2018 INTERIM REPORT

Hong Kong 香港 | Macau 澳門

LS 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
Ms. LAM Mei Fong

AUDIT COMMITTEE

Mr. CHAN Chun Sing *(Chairman)*
Mr. CHAN Iok Chun
Ms. LAM Mei Fong

REMUNERATION COMMITTEE

Ms. LAM Mei Fong *(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
Ms. LAM Mei Fong

COMPANY SECRETARY

Mr. LO Hon Kit, HKICPA

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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

HEADQUARTER IN MACAU

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Macau's market for fitting-out and construction was sluggish in the first half of 2018 as the local economy slowed down. Meanwhile, some hotel and business operators postponed their plans to refurbish the existing venues for business or to construct new ones. As a result, the fitting-out and construction industries were in the doldrums in the first half of 2018.

BUSINESS REVIEW

On 10 February 2017, the shares (the "**Shares**") of Lai Si Enterprise Holding Limited (the "**Company**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") when 100,000,000 Shares were offered for subscription at HK$1.15 each.

The Company and its subsidiaries (collectively, the "**Group**") provide 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, mainly in Macau. During the six months ended 30 June 2018, all of the Group's revenue was derived from Macau and Hong Kong and the Group undertook projects from both private and public sectors.

The Group's customers primarily include (i) hotel and casino developers and owners, international retailers and restaurant owners for fitting-out works; (ii) land owners and the Macau Government for construction works; and (iii) operators of hotels and casinos, retail shops and restaurants for repair and maintenance works.

The Group's revenue comprised (a) fitting-out works; (b) construction works; and (c) repair and maintenance services. During the six months ended 30 June 2018, the total value for the new fitting-out projects awarded to the Group, representing the aggregate awarded contract sum, amounted to approximately MOP59.1 million as compared to the six months ended 30 June 2017 of approximately MOP29.2 million. As at 30 June 2018, the Group had an aggregate value of backlog for fitting-out projects and construction projects of approximately MOP46.2 million as compared to approximately MOP90.9 million as at 30 June 2017.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue during the six months ended 30 June 2018 and 2017 by business segments:

	Six months ended 30 June (Unaudited)			
	2018		2017	
	MOP'000	**%**	MOP'000	%
Fitting-out works	**67,416**	**94.7**	88,392	78.8
Construction works	**2,609**	**3.7**	22,437	20.0
Repair and maintenance works	**1,180**	**1.6**	1,406	1.2
Total	**71,205**	**100.0**	112,235	100.0

FINANCIAL REVIEW (Continued)

Revenue (Continued)

During the six months ended 30 June 2018, the Group's revenue decreased by approximately MOP41.0 million or 36.6%. The decrease was attributable to decrease in fitting-out works of approximately MOP20.9 million or 23.7% and in construction works of approximately MOP19.8 million or 88.4% which was mainly due to poor operating environment in the overall fitting-out and construction industry in Macau.

Gross profit and gross profit margin

The following table sets forth a breakdown of the Group's gross profit and gross profit margin during the six months ended 30 June 2018 and 2017 by business segments:

	Six months ended 30 June (Unaudited)			
	2018		2017	
	Gross profit (loss) MOP'000	**Gross profit (loss) margin %**	Gross profit MOP'000	Gross profit margin %
Fitting-out works	**13,129**	**19.5**	27,563	31.2
Construction works	**(2,937)**	**(112.6)**	5,516	24.6
Repair and maintenance works	**591**	**50.1**	776	55.2
Total/overall	**10,783**	**15.1**	33,855	30.2

During the six months ended 30 June 2018, the Group's gross profit decreased by approximately MOP23.1 million or 68.1% from approximately MOP33.9 million for the six months ended 30 June 2017 to approximately MOP10.8 million for the six months ended 30 June 2018. The decrease in gross profit was in line with the decrease in revenue. Gross loss in construction works segment was recorded due to extra cost incurred.

The Group's gross profit margin decreased from approximately 30.2% for the six months ended 30 June 2017 to approximately 15.1% for the six months ended 30 June 2018. The decrease in gross profit margin was mainly attributable to lower gross profit margin from fitting-out works and gross loss incurred from construction works.

FINANCIAL REVIEW (Continued)

Other income, gains and losses

The Group's other income and gains decreased by MOP145,000 from approximately MOP149,000 for the six months ended 30 June 2017 to approximately MOP4,000 for the six months ended 30 June 2018. There was no significant changes.

Administrative expenses

The Group's administrative expenses increased by approximately MOP0.2 million or 0.9% from approximately MOP19.1 million for the six months ended 30 June 2017 to approximately MOP19.3 million for the six months ended 30 June 2018. There was no significant changes.

Listing expenses

The Group did not incurred any listing expenses for the six months ended 30 June 2018 while the Group incurred listing expenses of approximately MOP3.0 million for the six months ended 30 June 2017.

Finance costs

The Group's finance costs was approximately MOP1.4 million for the six months ended 30 June 2018, which remained the same as compared to the six months ended 30 June 2017 (approximately MOP1.4 million). There was no significant changes.

Income tax credit

The Group generated income tax credit of approximately MOP91,000 for the six months ended 30 June 2017, while no income tax credit (expense) for the six months ended 30 June 2018. The change was mainly attributable to loss making situation during the six months ended 30 June 2018.

Loss for the period attributable to owners of the Company

As a combined result of the above, the Group's loss for the period attributable to owners of the Company amounted to approximately MOP9.9 million for the six months ended 30 June 2018 as compared to the Group's profit attributable to owners of the Company of approximately MOP10.6 million for the six months ended 30 June 2017.

FINANCIAL REVIEW (Continued)

(Loss) earnings per Share

The Company's loss per Share for the six months ended 30 June 2018 was MOP2.5 cents (30 June 2017: earnings per share MOP2.8 cents), representing a decrease of MOP5.3 cents which was due to poor operating environment in the overall fitting-out and construction industry in Macau.

Interim dividend

The board (the "**Board**") of directors (the "**Directors**") of the Company resolved not to declare payment of any interim dividend for the six months ended 30 June 2018 (30 June 2017: 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 30 June 2018, the Group had net current assets of approximately MOP96.6 million, decreased by approximately MOP9.9 million over the net current assets of approximately MOP106.5 million as recorded at 31 December 2017.

As at 30 June 2018, the Group had net bank balances and cash of MOP43.5 million (31 December 2017: MOP65.4 million), which comprised bank balances and cash of MOP79.9 million (31 December 2017: MOP101.0 million) and bank overdrafts of MOP36.4 million (31 December 2017: MOP35.6 million).

As at 30 June 2018, the Group had an aggregate of pledged bank deposits of MOP3.6 million (31 December 2017: MOP9.5 million) that were used to secure banking facilities.

As at 30 June 2018, bank and other borrowings amounted to MOP66.7 million (31 December 2017: MOP68.7 million) of which MOP10.0 million, MOP3.9 million, MOP12.3 million and MOP40.5 million (31 December 2017: MOP10.1 million, MOP4.0 million, MOP12.5 million and MOP42.1 million) will mature within one year, one year to two years, two years to five years and more than five years, respectively. The loans carry interest at variable market rates by reference to the prevailing Prime Rate and Hong Kong Interbank Offered Rate. The effective interest rates as at 30 June 2018 (which were also equal to contracted interest rates) ranged from 2.6% to 3.9% (31 December 2017: 2.6% to 3.3%).

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Liquidity and financial resources and capital structure (Continued)

The Group continued to maintain a healthy liquidity position. As at 30 June 2018, the Group's current assets and current liabilities were MOP237.9 million (31 December 2017: MOP281.7 million) and MOP141.3 million (31 December 2017: MOP175.3 million), respectively. The Group's current ratio as at 30 June 2018 increased to 1.7 (31 December 2017: 1.6). The Group has maintained sufficient liquid assets to finance its operations.

The Group's gearing ratio, calculated by dividing total debts (including bank overdrafts and bank and other borrowings) with total equity, was 0.50 as at 30 June 2018 (31 December 2017: 0.53). The decrease was primarily due to increase in total equity.

As at 30 June 2018, the share capital and equity attributable to owners of the Company amounted to MOP4.1 million and MOP205.5 million, respectively (31 December 2017: MOP4.1 million and MOP195.2 million, respectively).

Charge on the Group's assets

As at 30 June 2018, the leasehold land and building, investment properties and pledged bank deposits pledged to secure certain borrowings granted to the Group amounted to MOP83.1 million, MOP26.8 million and MOP3.6 million (31 December 2017: MOP87.5 million, nil and MOP9.5 million), respectively.

Contingent liabilities and capital commitments

In October 2012, one of the supporting pillars of the residential building called "Sin Fong Garden Building" collapsed due to the loss of stability. Such collapse was alleged 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$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.

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Contingent liabilities and capital commitments (Continued)

Up to the date of this interim report, the proceedings are still awaiting to be scheduled for the trial hearings. After consulting the Group's lawyer, 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 financial information. The Controlling Shareholders and SHK – Mac Capital Limited ("**SHKMCL**") have undertaken to indemnify the Group against all losses and liabilities arising from the above proceedings.

As at 30 June 2018, the Group had operating lease commitments as lessee of MOP808,000 (31 December 2017: MOP176,000). As at 30 June 2018, the Group had operating lease commitment as lessor of MOP2.3 million (31 December 2017: Nil).

As at 30 June 2018, the Group did not have any capital commitments (31 December 2017: Nil).

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

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

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.

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Credit exposure

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

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

The policy of allowances for doubtful debts of the Group is based on the evaluation and estimation of collectability and ageing analysis of the outstanding debts. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive, discounted using the original effective interest rate and the carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. The management closely monitors the subsequent settlement of the counterparties.

In addition to the above, in year 2018, upon the implementation of HKFRS 9, the Group has engaged professional valuer service on the collectibility of the overall account receivables portfolio. The professional valuer takes forward looking approach in assessing credit risk (expected credit losses). General provision on account receivable was made accordingly.

In this regard, the management of the Group considers that credit risk is well taken care and addressed.

The Group is exposed to concentration of credit risk as at 30 June 2018 on trade and retention receivables from the Group's five major customers amounting to approximately MOP11.6 million (31 December 2017: MOP28.0 million) and accounted for approximately 39.0% (31 December 2017: 40.0%) 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.

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

EVENTS AFTER THE REPORTING PERIOD

There are no significant events after 30 June 2018 and up to the date of this interim report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the total number of full-time employees of the Group was 123 (31 December 2017: 189).

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 MOP21.8 million for the six months ended 30 June 2018 (30 June 2017: MOP32.6 million).

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

USE OF PROCEEDS FROM THE SHARE OFFER

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

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

	Net proceeds (HK$ million)		
Items	**Available**	**Utilised**	**Unutilised**
Finance fitting-out projects in Macau	49.4	18.0	31.4
Finance construction projects in Macau	17.9	10.0	7.9
Finance the start-up costs of fitting-out business in Hong Kong	9.0	9.0	–
Hire additional staff for the Group's business operation	4.5	3.0	1.5
General working capital	9.0	9.0	–
	89.8	49.0	40.8

As at 30 June 2018, the unutilised net proceeds from the Share Offer were deposited in the bank accounts of the Group.

PROSPECTS AND STRATEGIES

The prospect of the fitting-out market in Macau has been temporarily clouded by the city's economic slowdown and the postponement of some refurbishment and construction projects in the first half of 2018. However, the Group continues to leverage its established reputation and competitive advantages to undertake ongoing fitting-out and construction projects of its existing clients there. The Group will further consolidate its market position and achieve business growth by strengthening its financial capabilities to undertake more and larger fitting-out projects and construction projects in Macau.

To cope with the shrinkage of the market in Macau, the Group will step up the effort to develop fitting-out business, expand its clientele and market coverage, and to gain a foothold in Hong Kong's fitting-out market. Such initiative has already yielded some results as the Group has won more contracts in the city. Recently, the Group has won more contracts to undertake fitting-out projects for some premises.

Moreover, as part of an attempt to broaden revenue base and achieve long-term growth, the Group now contemplates exploring opportunities in the upstream and downstream businesses, in order to enhance and deliver the corporate value to shareholders in the long run.

In the long term, the Group is gearing up to the prospect of the development of the Guangdong-Hong Kong-Macau Bay Area ("the Greater Bay Area"), which is one of China's grand policies for national development. The policy is aimed at the integration of the economy of the province and the two special administrative regions, by facilitating the cooperation between them. It can boost the property markets and thus the fitting-out and construction markets as it can encourage more investment and commercial activities within the Greater Bay Area.

The Group is well-positioned to capitalize on the development of the Greater Bay Area because it already has a foothold in Macau and is also building another one in Hong Kong. The management remains prudently optimistic about the prospect of the fitting-out and construction markets of Macau and Hong Kong.

INTERIM DIVIDEND

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2018.

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

As at 30 June 2018, 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 Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (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 for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

I. Interests in the Company

Name of Director	Nature of interest	Number of Shares interested	Percentage of 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 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 OF THE COMPANY (Continued)

Save as disclosed above, as at 30 June 2018, there were no other interests or short positions of the Directors or the 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 30 June 2018, the following persons (other than the Directors or the 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 interest
SHKMCL (Note)	Beneficial interest	300,000,000	75%

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

Save as disclosed above, as at 30 June 2018, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

SHARE OPTION SCHEME

The Company has adopted a 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.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, below were changes in the information of the Directors:

(1) Mr. Lai Meng San has been elected as the vice-president of the 12th Committee of the Guangzhou Youth Federation (廣州市青年聯合會).

(2) Mr. Chan Chun Sing has been appointed as company secretary of Lap Kei Engineering (Holdings) Limited (a company listed on the Stock Exchange (stock code: 1690)) since January, 2018.

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2018, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions (the "**Securities Dealing Code**"). Specific enquiry has been made with all the Directors and all of them confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the six months ended 30 June 2018.

The Company has also adopted the Securities Dealing Code for securities transactions by employees who, because of their office or employment in the Group, are likely to possess inside information of the Company. No incident of non-compliance of the Securities Dealing Code by the relevant employees was awared by the Company throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") comprises three independent non-executive Directors, namely, Mr. Chan Chun Sing (the chairman of the Audit Committee), Mr. Chan Iok Chun and Ms. Lam Mei Fong.

The Audit Committee has reviewed with the management of the Company the accounting principles and policies adopted by the Group. The interim report of the Group for the six months ended 30 June 2018 has been reviewed by the Audit Committee. The Group's auditor, Messrs. Deloitte Touche Tohmatsu, has reviewed the unaudited condensed consolidated financial statements in this interim report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF
LAI SI ENTERPRISE HOLDING LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Lai Si Enterprise Holding Limited (the 'Company') and its subsidiaries (collectively referred to as the 'Group') set out on pages 17 to 52, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 'Interim Financial Reporting' ('HKAS 34') issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	NOTES	Six months ended 30 June **2018** **MOP'000** **(unaudited)**	 2017 MOP'000 (unaudited)
Revenue	4	**71,205**	112,235
Cost of sales		**(60,422)**	(78,380)
Gross profit		**10,783**	33,855
Other income, gains and losses		**4**	149
Administrative expenses		**(19,310)**	(19,139)
Listing expenses		**–**	(3,013)
Finance costs		**(1,384)**	(1,380)
(Loss) profit before taxation		**(9,907)**	10,472
Income tax credit	5	**–**	91
(Loss) profit for the period attributable to owners of the Company	6	**(9,907)**	10,563
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of property, plant and equipment		**23,294**	–
Income tax relating to item that will not be reclassified to profit or loss		**(2,795)**	–
		20,499	–
Total comprehensive income for the period attributable to owners of the Company		**10,592**	10,563
(Loss) earnings per share – basic *(MOP cents)*	8	**(2.5)**	2.8

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	NOTES	**At 30 June 2018 MOP'000 (unaudited)**	At 31 December 2017 MOP'000 (audited)
Non-current assets			
Property, plant and equipment	9	**84,903**	88,766
Investment properties	10	**26,780**	-
		111,683	88,766
Current assets			
Trade and other receivables	11	**44,220**	86,654
Contract assets	12	**95,484**	-
Amounts due from customers for contract work		**-**	66,178
Amount due from a director	13(a)	**569**	488
Amount due from ultimate holding company	13(b)	**1**	1
Amount due from a related party	13(c)	**14,118**	17,922
Pledged bank deposits		**3,600**	9,538
Bank balances and cash		**79,924**	100,964
		237,916	281,745
Current liabilities			
Trade and other payables	14	**32,740**	66,126
Contract liabilities		**2,169**	-
Amounts due to customers for contract work		**-**	1,632
Amount due to a related party	13(c)	**82**	67
Tax payable		**3,190**	3,190
Bank overdrafts		**36,394**	35,559
Bank borrowings	15	**66,765**	68,719
		141,340	175,293
Net current assets		**96,576**	106,452
Total assets less current liabilities		**208,259**	195,218

AT 30 JUNE 2018

	NOTES	**At 30 June 2018 MOP'000 (unaudited)**	At 31 December 2017 MOP'000 (audited)
Non-current liability			
Deferred tax liabilities		**2,795**	–
Net assets		**205,464**	195,218
Capital and reserves			
Share capital	16	**4,120**	4,120
Reserves		**201,344**	191,098
		205,464	195,218

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to owners of the Company							
	Share capital MOP'000	**Share premium** MOP'000	**Legal reserve** MOP'000 (Note (a))	**Other reserve** MOP'000 (Note (b))	**Merger reserve** MOP'000 (Note (c))	**Revaluation reserve** MOP'000	**Accumulated profits** MOP'000	**Total** MOP'000
At 1 January 2017 (audited)	86	-	38	(5,098)	-	-	72,598	67,624
Profit and total comprehensive income for the period	-	-	-	-	-	-	10,563	10,563
Reserve arising from completion of reorganisation (Note (c))	(85)	-	-	-	85	-	-	-
Issue of shares pursuant to public offering (Note 16(c))	1,030	117,420	-	-	-	-	-	118,450
Capitalisation issue of shares (Note 16(d))	3,089	(3,089)	-	-	-	-	-	-
Expenses incurred in connection with issue of new shares	-	(8,941)	-	-	-	-	-	(8,941)
At 30 June 2017 (unaudited)	4,120	105,390	38	(5,098)	85	-	83,161	187,696
At 31 December 2017 (audited)	4,120	105,390	38	(5,098)	85	-	90,683	195,218
Adjustments	-	-	-	-	-	-	(346)	(346)
At 1 January 2018 (restated)	**4,120**	**105,390**	**38**	**(5,098)**	**85**	**-**	**90,377**	**194,872**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(9,907)**	**(9,907)**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**20,499**	**-**	**20,499**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**20,499**	**(9,907)**	**10,592**
At 30 June 2018 (unaudited)	**4,120**	**105,390**	**38**	**(5,098)**	**85**	**20,499**	**80,430**	**205,464**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018	2017
	MOP'000	MOP'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(18,623)**	(39,720)
Net cash from investing activities		
Decrease in bank deposits	**51,931**	–
Advances to directors	**(81)**	(31)
Purchase of property, plant and equipment	**(808)**	(8,644)
Repayments from directors	**-**	34,515
Bank interest received	**975**	–
	52,017	25,840
Net cash (used in) from financing activities		
Repayments of bank borrowings	**(1,954)**	(15,887)
Payment for issue costs	**-**	(8,941)
Interest paid	**(1,384)**	(1,025)
Repayment to a director	**-**	(667)
Proceeds from issue of shares	**-**	118,450
	(3,338)	91,930
Net increase in cash and cash equivalents	**30,056**	78,050
Cash and cash equivalents at the beginning of the period	**13,474**	2,678
Cash and cash equivalents at the end of the period	**43,530**	80,728
Represented by:		
Bank balances and cash	**79,924**	82,377
Less: bank overdrafts	**(36,394)**	(1,649)
	43,530	80,728

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 condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The condensed 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 OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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**"). For the details of the Reorganisation, please refer to note 2 to the Consolidated Financial Statements in the Group's 2017 Annual Report.

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 condensed consolidated financial statements of the entities comprising the Group for the six months ended 30 June 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 as if the Reorganisation had been completed on 1 January 2017.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows for the six months ended 30 June 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 six months ended 30 June 2017 or since the respective dates of incorporation, which is a shorter period.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties which are measured at fair values.

Other than described as below and changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

New accounting policy

Transfer from owner-occupied property to investment property carried at fair value

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant prepaid lease payments) at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue with its customers including (i) hotel and casino developers, owners and operators, (ii) international retailers and restaurant owners and (iii) other customers from the following major sources:

- fitting-out, alteration and addition works;
- construction works; and
- repair and maintenance services

Revenue from fitting-out, alteration and addition works and construction works are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contracts, control of the fitting-out, alteration and addition works and construction works may transfer over time when the Group's performance creates or enhances the asset that the customer control.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

Revenue from provision of repair and maintenance services are charged based on cost-plus. Revenue is recognised over time when the repair and maintenance services are rendered.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits, or other components of equity, as appropriate and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation.

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

3.1.2 Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 has no impact to the timing and amounts of revenue recognised for fitting-out, alteration and addition works, construction works and repair and maintenance service in current and prior interim period. The transition of HKFRS 15 has no impact on accumulated profits at 1 January 2018.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	**Carrying amounts previously reported at 31 December 2017**	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018***
		MOP'000	MOP'000	MOP'000
Condensed consolidated statement of financial position (extracted)				
Current assets				
Trade and other receivables	(a)	86,654	(5,507)	81,147
Contract assets	(a)	–	71,685	71,685
Amounts due from customers for contract work	(a)	66,178	(66,178)	–
Current liabilities				
Contract liabilities	(a)	–	1,632	1,632
Amounts due to customers for contract work	(a)	1,632	(1,632)	–

* The amounts in this column are before the adjustments from the application of HKFRS 9.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

3.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

Note:

(a) In relation to supply and installation contracts including fitting-out works, alteration and addition and construction work previously accounted under HKAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. MOP66,178,000 and MOP5,507,000 of amounts due from customers for contract work and the retention receivables included in trade and other receivables for those contracts not completed as at 1 January 2018 were reclassified to contract assets, while MOP1,632,000 of amounts due to customers for contract work were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported MOP'000	Adjustments MOP'000	Amounts without application of HKFRS 15 MOP'000
Impact on the condensed consolidated statement of financial position			
Current assets			
Trade and other receivables	44,220	6,178	50,398
Contract assets	95,484	(95,484)	–
Amounts due from customers for contract work	–	89,306	89,306
Current liabilities			
Contract liabilities	2,169	(2,169)	–
Amounts due to customers for contract work	–	2,169	2,169

The application of HKFRS 15 has no impact to the condensed consolidated statement of profit or loss and other comprehensive income, net cash flow from/(used in) operating, investing and financing activities on the condensed consolidated statement of cash flows for the current interim period.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and contract assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Group's financial assets are subsequently measured at amortised cost.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, retention receivables, other receivables, contract assets, amount due from a director/ultimate holding company/a related party, pledged bank deposit and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, retention receivables, contract assets and amount due from a related party. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, retention receivables, contract assets and amount due from a related party where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

3.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	**Amortised cost (previously classified as loans and receivables)** MOP'000	**Contract assets** MOP'000	**Financial liabilities at amortised cost** MOP'000	**Accumulated profits** MOP'000
At 31 December 2017 - HKAS 39		199,970	-	(153,285)	90,683
Effect arising from initial application of HKFRS 15		(5,507)	71,685	-	-
Effect arising from initial application of HKFRS 9:					
Remeasurement					
Impairment under ECL model	(a)	(214)	(132)	-	(346)
At 1 January 2018		194,249	71,553	(153,285)	90,337

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

3.2.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

Note:

(a) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables, retention receivables, contract assets and amount due from a related party. To measure the ECL, trade receivables, retention receivable, contract assets and amount due from a related party with significant balances have been assessed individually. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, amount(s) due from a director/ultimate holding company, pledged bank deposits and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of MOP346,000 has been recognised against accumulated profits. The additional loss allowance is charged against the respective asset.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

3.2.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

All loss allowances for financial assets including trade receivables, retention receivables, contract assets and amount due from a related party as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Contract assets	Trade receivables	Retention receivable	Amount due from a related party	Total
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
At 31 December 2017 – HKAS 39	–	2,172	–	–	2,172
Amounts remeasured through opening accumulated profits	132	141	59	14	346
At 1 January 2018	132	2,313	59	14	2,518

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	31 December 2017 MOP'000 (audited)	HKFRS 15 MOP'000	HKFRS 9 MOP'000	1 January 2018 MOP'000 (restated)
Non-current assets (with no adjustments)	88,766	–	–	88,766
Current assets				
Trade and other receivables	86,654	(5,507)	(200)	80,947
Contract assets	–	71,685	(132)	71,553
Amounts due from customers for contract work	66,178	(66,178)	–	–
Amount due from a director	488	–	–	488
Amount due from ultimate holding company	1	–	–	1
Amount due from a related party	17,922	–	(14)	17,908
Pledged bank deposits	9,538	–	–	9,538
Bank balances and cash	100,964	–	–	100,964
	281,745	–	(346)	281,399
Current liabilities				
Contract liabilities	–	1,632	–	1,632
Amounts due to customers for contract work	1,632	(1,632)	–	–
Others with no adjustments	173,661	–	–	173,661
	175,293	–	–	175,293
Net current assets	106,452	–	(346)	106,106
Total assets less current liabilities	195,218	–	(346)	194,872
Capital and reserves				
Share capital	4,120	–	–	4,120
Reserves	191,098	–	(346)	190,752
Total Equity	195,218	–	(346)	194,872

4A. REVENUE

Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer.

For the six months ended 30 June 2018

	Fitting-out, alteration and addition works MOP'000 (unaudited)	Construction works MOP'000 (unaudited)	Repair and maintenance services MOP'000 (unaudited)	Total MOP'000 (unaudited)
Geographical markets				
Macau	33,459	2,609	1,180	37,248
Hong Kong	33,957	–	–	33,957
Total	67,416	2,609	1,180	71,205

4B. SEGMENT INFORMATION

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

For the six months ended 30 June 2018

	Fitting-out, alteration and addition works MOP'000 (unaudited)	Construction works MOP'000 (unaudited)	Repair and maintenance services MOP'000 (unaudited)	Total MOP'000 (unaudited)
Segment revenue – external	67,416	2,609	1,180	71,205
Segment results	12,216	(2,972)	584	9,828
Corporate expenses				(18,355)
Other income, gains and losses				4
Finance costs				(1,384)
Loss before taxation				(9,907)

4B. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2017

	Fitting-out, alteration and addition works MOP'000 (unaudited)	Construction works MOP'000 (unaudited)	Repair and maintenance services MOP'000 (unaudited)	Total MOP'000 (unaudited)
Segment revenue – external	88,392	22,437	1,406	112,235
Segment results	24,239	5,412	767	30,418
Corporate expenses				(15,702)
Other income, gains and losses				149
Listing expenses				(3,013)
Finance costs				(1,380)
Profit before taxation				10,472

5. INCOME TAX CREDIT

	Six months ended 30 June	
	2018 MOP'000 (unaudited)	2017 MOP'000 (unaudited)
The income tax credit comprises:		
Macau Complementary Tax		
– current period	-	(2,096)
– overprovision in prior years	-	2,187
	-	91

Macau Complementary Tax was calculated at 12% of the estimated assessable profits exceeding MOP600,000 during the six months ended 30 June 2017. No Macau Complementary Tax is provided for six months ended 30 June 2018 as the Group had incurred a tax loss during the six months ended 30 June 2018.

No Hong Kong Profits Tax was provided for both periods as the Group had incurred tax loss for both periods.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	MOP'000	MOP'000
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Net exchange loss (gain)	**605**	(3)
Bank interest income	**(975)**	(6)
Donation	**38**	1,030
Depreciation of property, plant and equipment	**1,185**	241
Provision of loss allowance	**954**	–
Written back of provision of doubtful debts	**(388)**	–
Directors' emoluments		
– fees	**63**	–
– other emoluments	**2,704**	3,148
	2,767	3,148
Staff costs		
Gross staff costs (including directors' emoluments)	**21,785**	32,636
Less: Staff costs capitalised to contract costs	**(10,497)**	(20,835)
	11,288	11,801

7. DIVIDEND

No dividends were declared or paid by the Company during the six months ended 30 June 2018 and 2017.

8. (LOSS) EARNINGS PER SHARE

	Six months ended 30 June	
	2018	2017
	MOP'000	MOP'000
	(unaudited)	(unaudited)
(Loss) earnings:		
(Loss) earnings for the purpose of basic earnings per share	**(9,907)**	10,563
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**400,000,000**	377,900,552

The calculation of the basic (loss) earnings for the period are based on the consolidated (loss) profit attributable to owners of the Company and on the weighted average number of ordinary shares in issue during the six months ended 30 June 2018 of 400,000,000 (six months ended 30 June 2017: 377,900,552 on the assumption that the Reorganisation and the capitalisation issue as detailed in Note 16(d) had been completed on 1 January 2017).

No diluted (loss) earnings per share is presented as there was no dilutive potential ordinary shares outstanding during the six months ended 30 June 2018 and 2017.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the capital expenditure for acquisition of property, plant and equipment was approximately MOP808,000 (six months ended 30 June 2017: MOP8,644,000). During the six months ended 30 June 2017, construction in progress of MOP80,513,000 was completed of which MOP71,911,000 and MOP8,602,000 were transferred to leasehold land and building and leasehold improvements, respectively.

In addition, during the six months ended 30 June 2018, the Group transferred certain leasehold land and buildings with an aggregate carrying amount of MOP3,486,000 to investment properties, which were revalued at MOP26,780,000 (see note 10 for details) . The resulting revaluation surplus of MOP23,294,000 and the related deferred tax liabilities of MOP2,795,000 upon the transfer have been recognised in other comprehensive income and deferred tax liabilities, respectively.

10. INVESTMENT PROPERTIES

	Investment properties MOP'000
At 1 January 2018 (audited)	**-**
Transfer from property, plant and equipment (note 9)	**26,780**
At 30 June 2018 (unaudited)	**26,780**

The investment properties are all situated in Macau.

The fair values of the Group's investment properties at transfer dates and 30 June 2018 have been arrived at on the basis of valuations carried out by Jones Lang LaSalle Limited, a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations of investment properties were arrived at with adoption of the direct comparison approach by making reference to comparable market transactions as available in the relevant markets on completed investment properties, adjusted for a premium or discount specific to the quality of the Group's properties compared to the comparable market transactions.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
Trade receivables, net	**19,061**	49,605
Retention receivables, net *(Note)*	**10,654**	21,410
Other receivables, prepayment and deposits	**14,505**	15,639
Total trade and other receivables	**44,220**	86,654

Note: 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.

11. TRADE AND OTHER RECEIVABLES (Continued)

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.

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
1 – 30 days	**10,526**	31,638
31 – 60 days	**671**	1,662
61 – 90 days	**57**	3,690
Over 90 days	**7,807**	12,615
	19,061	49,605

Allowance for impairment

The movement in the allowance for impairment in respect of trade receivables during the current interim period was as follows.

	MOP'000
Balance at 1 January 2017 (audited)	**2,093**
Provision of loss allowance	**79**
Balance at 31 December 2017 (audited)	**2,172**
Adjustment	**141**
Balance at 1 January 2018 (restated)	**2,313**
Provision of loss allowance	**159**
Amounts written off	**(672)**
Written back of provision of doubtful debts	**(388)**
Balance at 30 June 2018 (unaudited)	**1,412**

11. TRADE AND OTHER RECEIVABLES (Continued)

Retention receivables

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.

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
On demand or within one year	**10,582**	10,227
Over one year	**72**	11,183
	10,654	21,410

Allowance for impairment

The movement in the allowance for impairment in respect of retention receivables during the current interim period was as follows.

	MOP'000 (unaudited)
Balance at 1 January 2018*	**59**
Provision of loss allowance	**364**
Balance at 30 June 2018	**423**

* The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

12. CONTRACT ASSETS

	As at 30 June 2018 MOP'000 (unaudited)
Fitting-out, alternation and addition works	**86,047**
Construction works	**9,437**
	95,484

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date and retention receivables which are to be settled upon the expiry of the defects liability period. The contract assets are transferred to trade receivables when the rights become unconditional, i.e. when the Group bills the customer at the time the specified milestones are achieved and certified or upon expiry of defects liability period.

Allowance for impairment

The movement in the allowance for impairment in respect of contract assets during the current interim period was as follows.

	MOP'000 (unaudited)
Balance at 1 January 2018*	**132**
Provision of loss allowance	**246**
Balance at 30 June 2018	**378**

* The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

13. AMOUNT(S) DUE FROM (TO) A DIRECTOR/ULTIMATE HOLDING COMPANY/RELATED PARTIES

(a) Amount due from a director:

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
Non-trade nature		
– Mr. Lai Ieng Man	**569**	488

The balances are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

(b) Amount due from ultimate holding company

The ultimate holding company is SHK-Mac Capital Limited ("**SHKMCL**"). The balance is unsecured, non-interest bearing and repayable on demand.

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

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
Combo Restaurant Management Company Limited ("**Combo Restaurant**") (Notes a and b)	**(82)**	(67)
Treasure Lake Barbecue King Limited ("**Treasure Lake**") (Notes a and c)	**14,118**	17,922
	14,036	17,855
Analysed for reporting purposes as:		
Amount due from a related party	**14,118**	17,922
Amount due to a related party	**(82)**	(67)
	14,036	17,855

13. AMOUNT(S) DUE FROM (TO) A DIRECTOR/ULTIMATE HOLDING COMPANY/RELATED PARTIES (Continued)

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

Notes:

(a) The Controlling Shareholders 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:

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
1 – 30 days	**-**	8,961
31 – 60 days	**-**	8,961
181 – 360 days	**14,118**	–
	14,118	17,922

Allowance for impairment

The movement in the allowance for impairment in respect of amount due from a related party during the current interim period was as follows.

	MOP'000 (unaudited)
Balance at 1 January 2018*	**14**
Provision of loss allowance	**185**
Balance at 30 June 2018	**199**

* The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

14. 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.

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
Trade payables	**12,910**	44,265
Retention payables (Note)	**4,598**	3,822
Accruals and other payables	**15,232**	18,039
Total trade and other payables	**32,740**	66,126

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.

Trade payables

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

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
1 – 30 days	**3,855**	28,259
31 – 60 days	**1,590**	4,983
61 – 90 days	**976**	2,295
Over 90 days	**6,489**	8,728
	12,910	44,265

14. TRADE AND OTHER PAYABLES (Continued)

Retention payables

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.

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
On demand or within one year	**4,598**	3,822

15. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2018, the Group had repaid bank loans amounting to MOP1,954,000 (six months ended 30 June 2017: MOP15,887,000).

16. SHARE CAPITAL

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

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 January 2017	a	38,000,000	391
Increase in authorised share capital	b	962,000,000	9,909
At 30 June 2017, 1 January 2018 and 30 June 2018 (unaudited)		1,000,000,000	10,300
Issued:			
At 1 January 2017	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 30 June 2017, 1 January 2018 and 30 June 2018 (unaudited)		400,000,000	4,120

16. 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 cents) 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 cents) 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, 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.

17. 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 carparks and warehouses which fall due as follows:

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
Within one year	**562**	176
In the second to fifth year inclusive	**246**	–
	808	176

Leases are negotiated for lease terms ranging from one to two years (2017: one to three years) and rentals are fixed throughout the lease period.

17. OPERATING LEASE COMMITMENTS (Continued)

The Group as lessor

At the end of the reporting period, the Group had contracted with tenant for the next following future minimum lease payments under a non-cancellable operating lease, which fall due as follows:

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
Within one year	**912**	–
In the second to fifth year inclusive	**1,385**	–
	2,297	–

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

18. 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:

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
Investment properties	**26,780**	–
Leasehold land and buildings included in property, plant and equipment	**83,141**	87,495
Pledged bank deposits (Note)	**3,600**	9,538
	113,521	97,033

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.

19. PERFORMANCE BONDS

As at 30 June 2018, the Group has issued performance bonds in respect of fitting-out, alteration and addition works and construction works contracts through banks amounting to MOP3,600,000 (as at 31 December 2017: MOP12,418,000) which are secured by pledged bank deposits as disclosed in Note 18.

20. RELATED PARTY TRANSACTIONS

(a) Transactions

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

		Six months ended 30 June	
		2018	2017
		MOP'000	MOP'000
		(unaudited)	(unaudited)
Mr. Lai Ieng Man	Repair and maintenance services provided	**-**	1
Treasure Lake Greenfood Kitchen Catering Management Company Limited (note)	Fitting-out works provided	**-**	24
Treasure Lake (note)	Fitting-out works provided	**232**	-
Combo Restaurant (note)	Food and beverage services received	**150**	149
	Rental income	**18**	18

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

(b) Balances

Details of the balances with related parties are set out in the condensed consolidated statement of financial position and Note 13.

21. 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 condensed 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 condensed consolidated financial statements. The Controlling Shareholders have undertaken to indemnify the Group against all losses and liabilities arising from the above proceedings.