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Lai Si Construction

Lai Si Enterprise Holding Limited

黎氏企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2266)

INTERIM RESULTS ANNOUNCEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

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

	For the six months ended 30 June		Percentage increase/
	2017	2016	(decrease)
	(Unaudited)	(Unaudited)	
Revenue	112,235	107,576	4.3%
Gross profit	33,855	29,484	14.8%
Gross profit margin	30.2%	27.4%	2.8%
Profit attributable to owners of the Company (excluding listing expenses)	13,576	16,388	(17.2%)
Listing expenses	3,013	6,436	(53.2%)
Profit attributable to owners of the Company	10,563	9,952	6.1%
Basic earnings per share (<i>MOP cents</i>)	2.8	3.3	(15.2%)
	As at	As at	Percentage
	30 June	31 December	increase
	2017	2016	
	(Unaudited)	(Audited)	
Equity attributable to owners of the Company	187,696	67,624	177.6%

INTERIM DIVIDEND

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2017.

The board (the “**Board**”) of directors (the “**Directors**”) of Lai Si Enterprise Holding Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2017 together with the comparative figures for the corresponding six months ended 30 June 2016 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
	<i>NOTES</i>	2017	2016
		<i>MOP’000</i>	<i>MOP’000</i>
		(unaudited)	(unaudited)
Revenue	4	112,235	107,576
Cost of sales		(78,380)	(78,092)
Gross profit		33,855	29,484
Other income, gains and losses		149	(177)
Administrative expenses		(19,139)	(10,180)
Listing expenses		(3,013)	(6,436)
Finance costs		(1,380)	(1,043)
Profit before taxation		10,472	11,648
Income tax credit (expense)	5	91	(1,696)
Profit and total comprehensive income for the period attributable to owners of the Company	6	10,563	9,952
Earnings per share			
– basic (<i>MOP cents</i>)	8	2.8	3.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017

	<i>NOTES</i>	At 30 June 2017 <i>MOP'000</i> (unaudited)	At 31 December 2016 <i>MOP'000</i> (audited)
Non-Current Asset			
Property, plant and equipment	9	<u>84,961</u>	<u>76,558</u>
Current assets			
Trade and other receivables	10	108,298	94,038
Amounts due from directors	11(a)	31	41,508
Amount due from ultimate holding company	11(b)	1	1
Amounts due from customers for contract work		59,726	60,601
Pledged bank deposits		3,317	1,732
Bank balances and cash		<u>82,377</u>	<u>10,246</u>
		<u>253,750</u>	<u>208,126</u>
Current liabilities			
Trade and other payables	12	46,420	80,386
Amount due to a director	11(a)	–	667
Amount due to a related company	11(c)	16	–
Amounts due to customers for contract work		7,157	6,798
Tax payable		13,187	23,168
Bank overdrafts		1,649	7,568
Bank and other borrowings	13	<u>82,586</u>	<u>98,473</u>
		<u>151,015</u>	<u>217,060</u>
Net current assets (liabilities)		<u>102,735</u>	<u>(8,934)</u>
Total assets less current liabilities		<u>187,696</u>	<u>67,624</u>
Net assets		<u><u>187,696</u></u>	<u><u>67,624</u></u>
Capital and reserves			
Share capital	14	4,120	86
Reserves		<u>183,576</u>	<u>67,538</u>
		<u><u>187,696</u></u>	<u><u>67,624</u></u>

NOTES

1. GENERAL AND BASIS OF PREPARATION

Lai Si Enterprise Holding Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 1 June 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 10 February 2017.

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

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

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

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

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

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

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

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

On 7 June 2016, the business and the assets and liabilities of Construtor 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**”).

Construtor 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, Construtor 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 Construtor 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 Construtor 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. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. For the purpose of presenting the condensed consolidated financial statements of the entities comprising the Group for the year ended 31 December 2016 which is before the completion of the Reorganisation, the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as if the Reorganisation had been completed on 1 January 2016.

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 each of the six months ended 30 June 2016 and 30 June 2017 have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the six months period ended 30 June 2016 and 30 June 2017 or since the respective dates of incorporation, which is a shorter period.

The condensed consolidated statement of financial position of the Group as at 31 December 2016 has 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, taken into account the respective dates of incorporation.

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

The condensed consolidated financial statements have been prepared on the historical cost basis. Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements but additional disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

4. REVENUE AND SEGMENT INFORMATION

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.

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

For the six months ended 30 June 2017

	Fitting-out, alteration and addition works <i>MOP'000</i> (unaudited)	Construction works <i>MOP'000</i> (unaudited)	Repair and maintenance services <i>MOP'000</i> (unaudited)	Total <i>MOP'000</i> (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

For the six months ended 30 June 2016

	Fitting-out, alteration and addition works <i>MOP'000</i> (unaudited)	Construction works <i>MOP'000</i> (unaudited)	Repair and maintenance services <i>MOP'000</i> (unaudited)	Total <i>MOP'000</i> (unaudited)
Segment revenue – external	<u>105,869</u>	<u>631</u>	<u>1,076</u>	<u>107,576</u>
Segment results	<u>27,244</u>	<u>50</u>	<u>688</u>	27,982
Corporate expenses				(8,678)
Other income, gains and losses				(177)
Listing expenses				(6,436)
Finance costs				<u>(1,043)</u>
Profit before taxation				<u>11,648</u>

5. INCOME TAX CREDIT (EXPENSE)

	Six months ended 30 June	
	2017 <i>MOP'000</i> (unaudited)	2016 <i>MOP'000</i> (unaudited)
The income tax credit (expense) comprises:		
Macau Complementary Tax		
– current period	(2,096)	(1,696)
– over provision in prior years	<u>2,187</u>	<u>–</u>
	<u>91</u>	<u>(1,696)</u>

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

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

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	MOP'000	MOP'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Net exchange (gain) loss	(3)	2
Bank interest income	(6)	–
Donation	1,030	–
Depreciation of property, plant and equipment	241	239
Directors' emoluments		
– fees	–	–
– other emoluments	3,148	2,113
Staff costs		
Gross staff costs (including directors' emoluments)	32,636	29,036
Less: staff costs capitalised to contract costs	(20,835)	(22,399)
	<u>11,801</u>	<u>6,637</u>

7. DIVIDEND

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2017.

During the six months ended 30 June 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 this report.

8. EARNINGS PER SHARE

	Six months ended 30 June	
	2017	2016
	MOP'000	MOP'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purpose of basic earnings per share	<u>10,563</u>	<u>9,952</u>
	Six months ended 30 June	
	2017	2016
	MOP'000	MOP'000
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>377,900,552</u>	<u>300,000,000</u>

The calculation of the basic earnings per share for the periods was based on the consolidated 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 2017 of approximately 377,900,552 (30 June 2016: 300,000,000) on the assumption that the Reorganisation and the capitalisation issue as defined in note 14(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 six months ended 30 June 2017 and 2016.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the capital expenditure for acquisition of property, plant and equipment was approximately MOP8,644,000 (six months ended 30 June 2016: MOP103,000). 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 during the period.

10. TRADE AND OTHER RECEIVABLES/RETENTION RECEIVABLES

	At 30 June 2017 MOP'000 (unaudited)	At 31 December 2016 MOP'000 (audited)
Trade receivables	59,377	52,811
Retention receivables (<i>note</i>)	19,989	25,314
Deferred listing expenses	–	3,963
Other receivables, prepayment and deposits	28,932	11,950
Total trade and other receivables	108,298	94,038

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.

Trade receivables

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

	At 30 June 2017 MOP'000 (unaudited)	At 31 December 2016 MOP'000 (audited)
1 – 30 days	41,816	33,109
31 – 60 days	4,806	889
61 – 90 days	4,646	3,118
Over 90 days	8,109	15,695
	59,377	52,811

Retention receivables

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

	At 30 June 2017 MOP'000 (unaudited)	At 31 December 2016 MOP'000 (audited)
On demand or within one year	15,668	19,636
After one year	4,321	5,678
	<u>19,989</u>	<u>25,314</u>

11. AMOUNT(S) DUE FROM (TO) DIRECTORS/A RELATED COMPANY/ULTIMATE HOLDING COMPANY

(a) Amounts due from (to) directors:

	At 30 June 2017 MOP'000 (unaudited)	At 31 December 2016 MOP'000 (audited)
Non-trade nature		
– Mr. Lai Ieng Man	31	30,665
– Mr. Lai Ming San	–	3,850
– Ms. Lai Ieng Wai	–	(667)
	<u>31</u>	<u>33,848</u>
Trade nature		
– Mr. Lai Ieng Man	–	6,993
	<u>31</u>	<u>40,841</u>

Analysed for reporting purposes as:

Amounts due from directors	31	41,508
Amount due to a director	–	(667)
	<u>31</u>	<u>40,841</u>

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

The trade receivables due from Mr. Lai Ieng Man are repayable on demand with no fixed credit terms. The Group does not hold any collateral over this balance.

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

	At 30 June 2017 MOP'000 (unaudited)	At 31 December 2016 MOP'000 (audited)
Over 90 days	—	6,993

(b) Amount due from ultimate holding company:

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

(c) Amount due to a related company:

	At 30 June 2017 MOP'000 (unaudited)	At 31 December 2016 MOP'000 (audited)
Trade nature		
– Combo Restaurant Management Company Limited	16	—

A director of the Company has beneficial interest over the related company. The balance is trade in nature, unsecured, non-interest bearing and repayable on demand. The following is an aged analysis of the trade payable to the related company presented based on invoice dates at the end of each reporting period:

	At 30 June 2017 MOP'000 (unaudited)	At 31 December 2016 MOP'000 (audited)
1 – 30 days	16	—

12. 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 2017 MOP'000 (unaudited)	At 31 December 2016 MOP'000 (audited)
Trade payable	14,695	32,232
Retention payable (<i>note</i>)	2,670	3,293
Accruals and other payables	29,055	44,861
Total trade and other payables	46,420	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.

Trade payables

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

	At 30 June 2017 MOP'000 (unaudited)	At 31 December 2016 MOP'000 (audited)
1 – 30 days	3,007	7,545
31 – 60 days	841	5,121
61 – 90 days	1,192	6,577
Over 90 days	9,655	12,989
	14,695	32,232

Retention payables

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

	At 30 June 2017 MOP'000 (unaudited)	At 31 December 2016 MOP'000 (audited)
On demand or within one year	2,670	3,293

13. BANK AND OTHER BORROWINGS

During the current interim period, the Group had repaid bank loans amounting to MOP15,887,000.

14. SHARE CAPITAL

The share capital of the Group as at 1 January 2016 represents the combined share capital of Lai Si, Well Team and Lai Si (HK). The share capital of the Group as at 30 June 2016 and 31 December 2016 represents 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:

	<i>Notes</i>	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	<i>a</i>	38,000,000	391
Increase in authorised share capital	<i>b</i>	962,000,000	9,909
At 30 June 2017 (unaudited)		<u>1,000,000,000</u>	<u>10,300</u>
Issued:			
At 1 June 2016 (date of incorporation) to 31 December 2016	<i>a</i>	50,000	1
Issue of shares on offering	<i>c</i>	100,000,000	1,030
Issue pursuant to capitalisation issue	<i>d</i>	299,950,000	3,089
At 30 June 2017 (unaudited)		<u>400,000,000</u>	<u>4,120</u>

- 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 each were allotted, issued and fully paid to an initial subscriber.
- b. On 18 January 2017, shareholders' written resolutions 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 MOP10,030,000) by the creation of an additional 962,000,000 shares of HK\$0.01 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 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.

15. 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:

	At 30 June 2017 MOP'000 (unaudited)	At 31 December 2016 MOP'000 (audited)
Within one year	<u>149</u>	<u>175</u>

Leases are negotiated for lease terms of one year and rentals are fixed throughout the lease period.

16. 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 2017 MOP'000 (unaudited)	At 31 December 2016 MOP'000 (audited)
Leasehold land and buildings and construction in progress included in property, plant and equipment	84,063	75,501
Pledged bank deposits (<i>note</i>)	<u>3,317</u>	<u>1,732</u>
	<u>87,380</u>	<u>77,233</u>

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.

17. RELATED PARTY TRANSACTIONS

(a) Transactions

Save as disclosed in other notes, during the six months ended 30 June 2017, the Group entered into the following transactions with its related parties:

		Six months ended 30 June	
		2017	2016
		MOP'000	MOP'000
		(unaudited)	(unaudited)
Mr. Lai Ieng Man	Repair and maintenance services provided	1	41
Treasure Lake Greenfood Kitchen Catering Management Company Limited (<i>note</i>)	Fitting-out works provided	24	1,026
Combo Restaurant Management Company Limited (<i>note</i>)	Food and beverage services received	149	159
	Rental income	18	18

note: The Controlling Shareholders who are also directors of the Company have beneficial interest over the related companies.

(b) Balances

Details of the balances with related parties are set out in the condensed consolidated statement of financial position and Note 11.

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

As at 30 June 2016, 31 December 2016 and 30 June 2017, 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 extents of these facilities utilised by the Group as at 31 December 2016 and 30 June 2017 were MOP104,701,000 and MOP84,235,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On 10 February 2017 (the “**Listing Date**”), the Company’s shares (the “**Shares**”) were listed on the Main Board of the Stock Exchange when 100,000,000 Shares were offered for subscription at HK\$1.15 each.

The Group provides services of (i) fitting-out works as an integrated fitting-out contractor; (ii) construction works as a main contractor; and (iii) repair and maintenance services, mainly in Macau. According to the report prepared by Frost & Sullivan, an independent global market research company (the “**Frost & Sullivan Report**”), in terms of revenue, the Group was the second largest commercial fitting-out contractor in Macau in 2015, with market share of approximately 6.1%. During the six months ended 30 June 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 comprised (a) fitting-out works; (b) construction works; and (c) repair and maintenance services. During the six months ended 30 June 2017, the total value for the new fitting-out projects awarded to the Group, representing the aggregate awarded contract sum, amounted to approximately MOP29.2 million as compared to the six months 30 June 2016 of approximately MOP70.0 million. As at 30 June 2017, the Group had an aggregate value of backlog for fitting-out projects and construction projects of approximately MOP90.9 million as compared to approximately MOP97.2 million for the six months ended 30 June 2016.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group’s revenue during the six months ended 30 June 2017 and 2016 by business segments:

	Six months ended 30 June (Unaudited)			
	2017		2016	
	MOP’000	%	MOP’000	%
Fitting-out works	88,392	78.8	105,869	98.4
Construction works	22,437	20.0	631	0.6
Repair and maintenance works	1,406	1.2	1,076	1.0
Total	112,235	100.0	107,576	100.0

During the six months ended 30 June 2017, the Group’s revenue increased by approximately MOP4.7 million or 4.3%. The increase was attributable to increase in construction works which increased by approximately MOP21.8 million or 34.6 times and partly offset by the decrease in fitting-out works of approximately MOP17.5 million or 16.5%. The significant increase in revenue from construction works was because the Group undertook a few sizeable construction projects during the six months ended 30 June 2017.

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 2017 and 2016 by business segments:

	Six months ended 30 June (Unaudited)			
	2017		2016	
	<i>Gross profit</i>	<i>Gross profit</i>	<i>Gross profit</i>	<i>Gross profit</i>
	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>
	<i>MOP'000</i>	<i>%</i>	<i>MOP'000</i>	<i>%</i>
Fitting-out works	27,563	31.2	28,756	27.2
Construction works	5,516	24.6	38	6.0
Repair and maintenance works	776	55.2	690	64.1
Total/overall	33,855	30.2	29,484	27.4

During the six months ended 30 June 2017, the Group's gross profit increased by approximately MOP4.4 million or 14.8% from approximately MOP29.5 million for the six months ended 30 June 2016 to approximately MOP33.9 million for the six months ended 30 June 2017. The increase in gross profit was in line with the increase in revenue.

The Group's gross profit margin increased from approximately 27.4% for the six months ended 30 June 2016 to approximately 30.2% for the six months ended 30 June 2017. The increase in gross profit margin was mainly attributable to higher gross profit margin from fitting-out works.

Other income, gains and losses

The Group's other income and gains increased by approximately MOP0.3 million from approximately MOP0.2 million losses for the six months ended 30 June 2016 to approximately MOP0.1 million gains for the six months ended 30 June 2017. Such change was mainly attributable to decrease in provision for trade receivables of approximately MOP1.0 million and decrease in imputed interest income of approximately MOP0.7 million.

Administrative expenses

The Group's administrative expenses increased by approximately MOP8.9 million or 88.0% from approximately MOP10.2 million for the six months ended 30 June 2016 to approximately MOP19.1 million for the six months ended 30 June 2017. Such increase was mainly attributable to (a) increase in staff number and salaries to cope with business expansion; (b) increase in directors' remuneration; and (c) increase in charitable donation.

Listing expenses

The Group incurred listing expenses of approximately MOP3.0 million for the six months ended 30 June 2017 while the Group incurred listing expenses of approximately MOP6.4 million for the six months ended 30 June 2016.

Finance costs

The Group's finance costs increased by approximately MOP0.3 million or 32.3% from approximately MOP1.0 million for the six months ended 30 June 2016 to approximately MOP1.4 million for the six months ended 30 June 2017. Such increase was mainly attributable to net increase in bank borrowings of approximately MOP64.3 million for the six months ended 30 June 2017 as compared with the six months ended 30 June 2016.

Income tax (credit) expense

The Group generated income tax credit of MOP0.1 million for the six months ended 30 June 2017, while incurred income tax expense of MOP1.7 million for the six months ended 30 June 2016. The change was mainly attributable to the over provision of income tax in prior years of MOP2.2 million.

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

As a combined result of the above, the Group's profit and total comprehensive income for the period attributable to owners of the Company increased by approximately MOP0.6 million or 6.1% from approximately MOP10.0 million for the six months ended 30 June 2016 to approximately MOP10.6 million for the six months ended 30 June 2017.

Basic earnings per Share

The Company's basic earnings per Share for the six months ended 30 June 2017 was MOP2.8 cents (2016: MOP3.3 cents), representing a decrease of MOP0.5 cents or 15.2% which was due to the significant increase in administrative expenses for the six months ended 30 June 2017 when compared to the six months ended 30 June 2016.

Interim dividend

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 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 30 June 2017, the Group had net current assets of MOP102.7 million, increased by MOP111.6 million over the net current liabilities MOP8.9 million as recorded at 31 December 2016.

As at 30 June 2017, the Group had net bank balances and cash of MOP80.7 million (31 December 2016: MOP2.7 million), which comprised bank balances and cash of MOP82.3 million (31 December 2016: MOP10.3 million) and bank overdrafts of MOP1.6 million (31 December 2016: MOP7.6 million).

As at 30 June 2017, the Group had an aggregate of pledged bank deposits of MOP3.3 million (31 December 2016: MOP1.7 million) that were used to secure banking facilities.

As at 30 June 2017, bank and other borrowings amounted to MOP82.6 million (31 December 2016: MOP98.5 million) of which MOP22.0 million, MOP3.9 million, MOP12.3 million and MOP44.4 million (31 December 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. 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 2017 (which were also equal to contracted interest rates) ranged from 2.6% to 4.5% (31 December 2016: 2.6% to 4.5%).

The Group continued to maintain a healthy liquidity position. As at 30 June 2017, the Group's current assets and current liabilities were MOP253.7 million (31 December 2016: MOP208.1 million) and MOP151.0 million (31 December 2016: MOP217.0 million), respectively. The Group's current ratio as at 30 June 2017 increased to 1.7 (31 December 2016: 1.0) mainly arising from the receipt of proceeds from the share offer of the Shares after the listing on the Stock Exchange. The Group has maintained sufficient liquid assets to finance its operations.

The Group's gearing ratio, calculated by dividing total debts (including bank and other borrowings) with total equity, was 0.4 as at 30 June 2017 (31 December 2016: 1.6). The decrease was primarily due to receipt of proceeds from the share offer of the Shares after the listing on the Stock Exchange.

As at 30 June 2017, the share capital and equity attributable to owners of the Company amounted to MOP4.1 million and MOP183.6 million, respectively (31 December 2016: MOP86,000 and MOP67.6 million, respectively).

Charge on the Group's assets

As at 30 June 2017, the leasehold land and building, construction in progress and pledged bank deposits pledged to secure certain borrowings granted to the Group amounted to MOP84.1 million, nil and MOP3.3 million (31 December 2016: MOP18.3 million, MOP54.2 million and MOP1.7 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.

Up to the date of this announcement, 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 SHKMCL have undertaken to indemnify the Group against all losses and liabilities arising from the above proceedings.

As at 30 June 2017, the Group had operating lease commitments of MOP149,000 (31 December 2016: MOP175,000).

As at 30 June 2017, the Group did not have any capital commitments (31 December 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 RMB. The Directors consider that the Group’s exposure to foreign currency exchange risk is insignificant as the majority of the Group’s transactions are denominated in the functional currency of each individual group entity.

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

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 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. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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

The Group is exposed to concentration of credit risk as at 30 June 2017 on trade and retention receivables from the Group's five major customers amounting to approximately MOP56.2 million (31 December 2016: MOP61.5 million) and accounted for approximately 70.8% (31 December 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.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events after 30 June 2017 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the total number of full-time employees of the Group was 164 (31 December 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 MOP32.6 million for the six months ended 30 June 2017 (2016: MOP29.0 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. Since the listing of the shares of Company, 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 from the Share Offer

	Net proceeds (HK\$ million)		
	Available	Utilised	Unutilised
Finance fitting-out projects in Macau	49.4	8.0	41.4
Finance construction projects in Macau	17.9	–	17.9
Finance the start-up costs of fitting-out business in Hong Kong	9.0	3.0	6.0
Hire additional staff for the Group's business operation	4.5	1.0	3.5
General working capital	9.0	8.0	1.0
	<u>89.8</u>	<u>20.0</u>	<u>69.8</u>

As at 30 June 2017, the unutilised net proceeds from the Share Offer were deposited in the bank accounts of the Group.

PROSPECTS AND STRATEGIES

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

According to the Frost & Sullivan Report, the fitting-out market in Macau is expected to have a modest growth at a compounded annual growth rate (“CAGR”) of approximately 12.4% over the period from 2015 to 2020, and achieve approximately MOP11,539.3 million in the year of 2020 due to the completion of the Hong Kong – Zhuhai – Macau Bridge which is expected to promote tourism in Macau in the coming years. Besides, it is an industry norm that a commercial construction project refurbishes its interior decoration every three to five years, which indicates a stimulus that many hotels, retail stores and offices, which were built from 2010 to 2014, are to be renovated from 2015 to 2020.

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

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

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

INTERIM DIVIDEND

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2017.

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

During the period from the Listing Date to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

During the period from the Listing Date to the date of this announcement, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The CG Code is not applicable to the Company before the Listing Date.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions (the “**Securities Dealing Code**”). Specific enquiry has been made with all the Directors and all of them confirmed that they have complied with the Model Code and the Securities Dealing Code since the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 18 January 2017 in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely, Mr. Chan Chun Sing, Mr. Chan Iok Chun and Mr. Mak Heng Ip. Mr. Chan Chun Sing is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Company the accounting principles and policies adopted by the Group, and the financial information of the Group and the unaudited interim results announcement of the Company for the six months ended 30 June 2017.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The interim results for the six months ended 30 June 2017 is unaudited, but has been reviewed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, 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 HKICPA, whose unmodified review report will be included in the interim report to be sent to the shareholders of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is available on the respective websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company’s website (www.lai-si.com). The interim report of the Company for the six months ended 30 June 2017 containing all the information required by the Listing Rules will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company and despatched to the shareholders of the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners and other professional parties for their support during the six months ended 30 June 2017.

By order of the Board
Lai Si Enterprise Holding Limited
LAI Ieng Man
Executive Director and Chairman

Macau, 29 August 2017

As at the date of this announcement, the executive directors of the Company are Mr. LAI Ieng Man, Mr. LAI Meng San, Ms. LAI Ieng Wai and Ms. CHEONG Weng Si, and the independent non-executive directors of the Company are Mr. CHAN Chun Sing, Mr. CHAN Iok Chun and Mr. MAK Heng Ip.