross profit decreased by approximately MOP16.4 million or approximately 22.2% from approximately MOP73.9 million for the year ended 31 December 2016 to approximately MOP57.5 million for the year ended 31 December 2017. The decrease in gross profit was mainly due to the decrease in fitting-out works projects.

The Group's gross profit margin decreased from approximately 25.7% for the year ended 31 December 2016 to approximately 21.0% for the year ended 31 December 2017. The decrease in gross profit margin was mainly attributable to the lower gross profit margin from fitting-out works as a result of a more intense competition for bidding large scale fitting-out projects as well as establishing projects in Hong Kong which was a matured market with lower gross profit percentage.

Other income, gains and losses

The Group's other income and gains and losses decreased by approximately MOP0.4 million or 32.4% from approximately MOP1.1 million for the year ended 31 December 2016 to approximately MOP0.7 million for the year ended 31 December 2017. Such decrease was mainly attributable to the decrease in imputed interest income of approximately MOP0.7 million.

FINANCIAL REVIEW (Continued)

Gross profit (Continued)

Administrative expenses

The Group's administrative expenses increased by approximately MOP10.8 million or 48.2% from approximately MOP22.5 million for the year ended 31 December 2016 to approximately MOP33.3 million for the year ended 31 December 2017. Such increase was mainly attributable to (a) the increase in expense to maintain the listing status of the Company e.g. share registration services, financial advisory services etc.; (b) the increase in Directors' remuneration; and (c) increase in other administrative expenses.

Listing expenses

The Group incurred listing expenses of approximately MOP3.0 million for the year ended 31 December 2017 (2016: MOP14.1 million).

Finance costs

The Group's finance costs increased by approximately MOP0.8 million or 37.2% from approximately MOP2.3 million for the year ended 31 December 2016 to approximately MOP3.1 million for the year ended 31 December 2017. Such increase was mainly attributable to the net increase in bank overdrafts of approximately MOP28.0 million for the year ended 31 December 2017.

Income tax expense

The Group's income tax expense decreased from approximately MOP5.9 million for the year ended 31 December 2016 to approximately MOP0.7 million for the year ended 31 December 2017. The Group's effective tax rate decreased from approximately 16.4% for the year ended 31 December 2016 to approximately 3.8% for the year ended 31 December 2017. The decrease was mainly attributable to the over-provision of prior years' taxation of approximately MOP2.7 million for the year ended 31 December 2017.

Profit and total comprehensive income for the year attributable to owners of the Company

As a result of the above, the Group's profit and total comprehensive income for the year attributable to owners of the Company decreased by approximately MOP12.1 million or 40.2% from approximately MOP30.2 million for the year ended 31 December 2016 to approximately MOP18.1 million for the year ended 31 December 2017.

FINANCIAL REVIEW (Continued)

Gross profit (Continued)

Basic earnings per share

The Company's basic earnings per share for the year ended 31 December 2017 was MOP4.6 cents (2016: MOP10.1 cents), representing a decrease of MOP5.5 cents or 54.5% which is in line with the profit for the year attributable to owners of the Company when compared to the year ended 31 December 2016.

Final dividend

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: 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 upon internally generated funds and bank borrowings to finance its operations and expansion.

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

As at 31 December 2017, the Group's current assets exceeded its current liabilities by MOP106,452,000.

As at 31 December 2017, the Group had net bank balances and cash of MOP65.4 million (2016: MOP2.6 million), which comprised bank balances and cash of MOP101.0 million (2016: MOP10.2 million) and bank overdrafts of MOP35.6 million (2016: MOP7.6 million).

As at 31 December 2017, the Group had an aggregate of pledged bank deposits of MOP9.5 million (2016: MOP1.7 million) that were used to secure banking facilities.

As at 31 December 2017, bank and other borrowings amounted to MOP68.7 million (2016: MOP98.5 million) of which MOP10.1 million, MOP4.0 million, MOP12.5 million and MOP42.1 million (2016: MOP36.0 million, MOP3.9 million, MOP12.2 million and MOP46.4 million) will mature within one year, one year to two years, two years to five years and more than five years, respectively.

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Liquidity and financial resources and capital structure (Continued)

The variable rate bank borrowings amounting to MOP51,397,000 as at 31 December 2017 (2016: MOP80,198,000), carry interests at prime rate minus from 2.25% to 2.65% (2016: plus or minus from 0.25% to 2.65%) per annum. The remaining variable rate bank borrowing amounting to MOP17,322,000 as at 31 December 2017 (2016: MOP18,275,000) carries interests at three months Hong Kong Interbank Offered Rate (HIBOR) plus 2.3% (2016: 2.3%) per annum. The effective interest rates on the borrowings as at 31 December 2017 (which are also equal to contracted interest rate) range from 2.6% to 3.3% (2016: 2.6% to 4.5%).

The Group's borrowings are denominated in both MOP and Hong Kong dollar ("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 and promissory notes endorsed by Lai Si and Well Team which were guaranteed by the Company.

The Group continued to maintain a healthy liquidity position. As at 31 December 2017, the Group's current assets and current liabilities were MOP281.7 million (2016: MOP208.1 million) and MOP175.3 million (2016: MOP217.1 million), respectively. The Group's current ratio increased to 1.6 (2016: 1.0) mainly arising from the proceeds received upon issue of shares after the Listing on the Listing Date. The Group has maintained sufficient liquid assets to finance its operations.

Gearing ratio calculated by dividing total debts (including bank and other borrowings) with total equity was 0.53 as at 31 December 2017 (2016: 1.6). The decrease in gearing ratio was primarily due to increase in equity due to issue of shares after the Listing on the Listing Date.

As at 31 December 2017, the share capital and equity attributable to owners of the Company amounted to MOP4,120,000 and MOP195.2 million, respectively (2016: MOP86,000 and MOP67.6 million, respectively).

Charge on the Group's assets

As at 31 December 2017, the leasehold land and building, construction in progress and bank deposits pledged to secure certain borrowings granted to the Group amounted to MOP87.5 million, nil and MOP9.5 million (2016: MOP3.6 million, MOP71.9 million and MOP1.7 million), respectively.

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

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. Such collapse was caused to be accused by the dismantlement and construction of the foundation work undertaken in an adjacent new residential building project, of which Lai Si was one of the contractors. As a result, in September 2015, several flat owners of Sin Fong Garden Building filed a lawsuit against several defendants including Lai Si, seeking for a compensation for the loss of property, in a total sum of approximately HK$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.

In October 2015, the Macau Government has further filed a lawsuit against several defendants including Lai Si, seeking for a compensation for the costs incurred by the Macau Government for (i) measures it had taken to prevent Sin Fong Garden Building from being collapsed; (ii) ensuring the safety of citizens and adjacent buildings; and (iii) the 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 annual report, the proceedings are still awaiting to be scheduled for the trial hearings. After consulting the legal advisers of the Company as to Macau Laws, 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 is made to the consolidated financial information. The Controlling Shareholders have undertaken to indemnify the Group against all losses and liabilities arising from the above proceedings.

As at 31 December 2017, the Group had operating lease commitments of MOP176,000 (2016: MOP175,000).

As at 31 December 2017, the Group did not have any capital commitments (2016: Nil).

Exposure to fluctuations in exchange rates and interest rates and corresponding hedging arrangements

The Group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Group is exposed to currency risk primarily through purchase of raw materials and sales proceeds received from customers that are denominated in a currency other than the Group entities' functional currency. The currencies giving rise to this risk are primarily HK$ and Renminbi. 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 arise.

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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated 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 Group reviews the recoverable amount of each individual trade receivable and other receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. 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 discounts 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 2017 on trade and retention receivables from the Group's five major customers amounting to approximately MOP28.0 million (2016: MOP61.5 million) and accounted for approximately 40.0% (2016: 79.0%) 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.

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual 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.

EVENT AFTER THE REPORTING PERIOD

There are no significant events after 31 December 2017 and up to the date of this annual report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the total number of full-time employees of the Group was 189 (2016: 183).

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 MOP65.1 million for the year ended 31 December 2017 (2016: MOP60.4 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 (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	14.0	35.4
Finance construction projects in Macau	17.9	8.0	9.9
Finance the start-up costs of fitting-out business in Hong Kong	9.0	9.0	0
Hire additional staff for the Group's business operation	4.5	2.0	2.5
General working capital	9.0	9.0	0
	89.8	42.0	47.8

As at 31 December 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.

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 business 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.

In addition, in view of the recent market getting more sluggish, apart from the main operation, the Group will consider to explore the opportunities in the up and down stream in order to enhance greater revenue and profit. The Group will keep Shareholders informed when developments are mature and certain.



CONSTRUCTION PROJECTS

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. LAI Ieng Man (黎英萬), aged 66, 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 30 years of experience in the fitting-out and construction industry in Macau. In January 1987, Mr. Lai established Constructor Civil Lai Ieng Man in Macau, a commercial enterprise which provided services of fitting-out works and construction works in Macau. In November 2004, Mr. Lai founded Lai Si with Mr. Lai Meng San and Ms. Lai Ieng Wai, and he has been handling the Group's business operation since then.

Mr. LAI Meng San (黎鳴山), aged 38, 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 16 years of experience in the fitting-out and construction industry in Macau. He obtained a bachelor's degree of technology in architectural science from Ryerson Polytechnic University (currently known as Ryerson University), Canada in June 2001. Mr. Lai joined the Group on 3 September 2001 and was responsible for project management. In November 2004, he founded Lai Si with Mr. Lai Ieng Man and Ms. Lai Ieng Wai, and he has been handling the Group's business operation since then. Mr. Lai was appointed as a committee member of the Guangdong Provincial Committee of the PRC People's Political Consultative Conference (中國人民政治協商會議廣東省委員會委員) in January 2013. 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 37, 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 11 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 39, 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 6 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 38, 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 14 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, previous stock code: 8369, current stock code:1690) since February 2015.

DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Mr. CHAN Iok Chun (陳玉泉), aged 52, 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 15 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 36, 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 11 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 49, 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 50, 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.

COMPANY SECRETARY

Ms. Cheng Pik Yuk (鄭碧玉) is the company secretary of the Company. She is a director of Corporate Services Division of Tricor Services Limited ("**Tricor**"). She has over 30 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multi-national, private and offshore companies. Prior to joining Tricor, Ms. Cheng was a Senior Manager as well as the Departmental Manager of Company Secretarial Services at Deloitte Touche Tohmatsu in Hong Kong, providing corporate secretarial and share registration services to the client companies.

Ms. Cheng obtained a Higher Diploma in Company Secretaryship and Administration from the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in Hong Kong in 1980. By profession, she was admitted a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom, both in June 1996.


SWAROVSKI

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 2017.

CORPORATE GOVERNANCE PRACTICES

The Board 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 CG Code as the basis of the Company's corporate governance practices.

The CG Code has been applicable to the Company from 10 February 2017, the Listing Date, to 31 December 2017. The Board is of the view that throughout the Relevant Period, the Company has complied with all the code provisions as set out in the CG Code, except for the deviation from code provisions A.1.1 which is explained below.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its Securities Dealing Code.

The Model Code was not applicable to the Company before the date of the Listing. 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 in 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*	*66*	*Over 30 years of experience in fitting-out and construction industry*
Mr. Lai Meng San (Chief Executive Officer)	*M*	*38*	*Bachelor's degree of technology in architectural science*
Ms. Lai Ieng Wai	*F*	*37*	*Bachelor's degree of arts in economics*
Ms. Cheong Weng Si	*F*	*39*	*Bachelor's degree of business administration in accounting*
Independent Non-executive Directors			
Mr. Chan Chun Sing	*M*	*38*	*Master of business administration and a certified public accountant of the Hong Kong Institute of Certified Public Accountant*
Mr. Chan Iok Chun	*M*	*52*	*Over 15 years of experience in retail industry of mobile phones and related accessories*
Mr. Mak Heng Ip	*M*	*36*	*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 24 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 24 to 29 of this annual report.

BOARD OF DIRECTORS (Continued)

Attendance Records of Directors and Committee Members

Code provision A.1.1 stipulates that regular Board meetings should be held at least four times a year at approximately quarterly intervals involving active participation, either in person or through electronic means of communication, of a majority of Directors. During the Relevant Period, the Board had held five meetings, two of which were routine meetings to approve the final results for the year ended 31 December 2016 and the interim results for the six months ended 30 June 2017. The Company has not held the board meeting in the fourth quarter as the Company does not announce its results quarterly.

The attendance records of each Director at the Board and Board Committee meetings and annual general meeting held during the Relevant Period are set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Mr. Lai Ieng Man	5/5	1/2	1/1	1/1	1/1
Mr. Lai Meng San	5/5	2/2	N/A	1/1	1/1
Ms. Lai Ieng Wai	5/5	1/2	1/1	1/1	1/1
Ms. Cheong Weng Si	5/5	1/2	N/A	N/A	1/1
Mr. Chan Chun Sing	4/5	2/2	1/1	1/1	1/1
Mr. Chan Iok Chun	5/5	2/2	1/1	1/1	1/1
Mr. Mak Heng Ip	5/5	2/2	1/1	1/1	1/1

Besides the above-mentioned Board meetings, 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 more than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his 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 Company's 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 of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, 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 Mr. Lai Meng San, the Chief Executive Officer (for the Group's business development and marketing matters) and Ms. Lai Ieng Wai (for the Group's business operation), both are executive Directors.

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)

During the Relevant Period, the following Director(s) attended seminar(s) and training session(s) arranged by professional institution(s)/professional firm(s):–

Directors	Type of Training[Note]
Executive Directors	
Lai Ieng Man	*B*
Lai Meng San	*B*
Lai Ieng Wai	*B*
Cheong Weng Si	*A,B*
Independent Non-executive Directors	
Mak Heng Ip	*B*
Chan Iok Chun	*B*
Chan Chun Sing	*B*

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

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 the Stock Exchange 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 page 2 of this annual report.

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 two meetings during the Relevant Period to review, among other things, (i) the annual financial results for the year ended 31 December 2016 and the interim results for the six months ended 30 June 2017 and the relevant reports; (ii) significant issues on the financial reporting, operational and compliance controls; (iii) the effectiveness of the risk management and internal control systems and internal audit function; (iv) appointment of external auditors and their relevant scope of works; and (v) continuing connected transactions.

The Audit Committee also met the external auditors without the presence of the executive Directors and the management during the Relevant Period.

BOARD COMMITTEES (Continued)

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.

During the Relevant Period, the Remuneration Committee met once to review the Company's policy and structure for the remuneration of all Directors and senior management.

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 2017 are as follows:

	Number of employee(s)
Not exceeding MOP1,000,000	1
MOP1,000,000 to MOP2,000,000	4

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" which sets out the approach to achieve diversity on the Board and the Nomination Committee is responsible for monitoring the implementation of the "Board Diversity 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 Company's 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.

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

During the Relevant Period, the Nomination Committee met once 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 2 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 the Securities Dealing Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Group's risk governance structure and the main responsibilities of each level of the structure are 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.

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" 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 of the Company for the year ended 31 December 2017.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report on pages 60 to 66 of this report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid or payable to the external auditors of the Company, Messrs. Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2017 is set out below:

Service Category	**Fees Paid/Payable**
	HKD
Audit Services	1,600,000.00
Non-audit Services	
– Tax Services	64,000.00
Total	1,664,000.00

COMPANY SECRETARY

Since 12 July 2017, the Company has engaged Tricor Services Limited, an external service provider, and Ms. Cheng Pik Yuk has been appointed as the Company's company secretary. Its primary contact person at the Company is Ms. Cheong Weng Si, an executive director of the Company.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolution 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 the Stock Exchange after each general meeting.

SHAREHOLDERS' RIGHTS (Continued)

Convening an Extraordinary General Meeting

Pursuant to article 64 of the Articles of Association of the Company, 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 Company's Articles of Association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a director of the Company, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" of the Company which is posted on the Company's website.

Putting Forward Enquiries to the Board

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

Contact Details

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

Address:	Unit 401, 4th Floor, The L.Plaza, Nos. 367-375 Queen's Road Central, Sheung Wan, Hong Kong (For the attention of the Board of Directors)
Fax:	853-2830 9173
Email:	info@lai-si.com; harry@lai-si.com; annie@lai-si.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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 the Stock Exchange.

The Directors are pleased to present this report and the consolidated financial statements of the Group for the year ended 31 December 2017.

CORPORATE REORGANISATION

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

In preparation for the Listing, the Group underwent the reorganisation, details of the reorganisation are set out in note 2 to the consolidated financial statements.

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 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 67 of this annual report.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Thursday, 28 June 2018. In order to establish entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 25 June 2018 to Thursday, 28 June 2018, both days inclusive, during which period no transfer of Shares will be registered. All transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 22 June 2018.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2017 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 annual 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 annual report. The financial risk management objectives and policies of the Group are set out in notes 30 to the consolidated financial statements. These constitute part of this report. 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 2017 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 and of the assets and liabilities of the Group for the last five financial years is set out on page 132 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 2017 are set out in note 15 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of movements in the bank and other borrowings of the Group during the year ended 31 December 2017 are set out in note 21 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2017 are set out in note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company had reserves of approximately MOP90,053,000 available for distribution to Shareholders in accordance with the Articles of Association.

Details of movements in the reserves of the Group during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity on page 70 of this annual report and note 23 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this report were:

Executive Directors:
- Mr. Lai Ieng Man
- Mr. Lai Meng San
- Ms. Lai Ieng Wai
- Ms. Cheong Weng Si

Independent non-executive Directors:
- Mr. Chan 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, Mr. Lai Ieng Man, Mr. Lai Meng San and Ms. Lai Ieng Wai shall retire at the forthcoming annual general meeting. All of the above retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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" in this annual report.

DIRECTORS' EMOLUMENTS

The Directors' emoluments for the year ended 31 December 2017 are set out in note 13 to the consolidated financial statements.

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

As at 31 December 2017, 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 AND UNDERLYING SHARES

As at 31 December 2017, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Note:

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Share Option Scheme, at no time during the year ended 31 December 2017 was the Company or any of its holding company or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to the written resolutions of the sole Shareholder passed on 18 January 2017. 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.

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

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 2017.

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 2017 as set out in note 32(a) to the consolidated financial statements.

CONNECTED TRANSACTIONS (Continued)

During the year ended 31 December 2017, the Group entered into or conducted 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 2017. Details of these continuing connected transactions for the year ended 31 December 2017 are set out below and disclosed in the Prospectus:

Connected Person	**Nature of Transaction**	**Transaction Amount for the Year Ended 31 December 2017 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	289
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 transaction

As disclosed in the Prospectus, there is a non-exempt continuing connected transaction whereby the Company entered into a construction-related services master agreement with Mr. Lai Ieng Man, Mr. Lai Meng San and Ms. Lai Ieng Wai, each an executive Director and collectively Controlling Shareholders on 18 January 2017 to provide construction-related services to them and/or their associates for the period from the Listing Date to 31 December 2019. The proposed construction annual caps are: year ended 31 December 2017: MOP 20 million; year ended 31 December 2018: MOP 20 million and year ended 31 December 2019: MOP 7 million.

Save as disclosed above, during the year ended 31 December 2017, the Group had not conducted the aforesaid non-exempt continuing connected transaction. Chapter 14A of the Listing Rules has been compiled with.

CONNECTED TRANSACTIONS (Continued)

Details of material related party transactions undertaken in the usual course of business of the Group are set out in note 32 to the financial statements. Save for those connected transactions disclosed above, these transactions did not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Note:

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.

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

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

(ii) on normal commercial terms or better; and

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

A copy of the auditor's letter as required under Rule 14A.56 of the Listing Rules has been provided to the Stock Exchange.

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 consolidated financial statements, no other transactions, arrangements or contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him/her had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2017 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 consolidated financial statements.

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 2017.

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 as required under the Listing Rules throughout the period from the Listing Date up to the latest practicable date prior to the issue of this report.

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

During the year ended 31 December 2017, the aggregate amount of revenue from continuing operations attributable to the Group's five largest customers accounted for 74.9% of the Group's total revenue from continuing operations and the revenue from the Group's largest customer accounted for 29.4% of the Group's total revenue from continuing operations.

Mr. Lai Meng San, an executive Director and a Controlling Shareholder of the Company, held 20% equity interest in Treasure Lake Barbecue King Limited, one of the five largest customers of the Group.

In addition, the Group's purchases attributable to its five largest subcontractors and suppliers accounted for 31.7% of the Group's total purchase from continuing operations. The purchase from the Group's largest subcontractor/supplier accounted for 7.4% of the Group's total purchase from continuing operations.

Save as disclosed above, at no time during the year ended 31 December 2017 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 or five largest subcontractors/suppliers 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.

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.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2017 amounted to MOP1.0 million (2016: nil).

RETIREMENT BENEFIT PLANS

The Group participates in social insurance scheme in Macau and the Mandatory Provident Fund Scheme in Hong Kong. Information on the retirement benefit plans of the Group is set out in note 28 to the consolidated financial statements.

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 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

29 March 2018

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 67 to 131, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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, alteration and additions and construction works/amounts due from (to) customers for contract work	
We identified the contract revenue and costs of fitting-out works, alteration 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, alteration 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 consolidated financial statements, 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, alteration 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 and costs of fitting-out works, alteration 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, architect's instructions or other form of agreements or other correspondences and 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 understanding the status of completion of the relevant fitting-out works, alteration and additions and construction projects, on a sample basis; • Verifying the reasonableness of estimated total costs 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, alteration and additions and construction works/amounts due from (to) customers for contract work (Continued) The contract revenue and costs of fitting-out works, alteration and additions and construction works amounting to approximately MOP271,466,000 and MOP215,295,000, respectively, were recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. As disclosed in Note 18 to the consolidated financial statements, the carrying amounts of amounts due from (to) customers for contract work amounting to approximately MOP66,178,000 and MOP1,632,000, respectively, were recorded in the consolidated statement of financial position at 31 December 2017.	• 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 a 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 statements, in determining not to make allowance for trade receivables and retention receivables, the management considers the current creditworthiness and the past collection history of each customer. 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 disclosed in Note 16 to the consolidated financial statements, the carrying amount of trade receivables and retention receivables which are past due but not provided for impairment loss amounting to approximately MOP17,967,000 and MOP4,920,000, respectively, were recorded as at 31 December 2017.	Our procedures in relation to recoverability of trade receivables and retention receivables included: • Evaluating the ageing 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 ageing analysis of trade 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 ageing 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 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 the 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.

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 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 the 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.

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 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 Lam Sau Fung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	**2017** **MOP'000**	2016 MOP'000
Revenue	6	**274,400**	287,677
Cost of sales		**(216,894)**	(213,750)
Gross profit		**57,506**	73,927
Other income, gains and losses	8	**741**	1,096
Administrative expenses		**(33,330)**	(22,497)
Listing expenses		**(3,013)**	(14,081)
Finance costs	9	**(3,107)**	(2,265)
Profit before taxation		**18,797**	36,180
Income tax expense	10	**(712)**	(5,944)
Profit and total comprehensive income for the year attributable to owners of the Company	11	**18,085**	30,236
Earnings per share			
– basic (MOP cents)	14	**4.6**	10.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	2017 MOP'000	2016 MOP'000
Non-current asset			
Property, plant and equipment	15	**88,766**	76,558
Current assets			
Trade and other receivables	16	**86,654**	94,038
Amounts due from directors	17(a)	**488**	41,508
Amount due from ultimate holding company	17(b)	**1**	1
Amount due from a related party	17(c)	**17,922**	–
Amounts due from customers for contract work	18	**66,178**	60,601
Pledged bank deposits	19	**9,538**	1,732
Bank balances and cash	19	**100,964**	10,246
		281,745	208,126
Current liabilities			
Trade and other payables	20	**66,126**	80,386
Amount due to a director	17(a)	**–**	667
Amount due to a related party	17(c)	**67**	–
Amounts due to customers for contract work	18	**1,632**	6,798
Tax payable		**3,190**	23,168
Bank overdrafts	19	**35,559**	7,568
Bank borrowings	21	**68,719**	98,473
		175,293	217,060

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTE	2017 MOP'000	2016 MOP'000
Net current assets (liabilities)		**106,452**	(8,934)
Total assets less current liabilities		**195,218**	67,624
Net assets		**195,218**	67,624
Capital and reserves			
Share capital	22	**4,120**	86
Reserves		**191,098**	67,538
		195,218	67,624

The consolidated financial statements on pages 67 to 131 were approved and authorised for issue by the Board of Directors on 29 March 2018 and are signed on its behalf by:

Lai Ieng Man
DIRECTOR

Lai Meng San
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company						
	Share capital MOP'000	**Share premium** MOP'000	**Legal reserve** MOP'000 (Note (a))	**Other reserve** MOP'000 (Note (b))	**Merger reserve** MOP'000 (Note (d))	**Accumulated profits** MOP'000	**Total** MOP'000
At 1 January 2016	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**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**18,085**	**18,085**
Reverse arising from completion of reorganisation (Note (d))	**(85)**	**-**	**-**	**-**	**85**	**-**	**-**
Issue of shares pursuant to public offering (Note 22(c))	**1,030**	**117,420**	**-**	**-**	**-**	**-**	**118,450**
Capitalisation issue of shares (Note 22(d))	**3,089**	**(3,089)**	**-**	**-**	**-**	**-**	**-**
Expenses incurred in connection with issue of new shares	**-**	**(8,941)**	**-**	**-**	**-**	**-**	**(8,941)**
At 31 December 2017	**4,120**	**105,390**	**38**	**(5,098)**	**85**	**90,683**	**195,218**

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.

(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.

(d) Merger reserve represented the difference between the aggregate share capital of Lai Sai (HK), Lai Si and Well Team (as defined in Note 2) amounting to MOP85,000 (which were transferred from the Controlling Shareholders to LSHKHL, LSMAHL, and WTMAHL pursuant to the reorganisation as defined and set out in Note 2) and the aggregate cash consideration of MOP30.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	MOP'000	MOP'000
Operating activities		
Profit before taxation	**18,797**	36,180
Adjustments for:		
Depreciation of property, plant and equipment	**1,288**	479
Provision for trade receivables	**79**	88
Loss on dissolution of an associate company	**-**	40
Imputed interest income	**-**	(743)
Bank interest income	**(605)**	-
Interest on bank borrowings	**3,107**	2,265
Operating cash flows before movements in working capital	**22,666**	38,309
Decrease (increase) in trade and other receivables	**7,305**	(47,880)
Decrease (increase) in amounts due from directors	**6,993**	(44)
Increase in amount due from a related party	**(17,922)**	-
Increase in amounts due from customers for contract work	**(5,577)**	(5,317)
Increase in pledged bank deposits	**(7,806)**	(681)
(Decrease) increase in trade and other payables	**(14,260)**	52,480
Increase in amount due to a related party	**67**	34
Decrease in amounts due to customers for contract work	**(5,166)**	(9,552)
Cash (used in) generated from operations	**(13,700)**	27,349
Macau Complementary Tax paid	**(20,690)**	(264)
Net cash (used in) from operating activities	**(34,390)**	27,085
Investing activities		
Increase in bank deposits	**(51,931)**	-
Advances to directors	**(1,078)**	(8,339)
Advances to related parties	**-**	(3,977)
Purchase of property, plant and equipment	**(13,496)**	(72,085)
Repayments from directors	**35,105**	8,821
Repayments from related parties	**-**	40
Bank interest received	**605**	-
Net cash used in investing activities	**(30,795)**	(75,540)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 MOP'000	2016 MOP'000
Financing activities		
Repayment to a director	**(667)**	–
New bank borrowings raised	**–**	113,980
Repayments of bank borrowings	**(29,754)**	(62,472)
Proceeds from initial public offering	**118,450**	–
Payment for initial public offering	**(8,941)**	–
Interest paid	**(3,107)**	(2,265)
Net cash from financing activities	**75,981**	49,243
Net increase in cash and cash equivalents	**10,796**	788
Cash and cash equivalents at the beginning of the year	**2,678**	1,890
Cash and cash equivalents at the end of the year	**13,474**	2,678
Represented by:		
Bank balances and cash	**100,964**	10,246
Less: bank deposits with maturity over three months	**(51,931)**	–
bank overdrafts	**(35,559)**	(7,568)
	13,474	2,678

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 combined and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 February 2017. The Company's immediate and ultimate holding company is SHK-Mac Capital Limited ("SHKMCL"), a company incorporated in the British Virgin Islands ("BVI") with limited liability, and the ultimate controlling parties are Mr. Lai Ieng Man, Mr. Lai Meng San and Ms. Lai Ieng Wai. 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, the Cayman Islands and its principal place of business is located at Macau Lai Si Enterprise Centre, Rua Da Ribeira Do Patane No. 54, Macau.

The Company is an investment holding company and the principal activities of its subsidiaries are set out in Note 35.

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

2. REORGANISATION AND BASIS OF PRESENTATION

The companies now comprising the Company and its subsidiaries (the "Group") underwent a 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, SHKMCL was incorporated in the 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 (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 Hong Kong dollars ("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 consolidated financial statements of the entities comprising the Group for the years ended 31 December 2016 and 2017 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") have been applied.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 December 2016 and 2017 had 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 2017 or since the respective dates of incorporation, which is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2016 had 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 that date, taking into account the respective dates of incorporation.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described as below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 31. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 31, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs and that have been issued but not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[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 9	Prepayment Features with Negative Compensation[2]
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 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

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 2021.

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and revised HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables and amount(s) due from directors/ultimate holding company/a related party. Such further impairment recognised under expected credit loss model would reduce the opening accumulated profits and increase the deferred tax assets at 1 January 2018.

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which 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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group anticipates that the application of HKFRS 15 in the future may result in more disclosures, however, the Group does not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods. The Group intends to adopt HKFRS 15 using the modified retrospective approach, of which the cumulative impact of the adoption, if any, will be recognised in accumulated profits as of 1 January 2018 and comparatives will not be restated.

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of MOP176,000 (2016: MOP175,000) as disclosed in Note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of MOP62,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements has been prepared on the historical cost basis at the end of the reporting period, 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 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 consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. 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.

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 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 statements of subsidiaries to bring their accounting policies in 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.

Merger accounting for business combination involving business under common control

The consolidated financial statements 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 bargain purchase gain at the time of common control combination.

The consolidated 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 businesses first came under the common control, where this is a shorter period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Group's accounting policy for recognition of revenue from fixed price supply and installation contracts including fitting-out works, alteration and addition and construction works is described in the accounting policy for supply and installation contracts including fitting-out works, alteration and addition and construction works.

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

Interest income is accrued on a time apportionment 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 consolidated 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 consolidated statement of financial position under trade and other receivables.

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 the Group makes payments for a property interest which includes both leasehold 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Short-term employee benefits

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

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

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 consolidated statement 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 consolidated financial statements 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 of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in subsidiaries, 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 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount(s) due from directors/ultimate holding company/a related party, 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)

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.

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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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, amount(s) due to a related party/a director, bank overdrafts and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

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, 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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial information of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on 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 described below, are stated in the consolidated 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.

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 asset individually, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible assets (Continued)

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 (or a cash-generating unit) 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.

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.

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 financial year.

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 the management's experience. The Group estimated total contract costs of fitting-out works, alteration 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 involves 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 varies significantly in the coming months from the budgets, the contract profit for each of the individual projects will differ significantly from the estimated contract profit. If estimated costs exceed contract revenue, a contract loss will be recognised.

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 ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. 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 2017, the carrying amounts of trade and retention receivables are MOP71,015,000 (2016: MOP78,125,000).

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:

	2017 **MOP'000**	2016 MOP'000
Contract revenue from fitting-out, alteration and addition works	**236,131**	280,076
Contract revenue from construction works	**35,335**	5,659
Repair and maintenance services	**2,934**	1,942
	274,400	287,677

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 reportable and operating segments:

For the year ended 31 December 2017

	Fitting-out, alteration and addition works MOP'000	Construction works MOP'000	Repair and maintenance services MOP'000	Total MOP'000
Segment revenue – external	**236,131**	**35,335**	**2,934**	**274,400**
Segment results	**41,787**	**12,791**	**1,322**	**55,900**
Corporate expenses				**(31,724)**
Other income, gains and losses				**741**
Listing expenses				**(3,013)**
Finance costs				**(3,107)**
Profit before taxation				**18,797**

7. SEGMENT INFORMATION (Continued)

Segment revenue and profit (Continued)

For the year ended 31 December 2016

	Fitting-out, alteration 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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results mainly represent profit earned by each segment, excluding income and expenses of the corporate function, which include 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	
	2017	2016
	MOP'000	MOP'000
Macau	**190,715**	286,774
Hong Kong	**83,685**	903
	274,400	287,677

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Non-current assets	
	2017	2016
	MOP'000	MOP'000
Macau	**88,740**	76,547
Hong Kong	**26**	11
	88,766	76,558

7. SEGMENT INFORMATION (Continued)

Information about major customers

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

	2017 MOP'000	2016 MOP'000
Customer A (Note (a))	**80,602**	N/A[(b)]
Customer B (Note (a))	**70,259**	N/A[(b)]
Customer C (Note (a))	**N/A[(b)]**	37,482
Customer D (Note (a))	**N/A[(b)]**	130,476
Customer E (Note (a))	**N/A[(b)]**	37,471

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

	2017 MOP'000	2016 MOP'000
Bank interest income	**605**	–
Government subsidies	**111**	–
Imputed interest income (Note)	**–**	743
Loss on dissolution of an associate company	**–**	(40)
Net exchange (loss) gain	**(250)**	406
Provision for trade receivables (Note 16)	**(79)**	(88)
Others	**354**	75
	741	1,096

Note: The amount represented imputed interest income arising from non-interest bearing amounts due from related parties which were assigned to Mr. Lai Ieng Man during the year ended 31 December 2016.

9. FINANCE COSTS

	2017 **MOP'000**	2016 MOP'000
Interest on bank borrowings and bank overdrafts	**3,107**	2,265

10. INCOME TAX EXPENSE

	2017 **MOP'000**	2016 MOP'000
The income tax expense comprises:		
Macau Complementary Tax		
– current year	**2,403**	5,944
– overprovision in prior years	**(2,722)**	–
Hong Kong Profits Tax		
– current year	**1,031**	–
	712	5,944

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2017. No Hong Kong Profits Tax was provided for the year ended 31 December 2016 as the Group had no assessable profit.

10. INCOME TAX EXPENSE (Continued)

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

	2017 **MOP'000**	2016 MOP'000
Profit before taxation	**18,797**	36,180
Tax at the tax rate of 12%	**2,256**	4,342
Tax effect of expenses not deductible for tax purpose	**1,108**	1,693
Tax effect of income not taxable for tax purpose	**-**	(116)
Tax effect of tax losses not recognised	**323**	172
Tax effect of different tax rate at 16.5% of a subsidiary operating in other jurisdiction	**291**	(75)
Tax effect of tax exemption under Macau Complimentary Income Tax	**(72)**	(72)
Utilisation of tax losses previously not recognised	**(126)**	–
Overprovisions in prior years	**(2,722)**	–
Others	**(346)**	–
Income tax expense for the year	**712**	5,944

As at 31 December 2017, the Group had unused tax loss of MOP2,686,000 (2016: MOP1,044,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the unused tax loss due to unpredictability of future profit streams for both years. The tax losses as at 31 December 2017 and 2016 might be carried forward indefinitely.

11. PROFIT FOR THE YEAR

	2017 MOP'000	2016 MOP'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**1,200**	412
Depreciation of property, plant and equipment	**1,288**	479
Directors' emoluments		
– fees	**150**	–
– other emoluments	**5,408**	4,464
	5,558	4,464
Fitting-out, alteration and addition works	**192,897**	207,989
Construction works	**22,398**	4,564
Contract costs recognised as expense	**215,295**	212,553
Staff costs		
Gross staff costs (including directors' emoluments)	**65,161**	60,436
Less: Staff costs capitalised to contract costs	**(41,447)**	(47,010)
	23,714	13,426
Minimum operating lease payments	**457**	329

12. DIVIDEND

During the year ended 31 December 2016, a dividend of MOP70,000,000 was declared by Lai Si to the Controlling Shareholders. The rates of dividend and the number of shares ranking for distribution are not presented as such information is not meaningful having regard to the purpose of the consolidated financial statements.

No dividend has been paid or declared by the Group during the year ended 31 December 2017.

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

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	2017				
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**
Executive Directors					
Mr. Lai Ieng Man	–	1,440	240	1	1,681
Mr. Lai Meng San	–	1,392	232	1	1,625
Ms. Lai Ieng Wai	–	1,320	220	1	1,541
Ms. Cheong Weng Si	–	480	80	1	561
Independent non-executive Directors					
Mr. Chan Chun Sing	150	–	–	–	150
Mr. Chan Iok Chun	–	–	–	–	–
Mr. Mak Heng Ip	–	–	–	–	–
	150	4,632	772	4	5,558

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

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

	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
Executive Directors					
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

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 prior to becoming directors of the Company during the year ended 31 December 2016.

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.

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

The independent non-executive director's emoluments shown above were for their services as directors of the Company.

No independent non-executive directors were appointed by the Company during the year ended 31 December 2016. 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.

None of the directors waived or agreed to waive any emoluments during the years ended 31 December 2017 and 2016.

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

(b) Employees' emoluments

The five highest paid individuals of the Group during the year ended 31 December 2017 include 3 directors (2016: 3 directors), 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 2017 (2016: 2 individuals) are as follows:

	2017 MOP'000	2016 MOP'000
Salaries and other allowance	**3,146**	2,933
Discretionary bonus	**352**	195
Retirement benefit scheme contributions	**5**	4
	3,503	3,132

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

	2017 No. of employees	2016 No. of employees
HK$1,000,001 to HK$1,500,000	**1**	2
HK$2,000,001 to HK$2,500,000	**1**	–
	2	2

During the years ended 31 December 2017 and 2016, 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 calculation of the basic earnings for the years ended 31 December 2016 and 2017 is based on the consolidated profit attributable to owners of the Company and on the weighted average number of ordinary shares in issue during the year ended 31 December 2017 of 389,041,096 (2016: 300,000,000) on the assumption that the Reorganisation and the capitalisation issue as detailed in Note 22(d) had been completed on 1 January 2016.

No diluted earnings per share is presented as there was no dilutive potential ordinary shares outstanding for the years ended 31 December 2016 and 2017.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	**Leasehold improvement**	**Plant and machinery**	**Furniture, fixtures and equipment**	**Motor vehicles**	**Construction in progress**	**Total**
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
COST							
At 1 January 2016	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
Additions	-	-	-	456	154	12,886	13,496
Transfer upon completion	84,797	-	-	-	-	(84,797)	-
At 31 December 2017	88,874	214	783	1,615	246	-	91,732
DEPRECIATION							
At 1 January 2016	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
Provided for the year	892	-	157	218	21	-	1,288
At 31 December 2017	1,379	214	464	860	49	-	2,966
CARRYING VALUES							
At 31 December 2017	87,495	-	319	755	197	-	88,766
At 31 December 2016	3,590	-	476	517	64	71,911	76,558

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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. TRADE AND OTHER RECEIVABLES

	2017 MOP'000	2016 MOP'000
Trade receivables	**49,605**	52,811
Retention receivables	**21,410**	25,314
Deferred listing expenses	**–**	3,963
Other receivables, prepayment and deposits	**15,639**	11,950
Total trade and other receivables	**86,654**	94,038

Trade receivables

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

	2017 MOP'000	2016 MOP'000
1 – 30 days	**31,638**	33,109
31 – 60 days	**1,662**	889
61 – 90 days	**3,690**	3,118
Over 90 days	**12,615**	15,695
	49,605	52,811

16. TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables (Continued)

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 2017, included in the Group's trade receivable balances were receivables with aggregate carrying amount of MOP17,967,000 (2016: MOP19,702,000), 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.

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

	2017 **MOP'000**	2016 MOP'000
Overdue		
1 – 30 days	**1,662**	889
31 – 60 days	**3,690**	3,118
61 – 90 days	**4,598**	8,460
Over 90 days	**8,017**	7,235
	17,967	19,702

Movement in the allowance for doubtful debts

	2017 **MOP'000**	2016 MOP'000
Brought forward from last year	**2,093**	2,005
Provided for the year	**79**	88
Carried forward to next year	**2,172**	2,093

Included in the allowance for doubtful debts as at 31 December 2017 are individually impaired trade receivables with an aggregate balance of MOP2,172,000 (2016: MOP2,093,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

16. TRADE AND OTHER 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 ageing 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.

	2017	2016
	MOP'000	MOP'000
On demand or within one year	**10,227**	19,636
Over one year	**11,183**	5,678
	21,410	25,314

Included in Group's retention receivables balances as at 31 December 2017 were receivables with aggregate carrying amount of MOP4,920,000 (2016: MOP3,331,000), 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 is 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:

	2017	2016
	MOP'000	MOP'000
HK$	**29,964**	25,801

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

(a) Amounts due from (to) directors:

			Maximum amount outstanding during	
	2017	2016	**2017**	2016
	MOP'000	MOP'000	**MOP'000**	MOP'000
Non-trade nature				
– Mr. Lai Ieng Man	**488**	30,665	**79,688**	68,031
– Mr. Lai Meng San	**-**	3,850	**3,850**	4,325
– Ms. Lai Ieng Wai	**-**	(667)	**N/A**	N/A
	488	33,848		
Trade nature				
– Mr. Lai Ieng Man	**-**	6,993		
	488	40,841		
Analysed for reporting purposes as:				
Amounts due from directors	**488**	41,508		
Amount due to a director	**-**	(667)		
	488	40,841		

Except for the trade receivables due from Mr. Lai Ieng Man amounting to MOP6,993,000 as at 31 December 2016, the remaining balances as at 31 December 2016 and 2017 are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

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

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

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

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

	2017 MOP'000	2016 MOP'000
Over 90 days	**-**	6,993

(b) Amount due from ultimate holding company:

	2017 MOP'000	2016 MOP'000
Amount due from ultimate holding company	**1**	1

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

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

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

	2017 MOP'000	2016 MOP'000
Combo Restaurant Management Company Limited ("Combo Restaurant") (Notes a and b)	(67)	–
Treasure Lake Barbecue King Limited ("Treasure Lake") (Notes a and c)	17,922	–
	17,855	–
Analysed for reporting purposes as:		
Amount due from a related party	17,922	–
Amount due to a related party	(67)	–
	17,855	–

Notes:

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

(b) The balance is trade in nature with credit period of 30 days and is within the credit period based on the invoice date at the end of the reporting period.

(c) The balance is trade in nature with credit period of 30 days and the ageing analysis presented based on the invoice date at the end of the reporting period is as follows:

	2017 MOP'000
1-30 days	8,961
31-60 days	8,961
	17,922

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

	2017	2016
	MOP'000	MOP'000
Contracts in progress at the end of each reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**683,285**	430,338
Less: Progress billings	**(618,739)**	(376,535)
	64,546	53,803
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**66,178**	60,601
Amounts due to customers for contract work	**(1,632)**	(6,798)
	64,546	53,803

As at 31 December 2017, retention receivables held by customers for contract work amounting to MOP21,410,000 (2016: MOP25,314,000), were set out in Note 16.

19. 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 MOP101,000 as at 31 December 2017 (2016: 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 2017 and 2016.

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities and bank borrowings granted to the Group. As at 31 December 2017 and 2016, 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 (the "Prime Rate") less 0.5% per annum and are repayable on demand. The effective interest rate on bank overdrafts as at 31 December 2017 is 3.19% (2016: 4.75%) per annum.

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

	2017 **MOP'000**	2016 MOP'000
HK$	**88,002**	3,209
Renminbi ("RMB")	**1,980**	9

20. 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.

	2017 **MOP'000**	2016 MOP'000
Trade payables	**44,265**	32,232
Retention payables (Note)	**3,822**	3,293
Accruals and other payables	**18,039**	44,861
Total trade and other payables	**66,126**	80,386

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.

20. TRADE AND OTHER PAYABLES (Continued)

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

	2017 **MOP'000**	2016 MOP'000
1 – 30 days	**28,259**	7,545
31 – 60 days	**4,983**	5,121
61 – 90 days	**2,295**	6,577
Over 90 days	**8,728**	12,989
	44,265	32,232

The following is an ageing 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.

	2017 **MOP'000**	2016 MOP'000
On demand or within one year	**3,822**	3,293

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

	2017 **MOP'000**	2016 MOP'000
HK$	**18,689**	2,279
RMB	**2,089**	3,793

21. BANK BORROWINGS

	2017 MOP'000	2016 MOP'000
Variable-rate bank borrowings (Note a)	**68,719**	98,473
Carrying amounts repayable (Note b):		
On demand or within one year	**10,055**	35,998
More than one year, but not exceeding two years	**3,958**	3,895
More than two years, but not exceeding five years	**12,441**	12,222
More than five years	**42,265**	46,358
	68,719	98,473
Less: Amounts shown under current liabilities	**(68,719)**	(98,473)
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 amounts due are presented based on scheduled repayment dates set out in the loan agreements.

The variable-rate bank borrowings amounting to MOP51,397,000 as at 31 December 2017 (2016: MOP80,198,000), carry interests at Prime Rate minus from 2.25% to 2.65% (2016: plus or minus from 0.25% to 2.65%) per annum. The remaining variable-rate bank borrowings amounting to MOP17,322,000 as at 31 December 2017 (2016: MOP18,275,000) carry interests at three months Hong Kong Interbank Offered Rate ("HIBOR") plus 2.3% (2016: 2.3%) per annum. The effective interest rates on the borrowings as at 31 December 2017 (which are also equal to contracted interest rate) range from 2.6% to 3.3% (2016: 2.6% to 4.5%).

The Group's borrowings are denominated in both MOP and HK$. These bank borrowings are under banking facilities for drawing loans and issuing performance bonds. As at 31 December 2016, the banking facilities were secured by the legal charge over the office building held by the Group (included in property, plant and equipment), pledged bank deposits as disclosed in Note 19, 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. All securities of banking facilities provided by Mr. Lai Ieng Man, Mr. Lai Meng San and Ms. Lai Ieng Wai were released during the year.

As at 31 December 2017, the banking facilities are secured by the legal charge over the office buildings held by the Group, pledged bank deposits and promissory notes endorsed by Lai Si and Well Team which were guaranteed by the Company.

21. BANK BORROWINGS (Continued)

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

	2017 **MOP'000**	2016 MOP'000
HK$	**9,661**	10,209

22. SHARE CAPITAL

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

For the purpose of the consolidated financial statements, the issued share capital of the Group as at 31 December 2016 represented the combined share capital of the Company, Lai Si, Well Team and Lai Si (HK).

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

	Notes	**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	a	38,000,000	391
Increase in authorised share capital	b	962,000,000	9,909
At 31 December 2017		1,000,000,000	10,300
Issued:			
At 1 June 2016 (date of incorporation) to 31 December 2016	a	50,000	1
Issue of shares pursuant to public offering	c	100,000,000	1,030
Issue pursuant to capitalisation issue	d	299,950,000	3,089
At 31 December 2017		400,000,000	4,120

22. SHARE CAPITAL (Continued)

Notes:

a. The Company was incorporated on 1 June 2016 in the Cayman Islands with an authorised share capital of HK$380,000 (equivalent to MOP391,000) divided into 38,000,000 ordinary shares of HK$0.01 each. Upon incorporation, 50,000 ordinary shares of HK$0.01 (equivalent to MOP1.03) each were allotted, issued and fully paid to an initial subscriber.

b. On 18 January 2017, written resolutions of the sole shareholder of the Company were passed to approve the increase of authorised share capital of the Company from HK$380,000 (equivalent to MOP391,000) to HK$10,000,000 (equivalent to MOP10,300,000) by the creation of an additional 962,000,000 shares of HK$0.01 (equivalent to MOP1.03) each.

c. 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 (equivalent to MOP1.18) by way of public offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

d. On 10 February 2017, a total of 299,950,000 ordinary shares were allotted and issued, credited as fully paid at par, to SHKMCL, the sole shareholder, by way of capitalisation of a sum of HK$2,999,500 (equivalent to MOP3,089,000) 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.

23. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(a) Statement of financial position

	2017 **MOP'000**	2016 MOP'000
Non-current asset		
Investment in subsidiaries	**85,490**	–*
Current assets		
Amount due from ultimate holding company	**1**	1
Amounts due from subsidiaries	**9,660**	–
Deferred listing expenses	**–**	3,963
Prepayment	**–**	190
Bank balances and cash	**266**	–
	9,927	4,154
Current liabilities		
Accruals	**1,244**	8,110
Amount due to a related company	**–**	5,203
	1,244	13,313
Net current assets (liabilities)	**8,683**	(9,159)
Net assets (liabilities)	**94,173**	(9,159)
Capital and reserves		
Share capital	**4,120**	1
Reserves	**90,053**	(9,160)
Total equity	**94,173**	(9,159)

* Less than MOP1,000

23. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(Continued)

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

	Share premium MOP'000	Accumulated losses MOP'000	Total MOP'000
At 1 June 2016 (date of incorporation)	–	–	–
Loss and total comprehensive expense for the period	–	(9,160)	(9,160)
At 31 December 2016	–	(9,160)	(9,160)
Loss and total comprehensive expense for the year	–	(6,177)	(6,177)
Issue of shares pursuant to public offering	117,420	–	117,420
Capitalisation issue of shares	(3,089)	–	(3,089)
Expenses incurred in connection with issue of new shares	(8,941)	–	(8,941)
At 31 December 2017	**105,390**	**(15,337)**	**90,053**

24. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2016, the Group entered into the following non-cash transactions:

(i) Dividend amounting to MOP70,000,000 declared by Lai Si was settled by way of offsetting against the amount due from Mr. Lai Ieng Man, the director of the Company.

(ii) 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) The share capital in the Company of MOP515 was settled through amounts due from directors.

(iv) The consideration of the Business Transfer amounting to MOP150,000 was settled by way of offsetting against the amount due from Mr. Lai Ieng Man.

During the year ended 31 December 2017, there is no major non-cash transactions occurred.

25. 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:

	2017 **MOP'000**	2016 MOP'000
Within one year	**176**	175

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

26. 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:

	2017 **MOP'000**	2016 MOP'000
Leasehold land and buildings and construction in progress included in property, plant and equipment	**87,495**	75,501
Pledged bank deposits (Note)	**9,538**	1,732
	97,033	77,233

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.

27. PERFORMANCE BONDS

As at 31 December 2017, the Group has issued performance bonds in respect of fitting-out, alteration and addition works and construction works contracts through a bank amounting to MOP12,418,000 (2016: MOP25,469,000) which are secured by pledged bank deposits as disclosed in Note 19. As at 31 December 2016, the bonds were secured and guaranteed by pledged bank deposits, 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.

28. 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:

	2017	2016
	MOP'000	MOP'000
Contributions paid and payable	**573**	487
Less: Capitalised to contract costs	**(405)**	(429)
	168	58

29. 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 borrowings disclosed in Note 21, 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.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 MOP'000	2016 MOP'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**199,970**	131,764
Financial liabilities		
Amortised cost	**153,285**	143,088

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, amount(s) due from directors/ultimate holding company/a related party, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to a related party/a director, bank overdrafts and bank 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.

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.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (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		Liabilities	
	2017	2016	**2017**	2016
	MOP'000	MOP'000	**MOP'000**	MOP'000
HK$ against MOP	**152,708**	29,010	**63,909**	12,488
RMB against MOP	**1,980**	9	**2,089**	3,793

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.

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 number below indicates an increase in post-tax profit for the current 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 in post-tax profit	
	2017	2016
	MOP'000	MOP'000
RMB against MOP	**5**	167

In the 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.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (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 19 for details of bank balances, pledged bank deposits and bank overdrafts and Note 21 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 2017 would have decreased/increased by approximately MOP459,000 (2016: MOP467,000).

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

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual material trade receivable and other receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The policy of 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 2017 on trade and retention receivables from the Group's 5 major customers amounting to MOP28,002,000 (2016: MOP61,493,000) and accounted for 40% (2016: 79%) 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.

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

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

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

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by 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.

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.

	Weighted average interest rate %	On demand or less than 3 months 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 2017						
Non-derivative financial liabilities						
Trade and other payables	-	48,940	-	-	48,940	48,940
Amount due to a related party	-	67	-	-	67	67
Bank overdrafts	3.19	35,559	-	-	35,559	35,559
Variable-rate bank borrowings (Note)	2.80	68,719	-	-	68,719	68,719
		153,285	-	-	153,285	153,285

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	On demand or less than 3 months 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

Note: Bank borrowings with a repayment on demand clause are included in the 'On demand or less than 3 months' time band in the above maturity analysis. As at 31 December 2017, the aggregate carrying amount of these bank borrowings amounted to MOP68,719,000 (2016: MOP98,473,000). 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 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 2017	**2.80**	**967**	**9,309**	**16,922**	**43,613**	**70,811**	**68,719**
31 December 2016	3.19	20,953	17,924	23,707	47,835	110,419	98,473

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (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.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Accrued issue costs MOP'000	Amount due to a director MOP'000	Bank borrowings MOP'000 (Note 21)	Interest payable (included in trade and other payables) MOP'000	Total MOP'000
At 1 January 2017	-	667	98,473	-	99,140
Financing cash flows	(8,941)	(667)	(29,754)	(3,107)	(42,469)
Issue costs accrued	8,941	-	-	-	8,941
Finance costs recognised	-	-	-	3,107	3,107
At 31 December 2017	-	-	68,719	-	68,719

32. RELATED PARTY TRANSACTIONS

(a) Transactions

Save as disclosed in other notes, the Group entered into the following transactions with its related parties:

		2017 MOP'000	2016 MOP'000
Mr. Lai Ieng Man	Repair and maintenance services provided	**-**	42
Treasure Lake Greenfood Kitchen Catering Management Company Limited	Fitting-out works provided	**-**	3,086
Treasure Lake (as defined in Note 17)	Fitting-out works provided	**17,922**	–
Combo Restaurant (as defined in Note 17)	Food and beverage services received	**289**	349
	Rental income	**36**	36

In addition, during the year ended 31 December 2016, the following amounts due from the related parties had been assigned by the related parties to Mr. Lai Ieng Man:

	2016 MOP'000
陽江宏高房地產發展有限公司	20,044
Blue Sky Design Studio	2
Man Tong Trading	316
Mantaly Property Company Limited	4,364
Milestone Engineering Company Limited	517
Premier Property Company Limited	2,460
Tak Nang Investment & Development Co., Ltd.	5,652
	33,355

The Controlling Shareholders who are directors of the Company have beneficial interest over the above related parties.

32. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances

Details of the balances with related parties are set out in the consolidated statement of financial position and Note 17.

(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 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. During the year ended 31 December 2017, the above securities of banking facilities are all released as disclosed in Note 21.

(d) Compensation of key management personnel

The remuneration of key management personnel, including directors and senior management of the Group, during the year ended 31 December 2017 is as follows:

	2017 **MOP'000**	2016 MOP'000
Fees	**150**	–
Salaries and other allowance	**10,888**	8,835
Discretionary bonus	**1,263**	406
Retirement benefit scheme contributions	**28**	16
	12,329	9,257

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

In October 2015, the Macau Government has filed a lawsuit against several defendants including Lai Si, seeking for a compensation for the costs incurred by the Macau Government for (i) measures it had taken to prevent Sin Fong Garden Building from being collapsed; (ii) ensuring the safety of citizens and adjacent buildings; and (iii) the 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 consolidated financial statements, the proceedings are scheduled for the trial hearings and the dates are yet to be confirmed. 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 consolidated financial statements. The Controlling Shareholders have undertaken to indemnify the Group against all losses and liabilities arising from the above proceedings.

34. SHARE OPTION SCHEME

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

Pursuant to the Share Option Scheme, the directors may, at their absolute discretion, offer to grant an option to subscribe for the shares subject to such conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as they may think fit, to directors, 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.

34. SHARE OPTION SCHEME (Continued)

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 a general meeting with such participant and his associates abstaining from voting.

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

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

No share option had been granted under the Share Option Scheme during the year ended 31 December 2017.

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Place of incorporation/ establishment/ operation	Date of establishment/ incorporation	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Company		Principal activities
				2017	2016	
LSMAHL*	The BVI	7 June 2016	United States Dollar ("USD") 10	**100%**	100%	Investment holding
WTMAHL*	The BVI	7 June 2016	USD10	**100%**	100%	Investment holding
LSHKHL*	The BVI	7 June 2016	USD10	**100%**	100%	Investment holding
Lai Si	Macau	8 November 2004	MOP50,000	**100%**	100%	Construction works, fitting – out works and provision of repair and maintenance services
Well Team	Macau	5 September 2006	MOP25,000	**100%**	100%	Holding of office building
Lai Si (HK)	Hong Kong	5 May 2015	HK$10,000	**100%**	100%	Construction works, fitting – out works and provision of repair and maintenance

* Directly held by the Company

FINANCIAL SUMMARY

	Year ended 31 December				
	2017	2016	2015	2014	2013
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
RESULTS					
Revenue	**274,400**	287,677	220,711	117,753	59,340
Profit before taxation	**18,797**	36,180	47,157	49,671	17,244
Income tax expense	**(712)**	(5,944)	(5,792)	(6,346)	(2,362)
Profit for the year	**18,085**	30,236	41,365	43,325	14,882
Profit for the year attributable to:					
Owners of the Company	**18,085**	30,236	41,365	43,325	14,882
Earnings per share					
Basic (MOP cents)	**4.6**	10.1	13.8	14.4	5.0

	At 31 December				
	2017	2016	2015	2014	2013
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
ASSETS AND LIABILITIES					
Total assets	**370,511**	284,684	217,159	114,526	64,438
Total liabilities	**(175,293)**	(217,060)	(109,622)	(48,364)	(29,457)
Net assets	**195,218**	67,624	107,537	66,162	34,981
Equity attributable to owners of the Company	**195,218**	67,624	107,537	66,162	34,981
Total equity	**195,218**	67,624	107,537	66,162	34,981

Note: The results for the years ended 31 December 2013, 2014, 2015, 2016 and 2017 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.